

Managing & Improving Performance

Presentation for Line Managers

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Presentation aims:

By the end of this presentation, you will:

- Understand the concept of High Performance Working (HPW) and its benefits to the individual and organisation in which they work
- Understand how the Performance Management Process contributes to high levels of performance
- Understand your role as Line Managers in the Performance Management Process.

Read through presentation aims

Contents:

- High Performance Working (HPW)
- The link between HPW, Competitive Advantage & Organisation Performance
- The link between HPW & Employee Wellbeing
- The Performance Management Cycle
- The contribution of Performance Management Activities
- The role of Line Managers in Performance Management
- HR and Line Manager Collaborative Approach
- Summary

Read through contents page

High Performance Working (HPW)

- HPW is the process of improving performance through *people*, often facilitated through **High Performance**

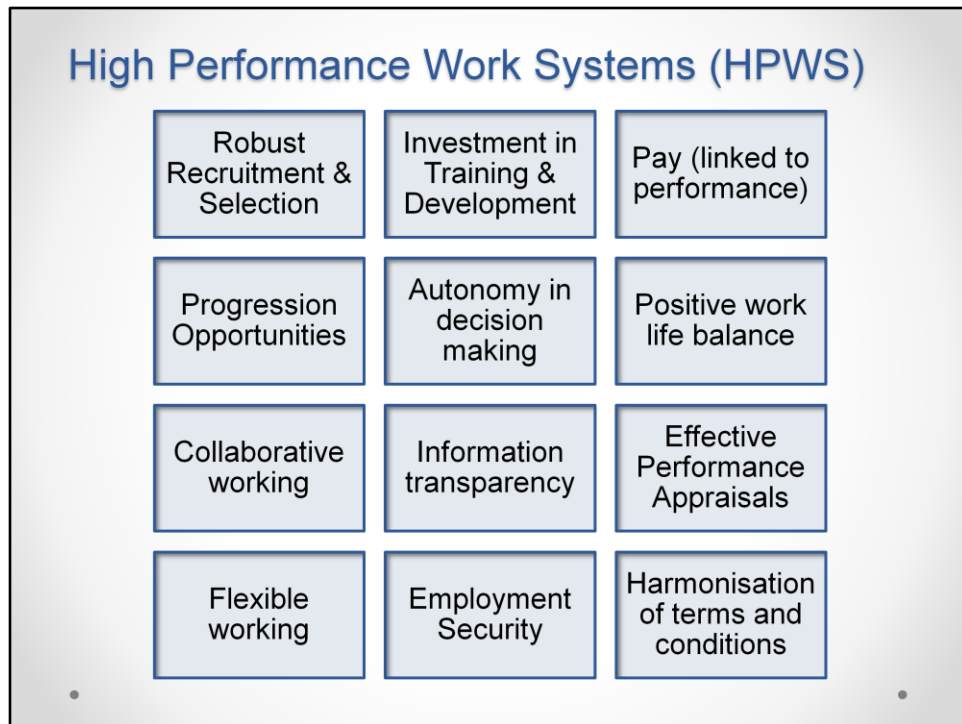
Work Systems (HPWS)

(Armstrong, 2018)

- HPWS is “*an internally consistent and coherent HRM system that is focused on solving operational problems and implementing the firm’s competitive strategy*”

(Becker & Huselid, 1998 cited in Armstrong, M., 2018, p.152)

Read through definitions on this slide.



HPWS are mainly described as 'bundles' of equally strong HRM Policies and Processes, introduced into an organisation at the same time. Please take a moment to consider this slide which highlights a number of those practices most likely to promote employee commitment and involvement (Taylor, 2016).

Considered recruitment and selection processes ensure the right people are taken on (Kew & Stredwick, 2016). *Google* invests considerable time into recruitment, operating an exclusive screening process that doesn't negotiate on quality. *Google* is specific about what it wants and is not afraid to be innovative to attract the best people (Brock, 2015).

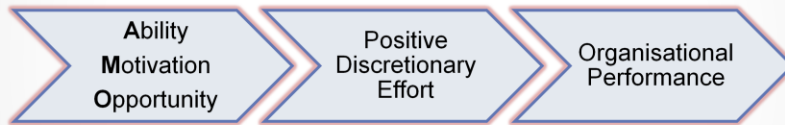
'Extensive Training and Development' promotes a learning culture and encourages employees to undertake different types of learning.

Wickens (1987, cited in Kew & Stredwick, 2016) discuss how 'Harmonisation of Terms and Conditions' was evidenced at Nissan in Sunderland where staff at all levels used the same canteen, had the same holiday entitlement and wore the same overalls.

Employees felt it demonstrated a 'one team' spirit that led to collaborative working at all levels.

HPW, Competitive Advantage & Organisational Performance

- Companies operating a 'bundle' of best practice policies have a competitive advantage (Pfeffer, 1994)
- HPW results in lower turnover, higher market value and higher profits (Huselid, 1995)
- Purcell et al. (2003) attempts to establish the link in the 'Black Box' studies



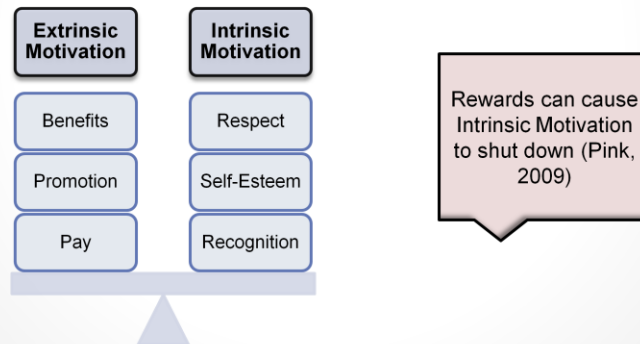
- An Organisation's '**Big Idea**' and '**Effective Line Management**' influences satisfaction, motivation, effort and performance.
- Most influential HRM policies were '**Career Opportunities**', '**Job Influence**', '**Involvement in Decision Making**' and '**Having Respectful Leaders**'

Pfeffer (1994; 1998; cited in Taylor, 2016) discussed how most successful companies operated HPWS giving them a competitive advantage. Huselid (1995, cited in Taylor, 2016) found more sophisticated HR practices equated to lower attrition rates, higher market value and enhanced profits. HPWS have been criticised for not considering external factors and assumes that employers are able to take a long term perspective of their business and HR strategies (Farnham, 2015).

What links HR Policies and Practices and Improved Performance is often referred to as the 'Black Box'. The Black Box studies are conducted within the Ability, Motivation and Opportunity model. The framework suggests that HR practices improve performance by developing employee capability, enhancing motivation for discretionary effort, and providing opportunities to put these into practice (Hutchinson, 2013). The Black Box studies found that one of the main influences linking HR to improved performance is the concept of an Organisation's 'Big Idea' where values are clear, transparent and embedded in policies and practices. It was also evident that Line Managers are vital to effective implementation and embedding of the policies. The policies listed on this slide were found to be the most influential (Purcell et al, 2003). Gallup discusses that improving employee benefits is a positive move but it won't increase productivity, the Line Manager is the only person that can make that change (Clifton & Harter, 2019). At Google, Managers are encouraged to give their employees slightly more autonomy than they are comfortable with (Brock, 2015).

Motivation at Work

- Herzberg's Two Factor Theory describes Company Policies, Salary and Work Conditions as 'Hygiene Factors'
- For team **motivation** focus on enhancing 'Achievement', 'Recognition' and 'Growth'
- Taylor (1911) – 'Scientific Management' – belief that individuals are motivated by earning as much money as possible.



Herzberg's two factor theory describes the characteristics associated with job dissatisfaction as 'hygiene factors' and proposes that to motivate a team it's important to focus on enhancing the satisfaction factors (Mindtools, 2007). This is very different to the early ideas on work motivation dating back to Taylor (1911, cited in Hutchinson, 2013) around the concept that people are driven by money. Motivation at work is often described as 'Intrinsic' or 'Extrinsic'. Extrinsic motivation comes from an expectation of receiving extrinsic rewards such as pay or promotion, whereas intrinsic motivation is centred on receiving psychological rewards which often comes from the job itself (Hutchinson, 2013). Dan Pink (cited in Ted, 2009) suggests that extrinsic motivators such as rewards can destroy creativity and that high Performance is linked to autonomy and the drive to do things because they matter.

HPW and Employee Wellbeing



- *Netflix* hire exceptional people to work alongside its existing staff
- *Google* allow 20% of working week for projects, have a mission that matters, share information and give employees a voice
- The American Institute of Stress, 2011 found 52% of managers were more likely to die early due to stress.
- Wellbeing Culture + Strong People Managers = Productive, Happy Workforce (CIPD, 2020)

Peccai et al (2013, cited in Armstrong & Brown, 2019) discuss how HPWS lead to enhanced autonomy resulting in better working conditions where employees work harder to demonstrate their gratitude which results in higher performance. Netflix recruit exceptional performers to work alongside employees to influence their wellbeing as recruiting people who support the concept of a high performance workplace, will ensure others follow the same path (McCord, 2014). Google give its people freedom to shape their own work and focus 20% of their time on other projects. Google believes its culture of being a great place to work is built around having a mission that matters, sharing information and giving employees a voice which impacts positively on wellbeing (Bock, 2015).

It is also argued that HPWS can lead to work intensification and stress (White et al, 2003; Ramsey et al, 2000; Marchington and Grugulis, 2000, cited in Hutchinson, 2013). In 2011, the American Institute of Stress conducted a study on Managers and Executives and found they were 52% more likely to die earlier than their colleagues due to stress related issues; claiming the poorer the leader, the higher the stress levels (Eades, 2020).

Boxall & McKay (2014) found that HPWS are associated with a better work life balance (Boxall & McKay, 2014). CIPD (2020) argue that a well-being culture, led by strong people managers results in a more productive, happier workplace.

‘Performance Management’ definitions

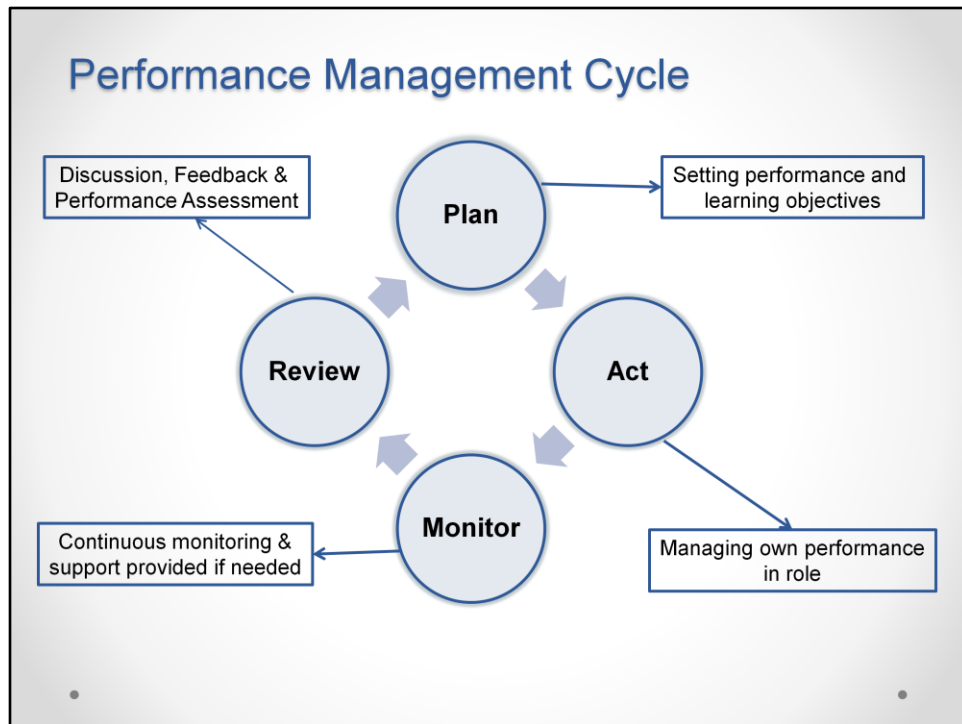
“Performance Management is a broad set of activities aimed at improving employee performance”

(DeNisi and Pritchard, 2008, cited in Armstrong, 2018, p.01)

“a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organisation”

(Agunis, 2009, cited in Hutchinson, 2013, p. 26)

This slide gives you some ‘Performance Management’ definitions.



Performance management is the process of improving performance; starting with the 'Plan' of how to achieve; looking at the job, setting objectives and agreeing of development plans (Armstrong, 2016). Objectives need to be relevant to the overall purpose of the job, team and organisation (CIPD, 2019). 'Act' is next which refers to individuals managing their own performance with guidance from their Manager. The third stage is 'Monitor' which is the ongoing monitoring of outcomes against plans, support being initiated where needed and regular feedback / recognition provided. Objectives are updated and continuous learning occurs on the job or through coaching. Attention is given to underperformers to ensure improvements can be made in time. 'Review' is the final stage which should be a continuous process. This includes discussion, feedback and rating performance. The outcome is conveyed in a performance appraisal. If there is a performance pay scheme, ratings will inform decisions on the amount paid (Armstrong, 2016). Where this approach is used, performance management is always considered (CIPD, 2019).

A number of organisations have revised their Performance Management approach. The importance of ongoing performance conversations has been helpful; however the concept of employees needing to be involved in the setting of their own objectives has been challenged. Employees need to be committed but not involved in their creation (CIPD, 2017)

'Performance Management' Theories

Goal Theory	Goals are linked to performance outcomes; focusing on importance, stimulating effort and encouraging improved knowledge and skill to enhance opportunity of success (Latham & Locke, 1979, cited in Armstrong, 2018)
Control Theory	Feedback shapes behaviour and ensures individuals are aware of what they should be doing (Kluger & DeNisi, 1996, cited in Armstrong, 2018)
Social Learning Theory	Reinforcement influences future behaviour and highlights the significance of internal factors linked to the values of goals and an individual's ability to achieve them (Bandura, 1977, cited in Armstrong, 2018)

Performance Management practice is underpinned and explained by theories. Please take a look at this slide which explains some of these theories.

Evaluation of Performance Management

Positives

- More productive workforce
- Recognition
- Increased discretionary effort
- Enhanced engagement
- Increased learning opportunities
- 360 degree feedback minimises bias & enhances self awareness

Negatives

- Focusing on two different areas at the same time
- Manager discretion
- Increased bias
- Are SMART objectives realistic?
- Alienates talented employees

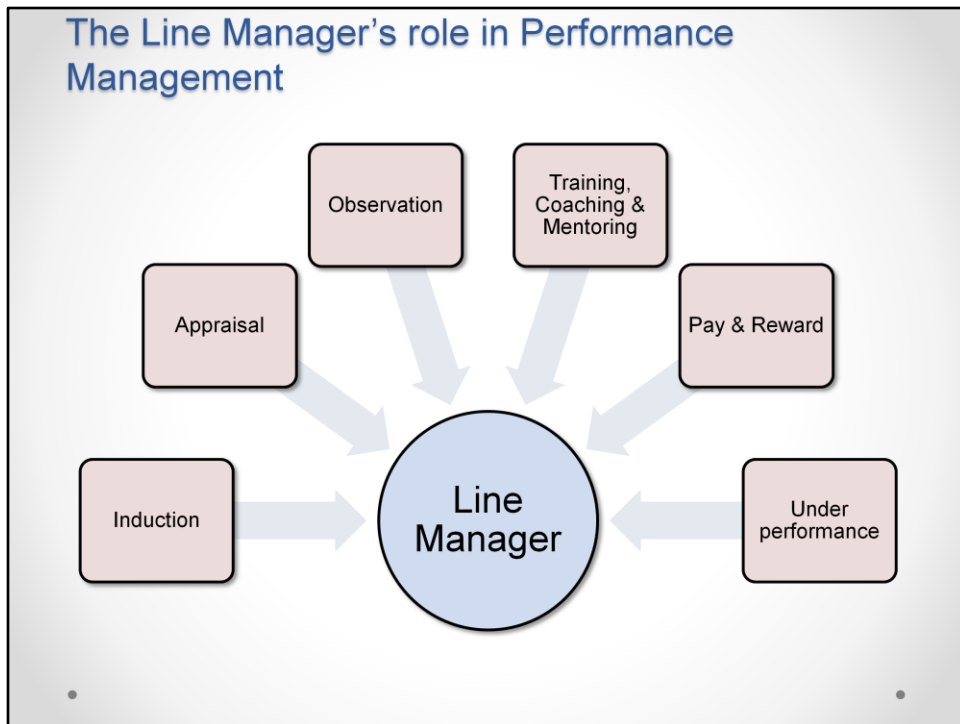
Bloom et al (2012, cited in Taylor, 2016) found that on average organisations were 23% more productive when they operated a formal performance management process. It allows for recognition of achievements. Recognition is a powerful form of reward, encouraging discretionary effort. Engagement increases when colleagues are provided with opportunities to learn and progress (Armstrong, 2018).

The performance appraisal process has been criticised for attempting to gauge an employee's past performance whilst focusing on their future development at the same time. Colleagues may not wish to discuss areas of weakness when attempting to highlight strengths (Taylor, 2016). At Google they always ensure to split reward conversations from development conversations (Bock, 2015). Longenecker et al (1987, cited in Taylor, 2016) discusses how managerial discretion can lead to inaccurate appraisal ratings. Google use a calibration process to avoid bias. Line Managers review their employees collectively and agree on a fair rating (Bock, 2015). To reduce bias at Facebook, peers write evaluations promoting openness and transparency (Goler et al, 2016).

The relevance of SMART objectives has been questioned with continuous shifting of organisational priorities. It could be detrimental to performance if an individual is working tirelessly to achieve an objective that becomes no longer relevant (Taylor, 2016). However, if objectives are continuously changing it can become challenging to align them to organisational strategy (Cappelli & Tavis, 2016). Gifford (2016) discusses how goal setting needs to be about enhancing performance; not distracting away from performance whilst feedback makes the difference of a positive impact,

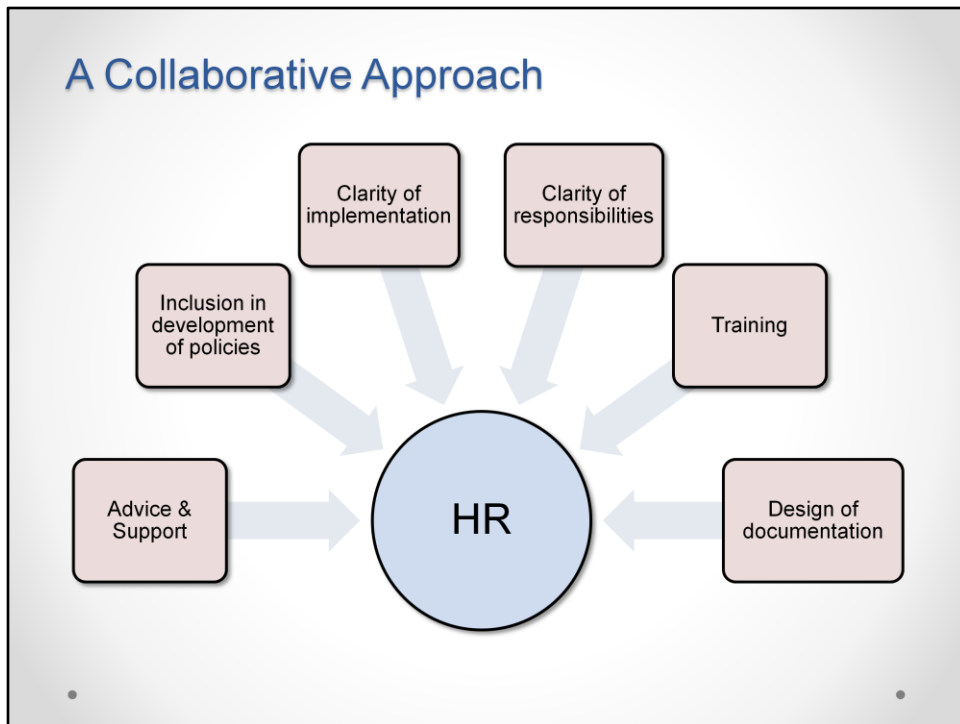
negative impact or no impact.

Some suggest that traditional performance management has become irrelevant to improving performance and can isolate talented employees. Schrage et al (2019) discuss how the future of performance management will be more driven by data, agile and focused on learning, skills and teams. Kelly Services was the first large professional services organisation to eliminate appraisals in 2011 with Deloitte following 4 years later (Cappelli & Tavis, 2016). Baker (2013, cited in Taylor, 2016) suggests that an alternative to the annual appraisal should be five separate conversations every 6 months about a different aspect of performance management. Many organisations use 360 degree feedback to support Managers to enhance performance through their Manager, Peers and subordinates providing feedback. The Feedback project (2001, cited in Armstrong, 2018) states that it enhances self-awareness, increases understanding of behaviours required to improve and focuses development activities. As part of an appraisal, it minimises bias as it widens opinion. The E-Reward 2014 Performance Management survey evidences that organisations are focusing less on form filling and facilitating more ongoing performance management discussions. Many have removed the need for a performance rating and are focused on having more qualitative developmental discussions (Armstrong, 2017). GAP has initiated quarterly short term targets and is much more satisfied with the effectiveness of its performance process (Cappelli & Tavis, 2016).



It's argued that developing Managers' capability to manage performance is more effective than relying on a performance management system (Armstrong, 2018). Line Managers heavily influence employee attitudes and performance related behaviours and are now involved in many formal and informal performance management tasks. This includes operational responsibility for induction of staff. Line managers also have a key role in the performance appraisal process including observation and assessment. Identifying training needs, coaching and mentoring also forms part of the performance improvement process. Line Managers are also expected to make decisions about pay and reward and deal with underperformance (Hutchinson, 2013).

As you know, Line Managers' workloads are significant and having to make decisions on what work to prioritise is common. Potentially as Line Managers you may feel that you need further development in order to increase your knowledge to be able to carry out performance management activities effectively. How well you feel supported in performance management will also have an impact on how effective the processes are carried out. The key to enabling effective performance management is to ensure the relationship between the Line Manager and HR is working effectively (Hutchinson, 2013).



Hutchinson (2013) states that Organisations must invest in their line managers and ensure they are supported and work collaboratively with HR specialists.

Gilbert et al, (2011) & Hutchinson & Purcell, (2007, 2010, cited in Hutchinson, 2013) discuss that the HR function can support Line Managers by providing advice and support; including them in the development of policies and procedures and providing clarity on their implementation. There needs to be clarity on what duties sit within their responsibility. HR needs to provide training so that Line Managers have the skills, knowledge and confidence to be effective in their roles (Hutchinson, 2013). HR should support with the design of appraisal documentation and train Line Managers to carry out effective appraisals. A poorly conducted appraisal can have an adverse effect on motivation, job satisfaction, commitment and trust (Taylor, 2016).

A favourable Performance Management approach is the 'strengths' based approach; focusing on what the individual does well and how they do it, to identify how they can adopt this approach in other aspects of their work (CIPD, 2017). Gifford (2017) discusses research into training interventions for Managers designed to make performance conversations more strengths based. It found that to 'improve performance' the most effective intervention is an extensive holistic approach to ensure colleagues felt supported in their learning and development.

Summary

- Successful organisations operate effective **formal performance management systems**, alongside **HPWS**
- Line Managers facilitate these using an **employee-centred approach**
- This needs to be sustained to create a **High Performance Culture**
- Leaders maintain **engagement** and **motivation** by adopting a culture of **trust** and **autonomy**
- As Leaders, be **innovative**
- Focus on **building great teams** as great teams achieve great work!

The key things to take away from this presentation are in 'bold' on this slide. Organisations are most likely to maximise their performance and achieve their objectives when they operate effective formal performance management systems alongside HPWS. These are delivered by Line Managers using an employee centred approach. This needs to be sustained and embedded over a period of time to create a performance of high culture. Leaders within the organisation adopt a culture of trust and autonomy whilst promoting positivity to maintain engagement and motivation (Armstrong, 2016).

Organisations like Google and Netflix are innovative in their approaches. Netflix believe in having honest conversations, offer autonomy for their staff and trust their people to do what is right. Leaders own the job of creating the company culture and their one job is to build great teams as great teams achieve great work (McCord, 2014).

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