

Understanding the Link Between Individual and Organisational Performance

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High Performance Working

- No fixed definition of High Performance Working
- A collection of systems and practises
- A 'bundle' of HRM policies (Taylor, 2016)
- Practices that promote employee competence (Datta et al, 2005)

It should be noted that there is still significant ambiguity on the definition of high performance working. Even the name of this sphere takes many guises, high performance organisations, high performance working practices and high performance working systems being but a few.

High performance working (HPW) cannot be defined as a tangible article; rather, it should be viewed as a collection of systems and practises. Belt & Giles (2009) define it as a n approach that stimulates effective employee engagement. Taylor (2016) summarises well by describing High Performance Working Systems as a 'bundle' of human resource management policies. Garman et al (2011) expand further by defining high performance work practices as ones that improve capacity to recruit, develop and retain high-performing personnel. Datta et al (2005) define HPW systems as practices that promote employee competence.

Case Study



There are many other key components that will be explored further throughout this presentation. The CIPD (Tamkin, 2004) define the components as: a tailored vision, momentum-driven leadership, devolved decision-making, cultures of trust and effective relationships with stakeholders.

Components of High Performance Working

- Judicious recruitment
- Vision
- Leadership
- Devolved decision-making
- 'Trust cultures'
- Effective stakeholder relationships

Components of High Performance Working Systems

- Judicious recruitment and selection
- Coaching and mentoring of Line Managers

One component of high performance working is having a judicious recruitment and selection process. In this context, a high performance working system could be where an organisations measures its recruitment to vacancies against its turnover of staff in specific roles (Wood et al, 2013).

Similarly, another component of high performance working is the coaching and mentoring of line managers. Organisations are beginning to understand that managers are a key catalyst in engaging employees (Abdallah, 2013). A study noted in *Personnel Today* (Webber, 2021) displayed how employees who trusted their managers had greater levels of productivity. This demonstrates how organisations should invest in developing leaders in order to improve performance.

HPW & Organisational Performance

- A system of advantages that forms an organisation's identity
- Strong links between competitive advantage and company performance

Organisations that have a competitive advantage is essentially an advantage (or a system of advantages) that an organisation has over its' competitors. This is not a new concept in business, with Porter (1985) writing extensively on how competitive advantage is inexplicably linked with the performance of an organisation. Competitive advantage allows organisations to assert their own unique place in the market.

High Performance Working and Employee Well-being

- Employees perform best when their levels of wellbeing are high
- Jobs tend to be less complex to understand, therefore goals are more realistic

There is a body of research that links High Performance Work Systems to levels of employee wellbeing. The CIPD (Donaldson-Fielder, 2015) explain how employees perform best when they have high levels of wellbeing. This particular research goes further to explore how, although there are links, it is harder to measure the link between performance and wellbeing. This could be due to the difficulty organisations face in measuring wellbeing in general.

Historically, strategic human resource management focussed heavily on the hierarchical structure of organisations when examining wellbeing (Beer et al, 2015). Society today has changed immensely, and wellbeing is now one of the 'buzzwords' for organisations.

In general terms, Huselid (1995) discusses how an organisation with effective high performance working practices experience a lower staff turnover and increased productivity. Whilst this is not majorly specific, some correlation can be made between turnover and wellbeing.

Performance Management



Performance management is identified under various guises. Words like ‘appraisal’, ‘review’ and ‘evaluation’ are commonplace when discussing performance management. While it is difficult to give it a total definition, it could be said that performance management is a continual process in which employees work towards targets and objectives to improve performance (Taylor, 2016).

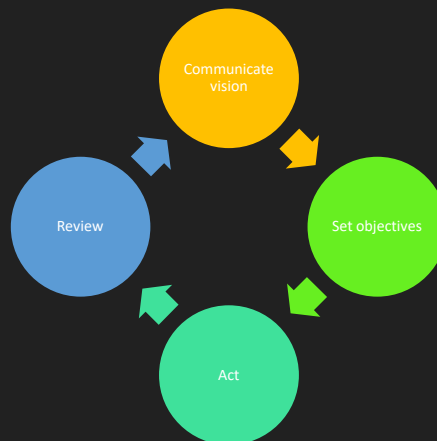
The CIPD (2020) enhances this definition by adding how performance management also holds people to account. From a wider perspective, performance management can be defined as an ongoing communication that supports the strategic objectives of an organisation (Berkley, 2021).

From these viewpoints, we can define performance management as a process, or rather a collection of processes, that encourage individual performance towards an agreed outcome. In some organisations, this happens on an annual basis where an employee reviews targets with a manager and sets objectives for the forthcoming year.

In terms of a positive contribution to organisational performance, performance management has many impacts. Particularly in the public sector, Andrews (2014)

found that some performance management systems had a positive impact on outcomes.

Performance Management Cycle



No matter the name of the performance management system employed by a company, there are fundamental stages that underpin the cycle. Firstly, it is an opportunity to communicate the visions and the objectives of both parties. A performance conversation could be an ideal opportunity to ‘touch-base’ with either the appraisee or the appraiser. This would provide a chance to ensure that the organisation’s values and vision are shared and mutually understood.

Once the visions are communicated, it’s then paramount for an appraisee to set individual objectives that are in keeping with the visions and wider objectives of the organisation. Throughout this stage, reference should be made to how performance is to be measured against these objectives. Many organisations, particularly in customer- or sales- based industries, use key performance indicators (KPIs) (MindTools, 2021). A KPI is usually a measure that is quantifiable, such as a monthly sales record or survey result. The use of KPIs provides a metric (and therefore measurable) entity on which to assess performance.

SMART Objectives

SPECIFIC
MEASURABLE
ACHIEVABLE
REALISTIC
TIME-BOUND

Mention should be made here to SMART objectives. This concept has been extensively backed up in both the learning sphere and the HRM sphere (Akkaraju, 2014). This stage often takes place at the annual meeting that was alluded to earlier. This stage provides an opportunity to review the measured objectives over the last year. The performance management cycle is also an excellent opportunity for identifying learning and development opportunities, more of which will be discussed later.

Does Performance Management impact commitment?

- Research shows that individual, tailored goals are more likely to have commitment
- Some research suggests that externally-set goals are more motivating
- An individual's personality has a weighting on how appropriate goals are

There are a number of ways in which performance management contributes to the capability and commitment of employees. Firstly, it's important to explore the relationship between individual and organisational outcomes. There is a wealth of research (Klien, 1999, Sheldon & Elliott, 1998) that shows commitment towards goals increase if the particular goals are chosen by the employee. Whilst this shows the change of **commitment** levels, there is still a lack of research on whether self-set goals are better for employees and the organisation. Klein et al (1999) go further to explain how externally-set goals are more motivating due to the external factors influencing them. It is also worth highlighting Downie's (et al 2006) clinical research demonstrates how an individual's unique personality has a weighting on the most appropriate goal.

Performance Management vs. Reward and Recognition

- Reward has an emotional and psychological aspect that may often be overlooked
- Recognising achievements may fulfil an emotional need and there be a psychological reward
- Prospect Theory comes in to play

In terms of reward and recognition, performance management can be a fantastic tool. Organisations need to attract and retain the best talent. In order to retain staff, reward and recognition must be an integral part of this process. A performance management cycle can act as a conduit for reward and recognition. By this it is meant that employers can design reward systems around desired values and behaviours.

Interestingly, performance management activities can themselves be a way of recognising and rewarding talent. As discussed earlier, we know that reward has an emotional element that should not be overlooked (Lupton et al, 2015). Therefore it could be argued that simply recognising achievements (though performance management programmes) fulfils an emotional need and is a reward in itself. This is particularly evident when exploring 'prospect theory', which demonstrates that emotions have a weighting on decision making and therefore on performance (Kahneman & Tversky, 1979).

Do Performance Management activities enhance employee capability and commitment?

- Performance-related pay is commonplace
- Research shows that public sector areas such as education do not benefit
- Important to contextualise across the range of sectors

Many companies and organisations maintain a system of performance-related pay. This is particularly notable in the majority of the UK's public sector, where arrangements for pay progression are widely documented. Within the Education sector, for example, a Teacher would be subject to performance related pay. This could be a huge motivator for some employees and could effectively improve commitment. Interestingly though, international research (OECD, 2012) shows that within schools, performance related pay does not necessarily lead to improved outcomes within this sphere.

Having said that, the effectiveness of this surely dependent on the sector. A colleague in a sales-driven environment may have much higher levels of commitment when incentivised. This is where performance management systems need to be shaped to the needs of the organisation. Similarly, humans are motivated by a broad range of factors dependent on their personality.

What about Line Managers?

- Line Managers are crucial in the Performance Management Cycle
- Line Managers are expected to adapt to a range of roles

As with most organisational functions, the role of Line Managers cannot be understated. Line Managers are crucial in ensuring that performance management systems are effective. As Wright (2015) puts it; Line Managers need to take on a variety of roles such as counsellors and parents. As well as this, Line Managers need to effectively manage the performance of their teams. Whether or not the role of *performance coach* is appropriate still remains to be seen. Clutterbuck (2012) highlights how sometimes organisations need to focus on a coaching culture, rather than expecting Line Managers to be the only coaching mechanism.

A Line Managers Role in Performance Management

- Line Managers are human and are cognitively different
- Factors such as bias and personal relationships may colour appraisals
- Wellbeing focus should lead to a more holistic approach

In a typical appraisal system, Line Managers may be expected to assess an employees performance. This can have its own drawbacks as each individual manager will have a cognitively different way of assessing, not to mention factors such as bias and personal relationships (Gifford, 2016). It is interesting to note that this top-down approach to performance management is still fairly commonplace. Earlier in the presentation, we explored how organisations are focussing more and more on wellbeing. It could be argued that we have an opportunity to reshape the culture of performance management.

A Line Managers Role in Performance Management

- Line Managers are pivotal in performance management
- Loyalty leads to commitment which leads to increased performance

However, that does not mean that Line Managers should be excluded from appraising. In fact, the CIPD (2020) highlights how line managers are pivotal in this process. Good Line Manager relationships lead to higher commitment levels which lead to increased performance.

What is the role of HR?

- Support the organisation, particularly Line Managers
- Provide guidance
- Provide expert advice
- HR the 'administrators' of Performance Management

Dependent on the organisation, HR can have a varied role in the Performance Management process. HR has a duty to support the organisation, particularly Line Managers. In general, HR can provide development guidance, expert advice and coaching through processes. SHRM (2017) states how HR efficiently administrates the process of performance management. From a Learning and Development viewpoint, HR could facilitate the alignment of the performance management process with a learning needs analysis (CIPD, 2021).

Conclusions

Thank you for listening

Throughout this presentation, we have explored the definition and components of high performance working. We have established how high performance working can increase the performance of an organisation. We have also examined how high performance working is directly correlated to employee well-being and vice-versa. We have examined the performance management process and detailed the key elements of the performance management cycle. Reference has been made to the importance of correct objective-setting and how performance management can be a means of recognising and rewarding talent.

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