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Understanding the Link between Individual and Organisational Performance

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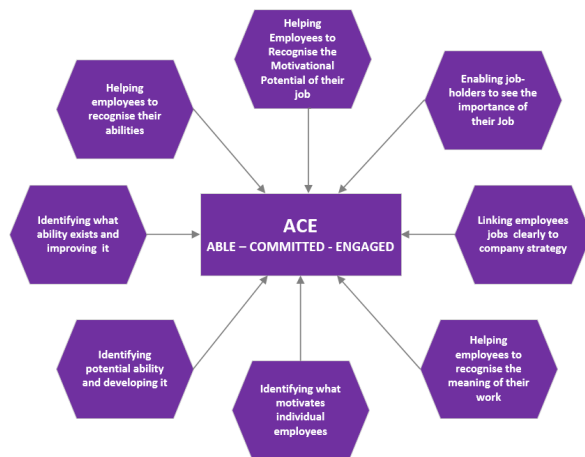
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High Performance Working

A definition and description, concept and key components of High-Performance Working (HPW)

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(Rees & Tymon, 2016), High-Performance Working exists in an organisation that, provides employees & teams with the resources and support to achieve high performance.

High-Performance Working

1.1 A definition and description, concept and key components of High-Performance Working (HPW)

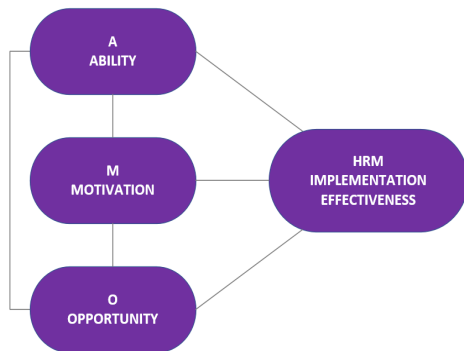
High-performance working is the success of creating a high-performance culture at a team level rather than focusing on the individual performance, Taylor, (2016), highlights that in excess of 20 years of global HRM research, has documented that continuous, excellent organisational performance is the result of this approach. World Class Manufacturing (WCM), is a prime example of this approach, a process that allows a whole organisation to understand and appreciate how their activities impact others and how together they contribute to the organisational, goals, objectives and success and improved organisation performance, (Felice & Petrillo, 2015).

Achieving high-performance working has proved a challenge for organisations and HR, with the most successful organisations achieving this through the creation of a high-performance culture throughout the business, to achieve this and to allow objectives to be exceeded, Taylor (2016), describes the requirements of HR as “distinct bundle of Policies and Practices” things that need to be in place to create job satisfaction and motivation, Hertzberg's Hygiene Factors (Hertzberg, 2003), described by Marchington & Wilkinson, (2012), as (amongst others), high levels of commitment to recruitment, training, job security, employee voice and performance-related incentives and are strongest when combined together. Promoting Individuals and teams to demonstrate, high levels of participation, determination, commitment, enthusiasm and initiative.

High Performance Working

The link between HPW and organisational performance

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Purcell, et al., (2003)

- The right approach to HR leads to exceptional organisational performance

Huselid, (1995)

- Results significantly established that when HR policies and procedures transposed into best practices are present a clear link to organisational performance was demonstrated

1.2 An evaluation of the link between HPW and organisational performance

The largest and most widely used study linking HPW to organisational performance took place in 1995, (Huselid, 1995) this study demonstrated the link by analysing business performance in the presence of robust HR policies and practices, the results significantly established that when HR policies and procedures transposed into best practices are present a clear link to organisational performance was demonstrated in terms of;

- 7.05% reduction in staff turnover
- \$27,044 increased sales per employee
- \$18,641 improvement in market value per employee
- \$3,814 more profit per employee

Later research based on, Huselid, (1995), further enforced that HRM best practices and the which in which employees are treated have a considerable benefit to organisational performance. (Becker, et al., 1998) also recognised that previously believed sources of competitive advantage such as patents and economies of scale were becoming less significant, with employee engagement, core competencies and employees contributing to the business strategy was creating and sustaining the competitive advantage for a longer period. (Zhang, et al., 2018), supports this view but adds that the Line Managers play a vital role in the process as they undertake more HR responsibilities.

Explaining the link remains work in progress, Taylor, (2016), however, a six-year research project known as the “Black Box Studies” Purcell, et al., (2003), identified organisations that already had in place a high level of HR Policies and Practices and found three key outcomes.

- The presence of an advanced HR bundle, resulted in job satisfaction, which led to the employee desire to improve performance and going the extra mile, described as discretionary effort in employee engagement, (CIPD a, 2018)
- An embedded sense of the “big idea”, pride and working with enthusiasm, and a shared determination between employees and their managers
- Engagement from Managers is required, along with a belief in the policies and procedures and commitment to implement them

All of which provided good evidence that the right approach to HR brought about exceptional organisational performance, however, it was also reported that there was no automatic link, with other factors also being required, explained by Purcell, et al., (2003) in the AMO

model, to be able to perform well employees require the ability, motivation and opportunity to succeed;

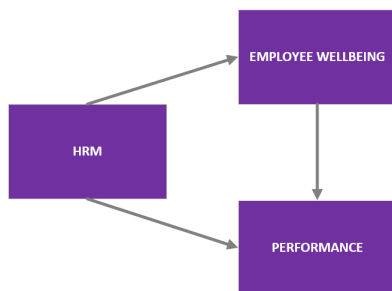
Ability

Motivation

Opportunity

High Performance Working

The link between HPW and employee well-being



Peccei, (2004),

- **Optimistic View** - The link between HPW and employee wellbeing, recognising that progressive HR Practices in HPW lead to higher degrees of discretionary effort and a more gratifying environment, positively impacting employee well-being and leading to enhanced performance.
- **Pessimistic view** - work intensification may lead to exploitation.

1.3 An evaluation of the link between HPW and employee well-being

For some time HRM has been recognised as a stakeholder asset and a tool for resolving the human capital component in key business disputes, (Becker, et al., 1998). More recent studies have moved on to evaluating how HR best practices resulting in HPW impacts employee well-being and although there continues to be some scepticism, Taylor, (2016), there is no doubt that employers have become more focused on ensuring that employees well-being and work-life balance is considered. Marchington & Wilkinson, (2012) claim this may be due to changes in legislation but nonetheless, there is a new focus on the needs of the employee and a developing interest in the contents of the HR “bundle”, which includes strategic HR practices around employee well-being. Under the umbrella of employee well-being are (to name a few); work-life balance, health initiatives, flexible working, diversity and inclusion and the addressing the gender pay gap, with positive outcomes for employees Peccei, et al., (2013) and others, affirm that the relationship between HPW and organisational performance is more likely when there are positive outcomes for employees.

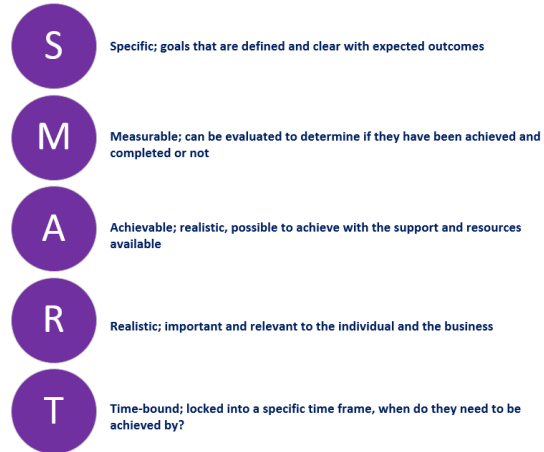
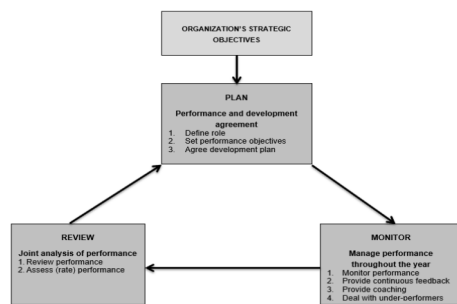
Peccei, (2004), identified an optimistic view of the link between HPW and employee wellbeing, recognising that progressive HR Practices in HPW lead to higher degrees of discretionary effort and a more gratifying environment, positively impacting employee well-being and leading to enhanced performance, but also the pessimistic view that work intensification may lead to exploitation.

Performance Management

The main stages of the performance management cycle and key performance management activities

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Armstrong, (2018), view of a continuous self-renewing cycle model in which the performance management activities are broken down into;



2.1 The main stages of the performance management cycle and key performance management activities

Performance management is the process in which Line Managers engage with their staff to manage performance in the role they fulfil, by defining individual and team objectives and how they are expected to be demonstrated and to motivate staff with a view to maximising employee contribution leads to the success of the business, (CIPD b, 2018). Setting SMART objectives is one way of doing that, Taylor, (2016);

Within organisations the process and type of performance management tools utilised may vary, but the underlying objectives are similar and follow a similar cycle which follows the principles of the Plan-Do-Check-Act model, Deming, (1965), and Armstrong, (2018), view of a continuous self-renewing cycle model in which the performance management activities are broken down into;

Communicating the Organisational Aims and Objectives

Plan

- Define Role
- Set Objectives
- Agree on the development plan

Monitor

- Monitor Performance
- Provide Continuous Feedback
- Provide Coaching & Training
- Address Performance Issues

Review (jointly)

- Review Performance
- Assess, or Rate Performance

PDCA = plan-do-check-act



- Link back to Organisational Performance

Bloom, et al., (2012), also reported a 23% greater success rate in performance appraisal practices when the following three criteria were present;

1. Tough but achievable targets
2. Incentives – monetary or career development
3. Analyses of data, identifying an opportunity to improve

Performance Management

Employee capability and commitment

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- ❑ Managers and Employees working together to achieve organisational goals
- ❑ Supportive Behaviours
- ❑ Employee Participation
- ❑ Discretionary Effort
- ❑ Enhanced Capability and increased commitment

2.2.1 Employee capability and commitment

Fundamentally employee performance management is designed to have a positive effect on both collective and individual performance by establishing a culture in which employees are equally accountable for their own behaviours and development and teams work together striving for continuous improvement. The process operates most effectively when Line Managers are engaged and provide the support and resources required to fulfil that responsibility, CIPD c, (2018). Taylor, (2016), highlights the increased level of trust this brings, employees who receive this commitment from their managers are also most likely to offer their commitment in return.

Taylor, (2016), acknowledges the theory that building a high-performance culture to achieve higher levels of employee commitment is dependent on several factors; Performance Management Systems working alongside HR Policies and Practices *and* an employee focussed line management style, creating an environment of employee commitment that is genuine with employees going the extra mile. When this occurs, Line Managers and employees are able to work together to review organisational and departmental goals and together agree how the employee can contribute to the success of achieving them, whichever performance tool is chosen this is achieved through setting objectives in line with those goals, agreeing on any personal development and training requirement and meeting regularly to monitoring performance. CIPD c, (2018), makes the further point of the importance of such supportive behaviour in providing organisations with the longer-term benefit. The importance of employee participation in the process results in employees contributing to a greater extent with regard to innovation and creativity, described by Holbeche, (2005) as unleashing their potential.

(CIPD, 2017) found that the most important evidence from their trial was how beneficial employees felt that performance discussions with their managers are in recognising what they are doing well.

Performance Management

Recognising and Rewarding Talent

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(Vroom, 1995) Expectancy Theory, demonstrates the links between performance management and recognising and rewarding talent, he predicted that employees will be motivated when they believe that:

- ❑ **Putting in more effort will yield better job performance**
- ❑ **Better job performance leads to rewards, such as, increase in pay or benefits**
- ❑ **These rewards have a value to them**

2.2.2. recognising and rewarding talent.

Taylor, (2016), concludes that companies who operate effective performance management processes and high-performance work practices achieve and often exceed their objectives, this along with Line Managers working closely with employees and creating high levels of trust are most effective in allowing employees reach their potential and creating a culture of high commitment. The importance of recognising and rewarding that advanced contribution and commitment is key to the continued success of the relationship, linking this to pay (performance-related recognition PRP), continues to be a common approach to doing this, which CIPD d, (2018), highlights as being a traditional approach which has remained particularly relevant to the private sector.

To allow performance to be rewarded it must be measured and there a number of formal performance management approaches that provide this, for example, output-based assessments which are target driven and behavioural assessments in which a manager will measure performance based on personal beliefs and judgements, sometimes there may be a mixture of those two. Armstrong, (2018), points out that either way, all are intended to deliver a positive outcome for employees, when carried out correctly employee reward can be attained by providing performance feedback that recognises high performers, commitment and development needs, which provides the employee with the opportunity to further succeed. Taylor, (2016) also points out that performance appraisals do not always live up to expectations and can also negatively affect performance and motivation if they are not carried out well, contain appraiser bias or varying opinions.

Rewarding high performers or recognising talent can be done in a variety of ways through both monetary and non-monetary incentives for example;

- Promotion; identifying potential to progress an individuals career through achievements and learning and development opportunities
- Motivation; the desire to achieve and provide a high level of commitment

- Measuring an individual contribution to personal and team targets which may result in incentive bonuses

(Vroom, 1995) Expectancy Theory, demonstrates the links between performance management and recognising and rewarding talent, he predicts that employees will be motivated when they believe that:

- ***Putting in more effort will yield better job performance***
- ***Better job performance leads to rewards, such as, increase in pay or benefits***
- ***These rewards have a value to them***

However, he also recognised the implication that employees change their level of effort according to the value they place on the reward and their perception of the strength of the links between effort and outcome.

So if employees perceive that any of the following are true:

My increased effort will not increase my performance

My increased performance will not increase my rewards

I don't value the rewards on offer

...then the expectancy theory suggests that employees will not be motivated. This means that even if an organisation achieves two out of three, employees would still not be motivated, all three are required.

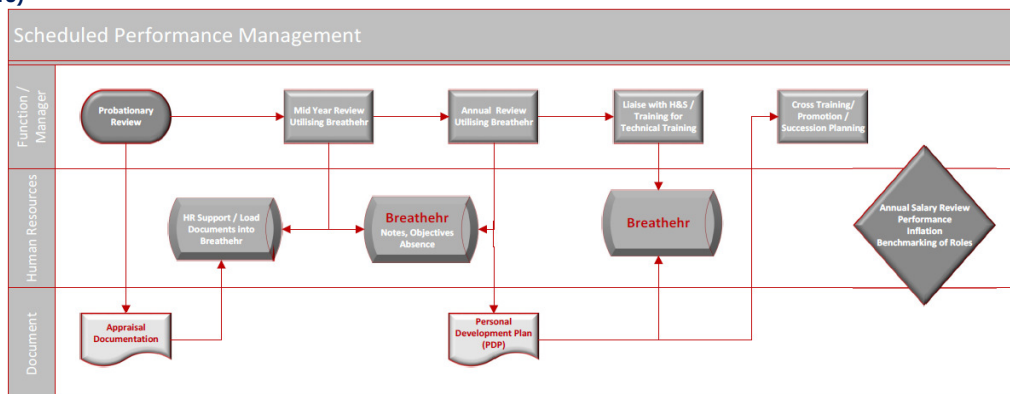
Performance Management

The role of Line Managers in performance management processes

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Examples of Roles in the Performance Management Process

- Line Managers fulfil a collaborative role alongside Human Resources in the performance management process, Taylor, (2016), CIPD b, (2018)



3.1 An evaluation of the role of Line Managers in performance management processes.

Line Managers fulfil a collaborative role alongside Human Resources in the performance management process, Taylor, (2016), CIPD b, (2018) and others recognise the importance of the line manager role in the process and have identified that many of the most successful organisations have a superior level of buy-in from employees when managers and employees share the same purpose, described by, Taylor, (2016) as “the big idea”. CIPD c, (2018) explains this as a positive relationship which nurtures loyalty and leads to a higher level of job satisfaction that in turn leads to discretionary effort.

Over recent years, employees have also grown to have expectations of the process and of their Line Managers, it is viewed as a route to career development, pay review and achieving incentives. Managers need to set targets and objectives and consider and measure whether they have been met, but more recently they are also expected to consider attitudes and behaviours and not only reflect what has already taken place, but also look to future career opportunities and how that might be achieved through learning and development, addressing skills gaps and working with employees to create a personal development plan, a view supported by (Reilly, 2016).

Review meetings should be regular and in accordance with the company-specific guidelines, HR Policies and Practices, Managers are responsible for how performance reviews are delivered which can be key to their success and can be the key differentiator in the process, Hertzberg, (2003),

An example of how and organisational process may look and the line manager responsibilities is provided;

Probationary Review – Following an agreed period at the start of employment usually 3 Months.

Annual Appraisal – Once a year review, between 1st August and 30th September to reflect back over the past year and set objectives for the coming year.

Mid-Year Review – Halfway through the year check that any objectives are on track and any performance issues both good and bad are recognised and recorded.

Informal Review – short informal (off the record) chat to discuss an event that should not be allowed to pass by without recognition of good work or to address an issue of poor behaviour or poor performance

Formal Review – a recorded event to recognise an exceptional contribution or when an informal chat to address poor behaviour or performance has failed, in this case, this is the first step of the performance management process.

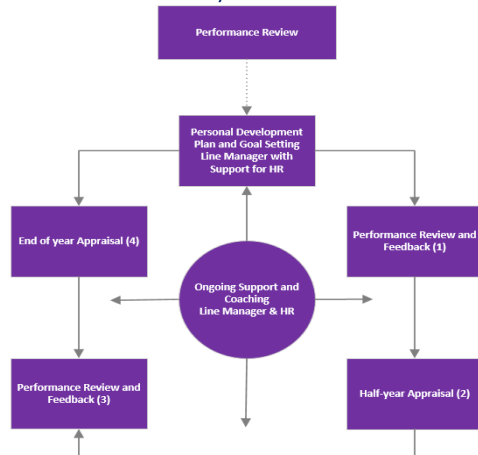
The process and tools may vary, but all of them involve employees meeting with their line manager to discuss performance, and for both parties to have the opportunity to provide feedback, meetings should be recorded by the line manager and the employee ought to have the opportunity to review and agree on those notes.

Performance Management

Different ways HR and Line Managers can work together in Performance Management

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(Bratton & Gold, 2015)



Human Resources and Managers working together;

- ❑ Support the links between the organisational strategy and goals
- ❑ Translate into department and individual goals
- ❑ In response to this, skills gaps and learning and development requirements are diagnosed
- ❑ HR working with Line Managers to address those developmental needs.

3.2 A description of some different ways HR and Line Managers can work together in performance management processes.

In the performance management process the HR role is one of policymaking, giving advice and ensuring the appropriate tools are available to managers to allow them to fulfil their responsibilities, however, Taylor, (2016), makes the point that effective appraisals systems and processes are best achieved when HR and Line Managers work together with standardised appraisal processes and documents and HR provide training for managers to allow them to maximise the outcomes of the process.

Effective training will provide the managers with the ability to, Taylor, (2016);

- Prepare thoroughly
- Be objective and consistent
- Be constructive with areas of improvement and give positive feedback for good performance
- Set and review objectives

Human Resources can further work with Line Managers to improve performance using some of the following approaches, (Rees & Tymon, 2016);

- Coaching and Mentoring
- Reward Schemes
- Job re-designs
- Supporting the recruitment process and linking the recruitment back to the company strategy and goals
 - Setting expectations at induction
- Giving advice on performance issues
 - Discipline and Grievance processes
- Collating data and analysing trends
 - Reporting

Human Resources and Managers working together, support the links between the organisational strategy and goals, which translate into department and individual goals, in response to this, skills gaps and learning and development requirements diagnosed in the

appraisal process are supported by HR working with Line Managers to address those developmental needs, demonstrated in the performance management cycle, (Bratton & Gold, 2015).

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