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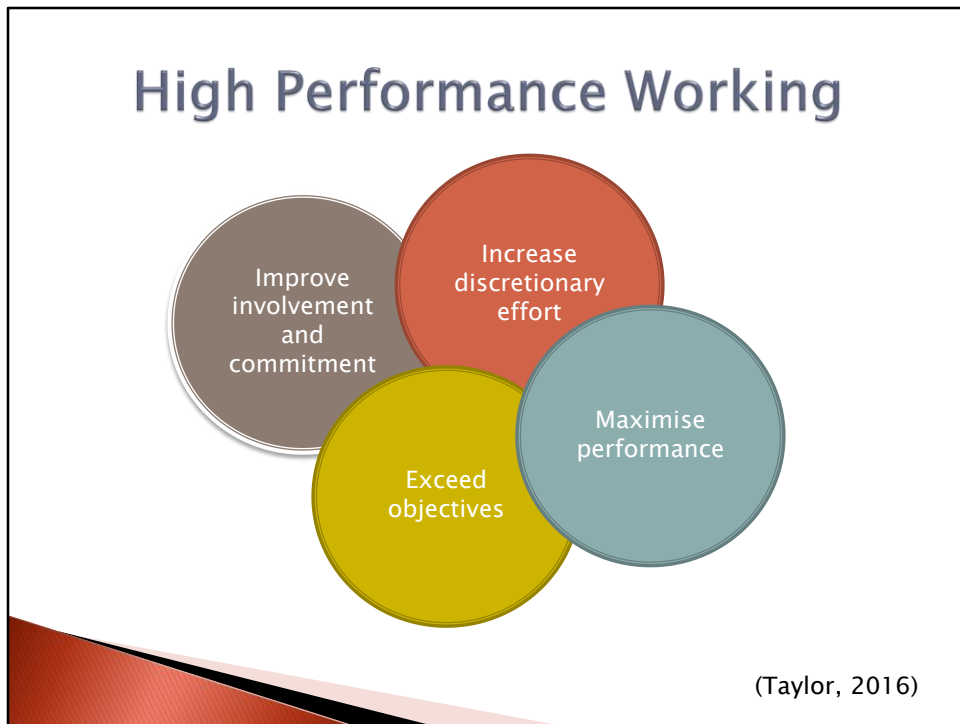


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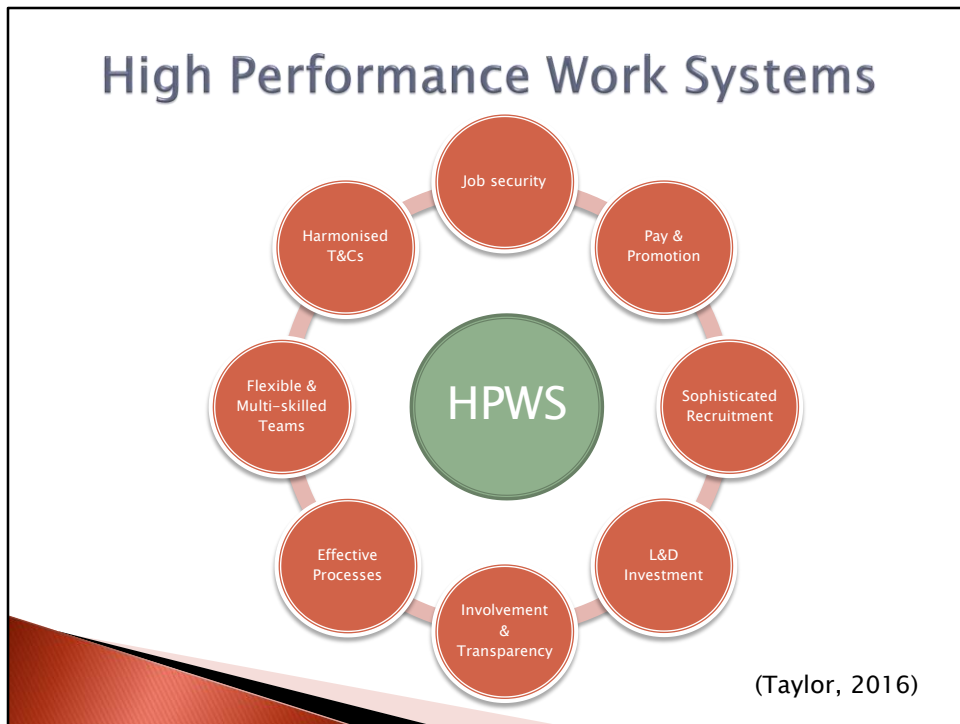
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Understanding the Link between Individual and Organisational Performance





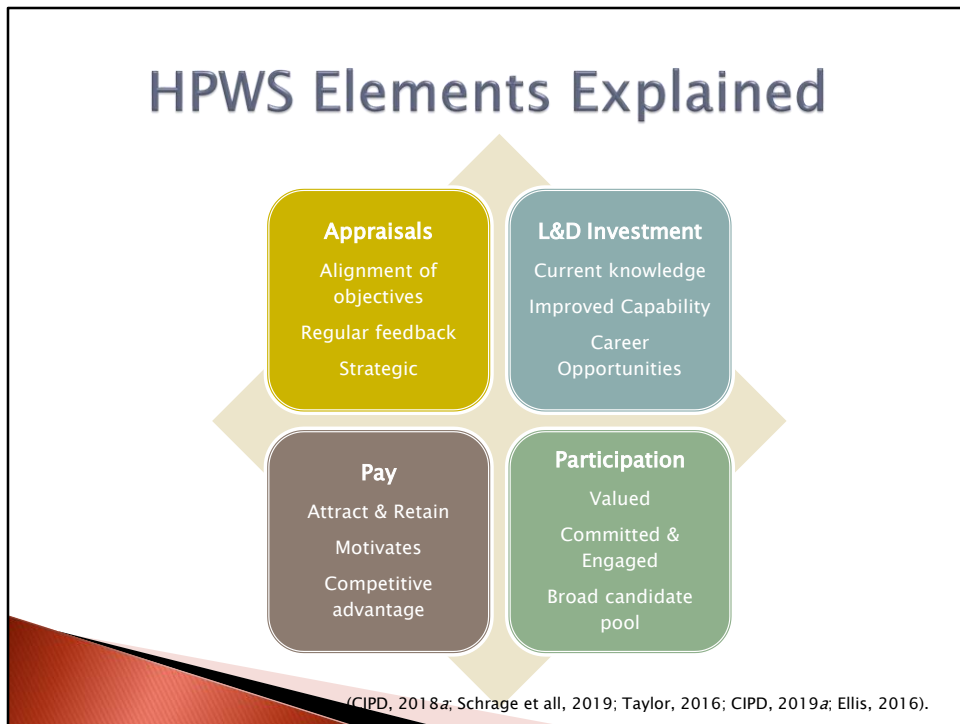
High performance work (HPW) is associated with high levels of performance by adopting a management approach aiming to improve employee involvement and commitment and increase the discretionary effort, thus fully utilising employee skills (Stone et al, 2012). Successful organisations strive to improve their performance by adopting HPW throughout their operations; employees will demonstrate commitment and determination to exceed objectives thus, contributing to a high-performance environment. Technology advances and globalisation are responsible for an unstable and competitive business environment therefore, many organisations adopt high performance work systems (HPWS) to maximise their performance (Taylor, 2016).



HPWS is a comprehensive bundle of best-practice HRM policies and practices to increase profitability, job satisfaction, motivation, commitment and creativity (Stone et al, 2012). Different studies include different elements however, it is a broad consensus that the bundle should reflect and promote commitment and involvement. The following elements are commonly included:

- Job security
- Fair and consistent grievance process
- Investment in learning & development
- Performance-based pay
- Promotion opportunities
- Sophisticated recruitment process
- Team-working approach
- Participation in decision-making
- Transparent information sharing
- Effective appraisals
- Flexible working
- Multi-skilling
- Work/Life balance
- Harmonised terms and conditions

(Taylor, 2016)



HPWS elements all contribute to increased organisational performance; examples of how some elements contribute to increased performance are:

Effective appraisal systems ensures alignment of objectives, regular performance monitoring and providing feedback to ensure progress is being made. The traditional annual appraisal can be rigid, backwards-looking and alienate employees therefore, an effective appraisal system should be a strategic business activity which is focused on regular continuous feedback (CIPD, 2018a; Schrage et al, 2019).

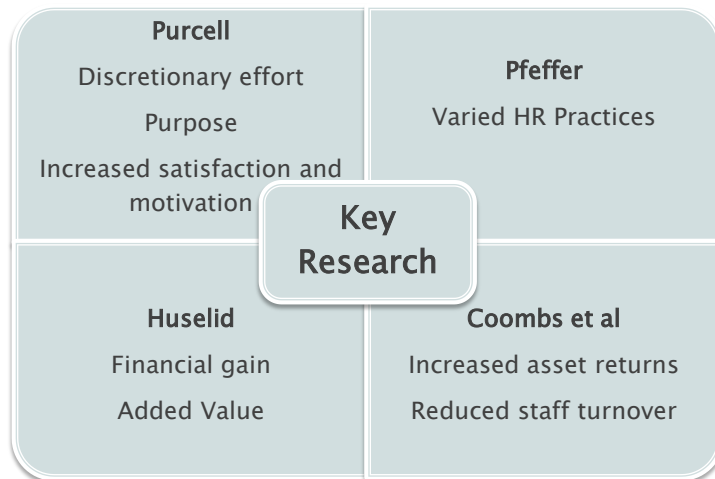
Extensive investment in learning and development ensures employee skills and knowledge are current therefore, employees are up to date with developments in the relevant field and has improved capability and opportunity to advance their careers (Taylor, 2016).

High levels of pay centred around performance outcomes attract strong performing employees, motivates to improve performance and retain employees (Taylor, 2016). Boselie and Van Der Wiele (2002) found that HPWS high-pay drives organisational performance and competitive advantage.

Employee participation in decision-making allow employees to influence their employer's action such as the development of policy; employees will feel valued and be more committed to achieve organisational objectives. Furthermore, employee

participation can increase organisational reputation which may result in a broader pool of candidates at recruitment (CIPD, 2019a; Ellis 2016). Sophisticated recruitment systems invite applications from a broad pool of candidates and uses evidence-based decisions to determine the best candidate (Taylor, 2016).

Linking HPW and Organisational Performance



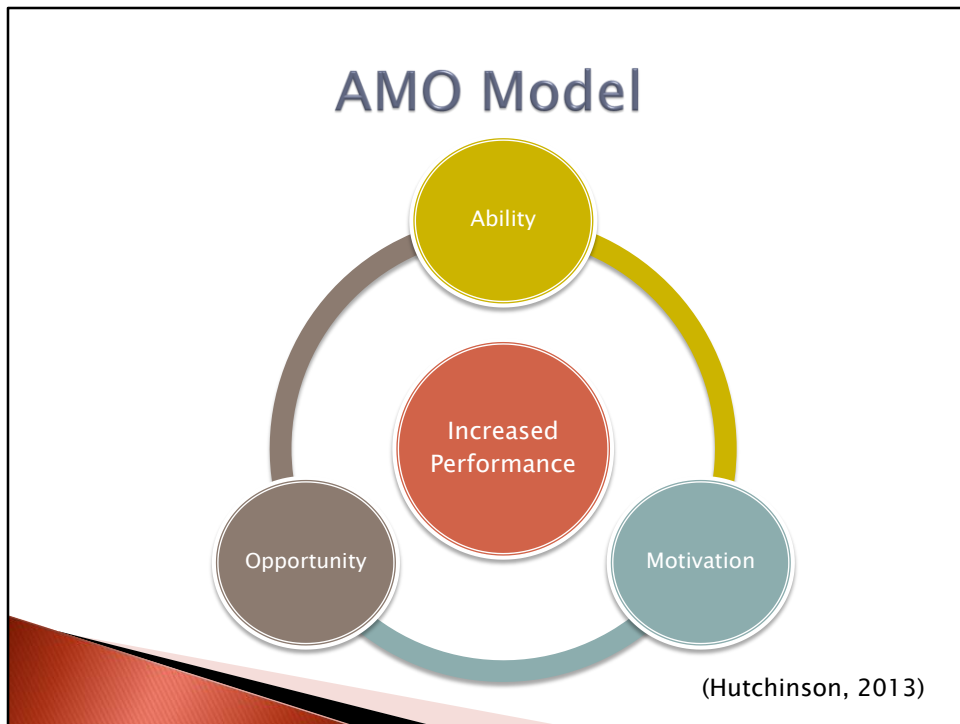
(Hutchinson, 2013; Taylor, 2016).

Many research studies have sought to test the notion that HPW practices results in superior business performance. Pfeffer first examined the HPW link, noting differences between successful and less successful organisations; he found successful organisations used a range of HR practices, such as extensive training, whereas the less successful organisations did not adopt these practices (Hutchinson, 2013; Taylor, 2016).

Huselid conducted influential research over a large scale of 968 organisations using a questionnaire-based approach, comparing organisational results to their published reports, focusing on turnover rates, market and asset values and capital returns. Huselid found that organisations adopting HPW practices had a low turnover, increased market value and profits, thus identifying financial gain and added value (Taylor, 2016). Furthermore, Coombs et al (2006) used Huselid's findings as a foundation for a smaller research study, finding that HPW practices resulted in an 4.6% increase in asset returns and a 4.4% reduction in staff turnover.

Purcell conducted the black box studies, to explain the link between HPW and superior performance. Purcell used interview and survey methodology, visiting organisations to note reactions to new initiatives. Purcell found that organisations adopting HPWS received discretionary effort from employees, a shared sense of purpose was identified between employee and manager, and effective implementation of HR policies by line managers strongly related to higher levels of

satisfaction, motivation and commitment in employees (Hutchinson, 2013; Taylor, 2016). Harney and Jordan (2008) drew upon Purcell's research similarly finding that line managers are critical variables in HPW and superior performance link.



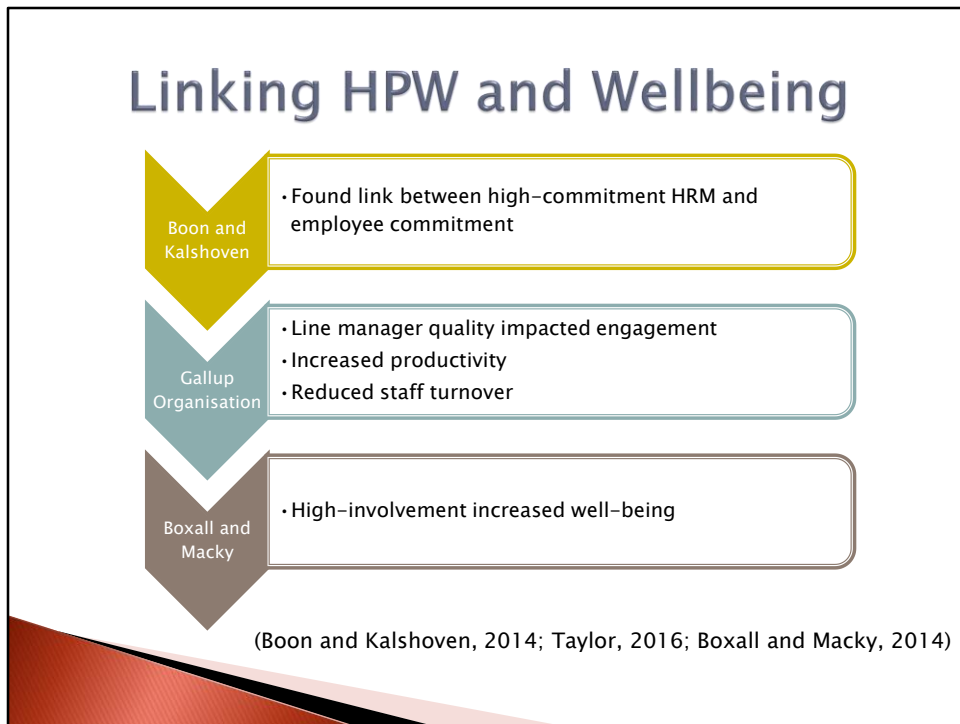
Purcell noted there is no automatic link and other conditions must be present to underpin HPWS. Purcell advocated the use of the AMO (ability, motivation and opportunity) model which proposes that HR practices contribute to performance by developing employee:

Ability - Employees can be supported through training and development opportunities however, successful recruitment is important to ensure the right person is employed.

Motivation – Motivation can be improved extrinsically such as providing financial rewards and intrinsically such as ensuring the job role is interesting. Furthermore, career development and providing work-life balance can influence motivation.

Opportunity – Opportunity can be influenced through job design, autonomy, communication and involvement initiatives.

All the components of AMO must be in place to achieve discretionary behaviour which in turn results in organisational superior performance; should one component be missing such as motivation, discretionary behaviour is unlikely and performance will be hindered (Hutchinson, 2013). Macky and Boxall (2007) studies suggests that HPW practices use the AMO model directly or indirectly.



Bakker (2009) claims that engagement provides employees with an attachment to their role therefore, offers organisations with a competitive advantage.

Boon and Kalshoven (2014) examined how high-commitment HRM relate to engagement, noting that high-commitment HRM invests in long-term employee development to improve organisational performance by influencing employee attitudes. A supervisor and 2 subordinates completed a survey from each organisation, rating high-commitment HRM, work engagement and commitment. The research found that work engagement fully mediated the relationship between high-commitment HRM and employee commitment, thus demonstrating a link between HPW and employee engagement.

The Gallup Organisation conducted influential research via questionnaire across a very large data set and time period, to credibly identify correlations between employee emotional and cognitive engagement and other variables such as productivity and turnover. Key findings were:

- The quality of line management directly impacted employee engagement levels. Engagement levels had a greater variation between different departments as opposed to different organisations therefore, implying variability is linked to line management effectiveness.
- Organisations with the highest rates of engagement were the most successful against productivity, customer service and profitability therefore, demonstrating

the correlation between engagement and performance.

- Staff turnover is reduced in organisations with the highest employee engagement levels.

(Taylor, 2016)

Boxall and Macky (2014) researched how high-involvement work processes affect employee well-being. The high-involvement model attempts to access employee potential, skills and greater learning opportunities by involving employees in decision-making. They measured two hypotheses; employees receiving greater autonomy, communication and training opportunities will have better levels of well-being; and employees experiencing greater work intensity will have poorer levels of well-being. The findings supported both hypotheses; high-involvement work levels were associated with increased well-being seeing lower levels of stress and fatigue and increased job satisfaction; whereas, increased work pressure was associated with lower job satisfaction, work-life imbalance and greater fatigue.

Criticism



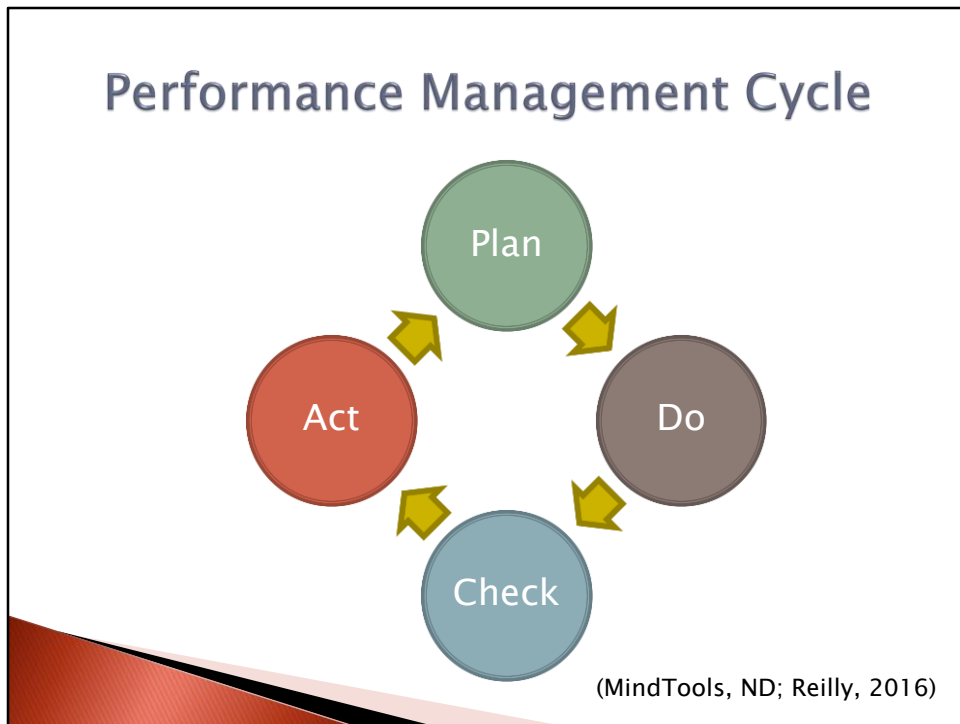
The research has encouraged HR professionals and organisations to adopt sophisticated management practices as HPWS bundle of best practice is widely accepted as delivering organisational benefits, increasing the organisational performance, sustaining competitive advantage and improving employee wellbeing and satisfaction levels (Taylor, 2016).

Some critics suggest that success could come first therefore, the financial gains allows organisations to implement first-class HR practices. Other critics argue that HPW practices masks employee exploitation and increased work intensification such as longer hours and increased stress. Furthermore, critics suggest that HPW practices may have a positive impact however it cannot be measured or proved (Taylor, 2016).



Performance management (PM) is the process and arrangements employers implement to maintain and improve the workforce performance in order to achieve organisational goals. Performance is improved by setting individual and team goals aligned to the organisation's strategic goals, planning and managing performance to achieve goals, reviewing progress regularly and developing the knowledge and skills of the workforce (Armstrong, 2016; Acas, ND).

CIPD (2018a) state that good performance management is centred around regular feedback about progress towards set objectives; other PM activities such as annual reviews, can support effective performance however, effective ongoing feedback is at the core of PM. Employees should understand their responsibilities, be motivated through effective management and have the required skills and resources in order to support organisational performance. Line managers should reinforce the alignment between individual and organisational objectives ensuring feedback is motivating employees; similarly, line managers should receive training and support to ensure they are appropriately skilled and knowledgeable.



The PM cycle is not an HRM tool but demonstrates the natural process of management taking the form of a continuous self-renewing cycle. The cycle reflects William Deming's Plan-Do-Check-Act model (1965) which is a four-stage cycle designed to be repeated continuously in order to continually improve.

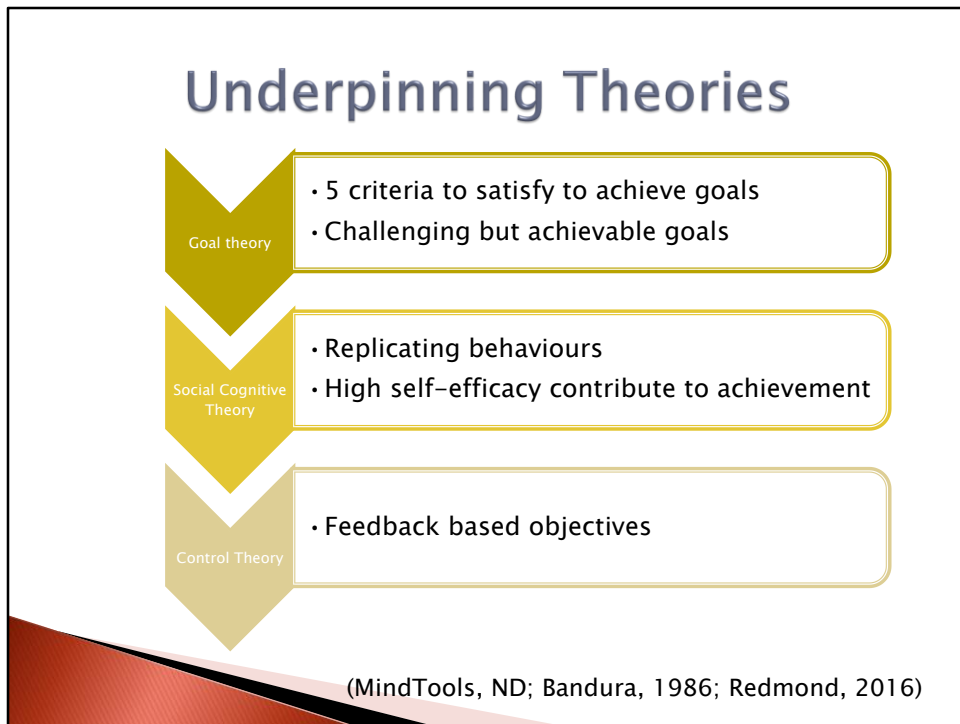
Plan performance by defining the job role, agreeing realistic objectives ensuring alignment to departmental and organisational objectives, identify competencies and to develop performance improvement and development plans taken from the act stage. Employers should be clear about their vision, aim and priorities so employees understand how their contribution will relate to the success of the organisation.

Do by progressing towards objectives and implement the designed performance improvement and develop plans.

Check and manage performance, provide continuous effective feedback and coaching and address underperformers.

Act, review and improve by continuing open dialogue by agreeing on individual strengths to build upon and addressing areas for improvement. Evaluate the outcomes and performance to identify areas of success and improvements.

(MindTools, ND; Reilly, 2016)



Goal Theory

Edwin Lock and Gary Latham identified that setting clear goals and providing feedback motivated employees resulting in improved performance. They identified 5 elements which need to be in place to achieve goals: clarity, challenge, commitment, feedback and task complexity. They noted that challenging but achievable goals will motivate people and encourage them to utilise their full range of skills (MindTools, ND).

Social Cognitive Theory

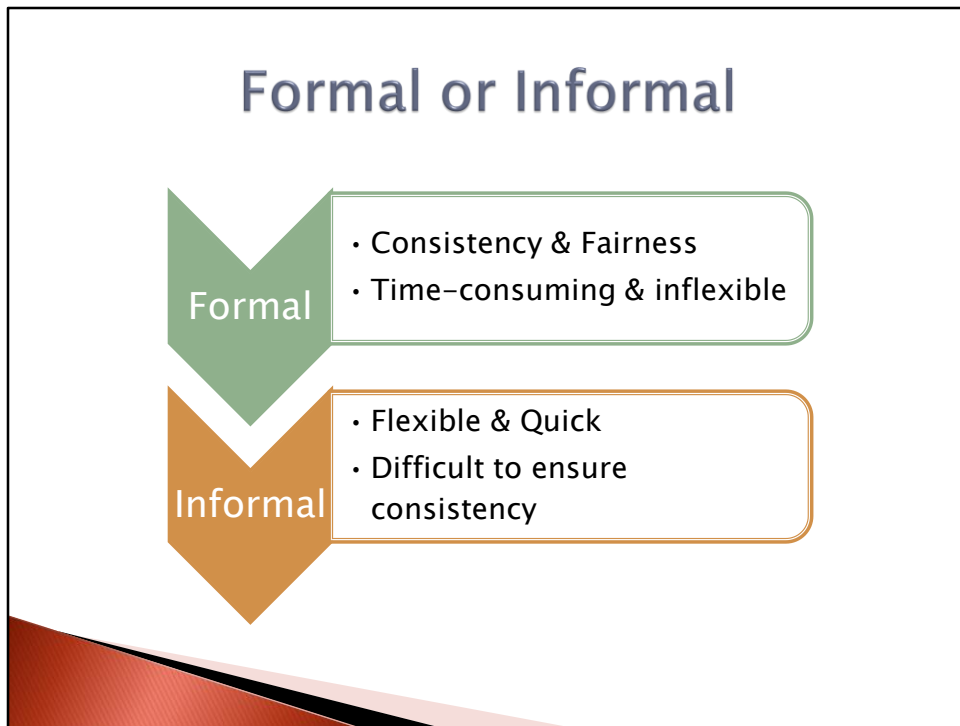
Albert Bandura developed Social Cognitive Theory as an extension of his social learning theory. Bandura claims people learn behaviours through replicating observed behaviours to achieve a similar outcome. Self-efficacy is central to performance as those with high self-efficacy will believe they can achieve and overcome problems whereas, those with low self-efficacy will lack confidence (Bandura, 1986).

Control Theory

Control theory focuses on people seeking feedback then setting objectives based on the feedback received. The theory is beneficial when the feedback is positive as the objective will likely be positive however, if the feedback is negative the employee may become discouraged and less motivated (Redmond, 2016).

The performance management cycle is reflective of these theories as to achieve success, organisations must set challenging objectives, manage performance and

behaviours, and identify personal improvements and development thus increasing employee self-efficacy.



PM activities can be informal or formal. Informal PM activities are the day-to-day continuous process where line managers seek to motivate and engage their staff, adopting the most appropriate method for their team, and having regular discussions about individual and team performance; informality provides flexibility and allows issues to be dealt with quicker however, it can be difficult to ensure consistency across teams. Formal PM activities extend to performance appraisal, evaluation and development, commonly these involve discussing performance with line managers annually or bi-annually, recording outcomes officially and setting objectives to achieve ahead of the next meeting, furthermore, it aims to raise morale, clarify expectations, identify development areas, improve communication and increase employee understanding of organisational aims and objectives. Formality promotes consistency and fairness as it minimises subjectivity however, it can be time-consuming and inflexible (Taylor, 2016; Hutchinson, 2013).

Bloom et al (2012) found that if formal PM activities met 3 criteria, organisational productivity increased on average by 23%; the criteria are setting time-specific objectives, providing incentives such as recognition as encouragement to achieve the objective, and monitoring performance noting areas for improvement.

PM, Capability & Commitment



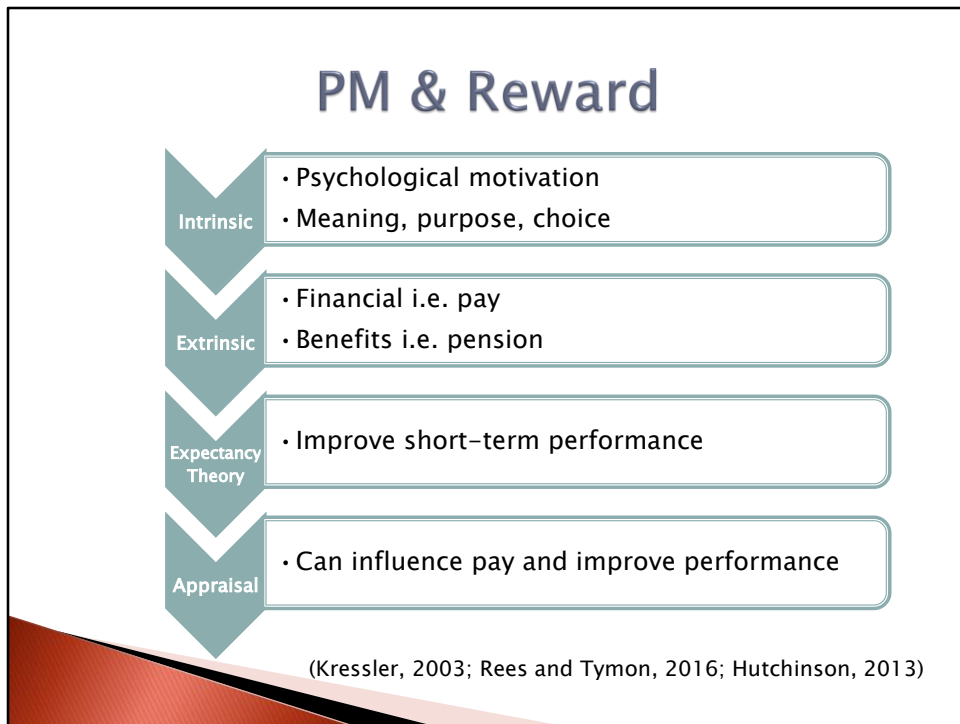
(CIPD, 2018*b*; Hutchinson, 2013; Taylor, 2016)

Performance appraisals provide feedback and encourages managers and employees to discuss performance in an objective, rational and systemic fashion. Appraisals are linked to HPWS and if managed well, it can improve individual and organisational performance. Appraisals can increase commitment as employees access feedback, learning and development opportunities and a platform for their voice; additionally, contributing to their career development and have the potential to receive rewards in return for good performance thus enhancing capability (CIPD, 2018*b*; Hutchinson, 2013).

Appraisal success largely depends on data accuracy and line manager effectiveness. Managers can dominate the appraisal leaving the employee insufficient time to actively participate, they may be reluctant to pass judgment or be unable to handle an emotional response which may occur in the event of negative feedback. Notably, research found managers had deliberate preconceived performance ratings to manage consequences such as a relationship breakdown. Therefore, it is crucial to provide effective training for managers, whilst regularly evaluating the process, as a poorly conducted appraisal can negatively impact motivation, satisfaction and commitment (Taylor, 2016).

Setting performance objectives can be motivational to employees and improve employee identification and commitment to organisational objectives. In addition, appraisal outcomes such as identifying learning and development opportunities and

career counselling, can be motivational, improving commitment and capability (Hutchinson, 2013).



Appraisals can be used to evaluate performance informing decision surrounding pay and reward. An organisation, Optima, uses their appraisal as an evaluative tool whereby employee pay grade is influenced by the outcome of the appraisal therefore, employees are likely to increase performance to achieve a higher pay grade (Kressler, 2003).

The Expectancy Theory suggests that performance management can be linked to reward. It is commonly used to improve short-term performance by ensuring the employee has the following:

- Believes additional effort result in increased outputs; employers support this through additional training, goal setting and regular feedback.
- Believes increased outputs are recognised by management and result in reward such as pay or promotion.
- Believes the reward is worthwhile therefore, a range of rewards is advantageous.

Employees are motivated according to different factors therefore, an effective manager should recognise this and work with employees using the expectancy theory principles to enhance motivation to see increased performance (Rees and Tymon, 2016).

Extrinsic motivational factors surround financial reward such as pay, or benefits such as a pension or healthcare scheme. Intrinsic motivational factors are psychological

such as a sense of meaning, purpose, choice, competence and progress, resulting in increased commitment and engagement. Recent evidence found that performance-related pay positively linked to intrinsic motivation and claims extrinsic motivation may have a detrimental effect on long-term performance (Hutchinson, 2013; Rees and Tymon, 2016). However, Hajduk (2017) suggests that extrinsic and intrinsic motivators should work in harmony as opposed to favouring one; a major focus for employees is extrinsic rewards, especially pay, therefore, businesses should satisfy extrinsic rewards before expecting employees to focus on intrinsic rewards and increase performance.



Line managers are undertaking more HRM responsibilities and in many organisations line managers implement HRM as opposed to HR professionals. Studies have shown that line manager behaviour mediate the effect of HR practices on behaviours and attitudes; employees are more committed and satisfied when they rate their line manager higher (Hutchinson, 2013).

Line managers have the greatest influence on employee behaviour and unlocking their discretionary effort, due to their proximity and regular interactions, which is critical to organisational success (Acas, 2014).

Gilbert et al (2011) researched the impact of line managers and HR on affective commitment in employees, which is their emotional attachment to the organisation. The research found line managers can enhance employee affective commitment by effective implementation of HR practices and leadership behaviour. The researchers identified five specific behaviours which effective line managers exhibited:

Supporting – Acting considerately and sympathetically, providing encouragement and support for difficult tasks.

Developing – Developing others through coaching, advice and opportunities to improve employee skills.

Recognition – Providing recognition for effective performance, achievements and improvements.

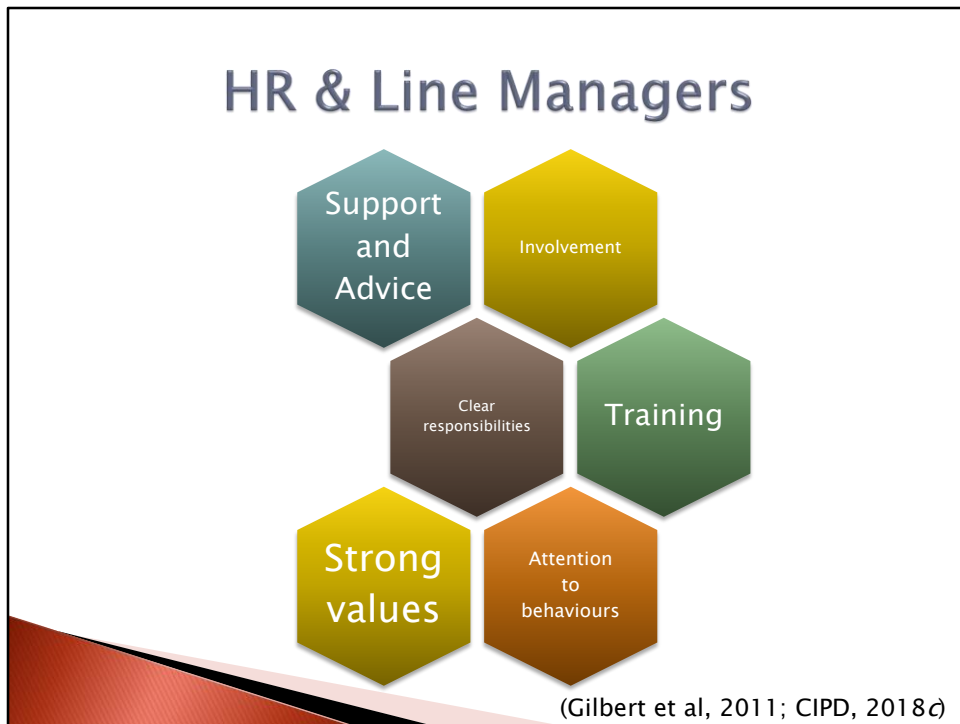
Consulting – Involving and encouraging others in decision-making and utilising ideas of others.

Empowering – Giving employees discretion and responsibility in their role and trusting others to make decisions.

Purcell and Hutchinson (2007) identified key areas in which line managers have most involvement and influence on employee behaviour and attitudes:

- Providing recognition and reward
- Ensuring a work-life balance
- Conducting appraisals
- Providing training and guidance
- Effective communication and involvement
- Being open to welcome grievances and concerns

The research noted that how line managers exercised leadership such as dealing with workplace issues, involving employees and fair treatment, was strongly linked to increased job satisfaction, motivation and commitment.



Line managers are central to implementing HR policies and supporting day-to-day people management operations; they are undertaking many traditional HR responsibilities as HR is evolving and focuses on strategic issues. Line managers are expected to behave consistently with organisational policies and tailor their management approach to teams to engage and motivate. Therefore, it is HR's role to ensure that line managers are fully supported to perform well; ensuring careful selection, attention to behaviours and supported with consistent and robust organisational values to show that the required behaviours are an expectation. Furthermore, HR should provide line managers with clear responsibilities, access to relevant training and ensure feedback is provided. Many line managers are often promoted internally from operational roles and may not possess management education or skills at their appointment therefore, it is crucial that HR source or deliver appropriate training and development to new and less-skilled line managers (CIPD, 2018c).

Gilbert et al (2011) research noted that the HR function can provide line manager support in the following ways:

- To provide HR support and advice, predominantly on complex issues including employment law, training and how to manage under-performers.
- Involving line managers in the development of performance management policies ensuring clear implementation guidelines are provided.

- Be clear about their responsibilities and highlight which HR responsibilities sit with the line manager, HR or both parties.
- Provide effective training and development to equip line managers with the right skills and confidence to conduct performance management activities including appraisals, feedback and supporting employee development through training, coaching and learning opportunities.

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