

CIPD Diploma in Applied Human Resources

UNDERSTANDING THE LINK BETWEEN INDIVIDUAL AND ORGANISATIONAL PERFORMANCE

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OBJECTIVES

To understand-

- Purpose & key objectives of HPW
- HPW & organisational performance
 - HPW & employee well-being
- Performance management cycle
 - The role of line managers

HIGH PERFORMANCE WORKING

Seeking to improve and maximise employee performance in the workplace is a central objective of HRM. Over recent years, increased research has been carried out into High Performance Work Systems (HPWS) and High-Performance Organisations with results showing superior organisational performance when these workplaces are created.

High Performance Working (HPW) can be defined as a 'bundle of distinct human resource management policies and practices introduced in an organisation at the same time and are mutually reinforcing' (Saridakis, Lai and Cooper 2016) The precise combinations of the bundle have never been agreed but it is recommended that they should include practices that promote employee commitment and involvement.

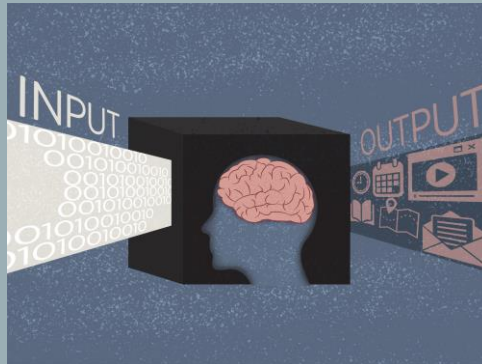
HPW PRACTICES



Garman and colleagues (2011) identified several high-performance work practices which are recommended and proven to improve an organisation's capacity when attracting and retaining employees:

- Engaging employees. This ensures that everyone is aware of their personal stake in the organisation's vision, how this will be achieved and its current level of success in pursuing that vision. To do this, organisations must communicate information, involve employees in decision making and introduce performance-contingent compensation. This links salary and/or bonuses to employee's success- designed to incentivise employee performance in the workplace.
- Acquiring and developing talent focuses on improving the quality of the workforce through attracting personnel and developing them. To do this, organisations need to participate in rigorous recruitment including referral incentives and employee branding. Workforce planning and continual evaluating recruitment methods ensure that they remain effective. Extensive training and career development ensure that talented personnel are retained.
- Developing and aligning leaders is recommended in HPWs as it ensures the organisation evolves. To do this, succession planning needs to be implemented to proactively identify and address future leadership needs, this goes hand in hand with organisation specific management training to align development resources with the strategic direction of the organisation.

HPW & ORGANISATIONAL PERFORMANCE



A large amount of research has been undertaken into High-Performing Working and how it contributes to superior business performance. The implementation and uptake of HPW practice positively correlates with the rate of organisational growth, increased profitability, higher job satisfaction and lower staff turnover. Contributing to greater innovation and creativity in the workplace (Buzzacott 2018). However, not everyone is convinced by the results.

The first studies were conducted in the USA during the 1990s by Pfeffer (1994). He examined the HR practices used in successful and fast-growing companies differed from their less successful competitors. He concluded that a mix of policies were used in most of the successful organisations he studied. This reinforces today's definition of HPW.

Similarly, using questionnaires Huselid proved that the more sophisticated HR practices there are in a firm, the lower its labour turnover, higher its profits and subsequently the market value increased (Taylor 2016).

The CIPD and John Purcell (2015) conducted research into the performance-HR link. This is now referred to as the 'Black-Box' studies. The three major findings were:

- When an organisation has a 'bundle' of high-performance HR policies/practices there is a positive response from employees contributing to improved/increased performance.
- Big ideas underpin an organisation's mission and the values it is based on. These then become embedded into the organisation's policies and procedures giving employees a sense of shared purpose.
- Line managers need to bring HRM to life on a day-to-day basis. Employees need to be respected and motivated to realise the positive impact that HR policies will have.

For employees to have a sense of shared purpose, business ideas needed to be underpinned by the organisation's mission and values. When both employees and stakeholders have this strong connection to the purpose an environment with sustainable performance will be created (Miller 2010) as everyone is striving and committed to the same organisational objectives.



Organisations can achieve a competitive advantage by having the ability to differentiate from their competitors. Employees are key to firms, their efficiencies, and their profits. High-Performance Working contributes to this, as the 'bundle of HR policies and best practices' promote employee commitment and involvement in the organisation which in turn contributes to increased profits and a competitive advantage (Berry 2017). Competitive advantage is the ability to sustain profits that exceed the average for the industry by developing unique competencies (Frontiers 2018).

Key findings between HPW and organisational performance include:

- A 20-40% increase in productivity when organisations adopt these practices (Buzzacott 2018).
- Organisations associated with HPW become 'employers of choice'. People want to work in organisations which have this 'bundle' of policies, procedures, and best practices due to their positive reputation and effectiveness when both recruiting and retaining employees.
- High-performance organisations and employers are more likely to retain their employees as it is proven that employees are more engaged in their work and

committed to the organisation (Taylor, 2016).

- Lower employee turnover rates (Huselid, 1995; Sun et al., 2007; Jiang et al., 2012)
- Greater degree of organisational commitment and job satisfaction (Messersmith et al., 2011; Korff et al., 2017).
- HPWs are also linked to a variety of desirable outcomes in the workplace such as better job performance, creativity, and innovation (Jiang et al., 2013; Chang et al., 2014; Costantini et al., 2017).

Despite this, according to UKCES (2013), the use of HPW practices in 2011 in the UK varies by practice. There was a decline in the use of most HPW practices between 2007 and 2011, however the proportion of establishments with plans to implement high-performance working increased by 0.3% in the same period.

However, the use of HPW practices varies by organisation size- in large establishments the number of businesses with such practices implemented increased. This demonstrates that HPW practices are more likely to be adopted in larger businesses (UCKES 2013).

HPW & EMPLOYEE WELL-BEING



Employee wellbeing refers to the ‘state of employee’s mental and physical health resulting from dynamics both within and outside the workplace’ (Marinaki 2020). This is becoming increasingly advocated in organisations across the UK due to a significant amount of evidence which supports the link between high performance working and wellbeing at work.

Right at the beginning of employment- rigorous recruitment is regarded as a vital element of HPW Human Resource practices, this helps ensure organisations both recruit and retain talented people who possess creativity, knowledge, and innovative skills. An effective recruitment process also ensures enhances a company’s reputation giving them a competitive advantage (CIPD 2020). Organisations can achieve a competitive advantage by having the ability to differentiate from their competitors to do this flexible working systems, friendly HR policies and fair reward systems based on appraisals are encouraged. These all promote positive employee well-being. Employees are key to firms, their efficiencies, and their profits meaning it is vital to consider their well-being (Ray 2019).

According to Babic, Stinglhamber and Hansez (2019), HPW promotes well-being through improving the individual’s sense of worth, value and security. Including employees in

decision-making aspects of their organisation increases commitment to the firm, encouraging the individual to gain high self-esteem, confidence in their work and empowers employees to have a voice in the organisation (Chamberlin et al. 2018). This is proven to positively impact employee's attitude towards work, subsequently improving productivity, job satisfaction and general wellbeing.

Simply Health (2018), states that employees are less likely to be absent and have both better physical and mental health in jobs that are autonomous, where employees are supported and have a good work-life balance. This reduces burnout and strain due to higher levels of job satisfaction and support and lower stress levels. In the long-term this will contribute to lower employee turnover subsequently improving retention rates- this ensures that organisations keep hold of highly skilled and experienced employees. This is a huge benefit to the organisation long-term.

PERFORMANCE MANAGEMENT

Performance management helps managers monitor and evaluate employees' work. Its goal is to create an environment where employees can perform to the best of their abilities to produce the highest-quality work both efficiently and effectively (Tardi 2021). Performance management is important as it highlights training needs, boosts morale, supports both workforce and succession planning and allows employees a greater degree of autonomy. These all subsequently improve employee retention- research conducted by HR Daily Advisor states that companies who implement regular employee feedback have turnover rates that are 14.9% lower than for employees who receive no feedback (Maier 2019).

An effective performance management system is a high performing company.



In most organisations, a performance management cycle forms the central part of a performance management strategy. A performance management cycle is a continuous improvement process for planning, checking, and measuring employee's performance (Personio 2020) with the aim to align the goals of each individual to those of the organisation.

What are the main stages of the performance management cycle?

1. Planning. This ensures each employee's performance is aligned with the organisation's goals and values and overall company strategy. During this phase, employees should work with their managers to agree on/set goals using SMART objectives to align the organisational objectives and individual's PDP.
2. Employee performance, progress and development should be continually monitored. If needed, the employee's personal development plan may need to be adapted.
3. The employee's accomplishments, and standards (those agreed in step one) need to be analysed and reviewed by both the employee and their manager. This could take place using regular reviews and/or annual appraisals. Employees and their manager/s need to work together to evaluate how well the employee has performed during the last period and what needs to be done to achieve future goals and the desired standards.

This is an opportunity to consider the employee's current position within the company and how they can progress in the future (PRISM).

4. Rewarding. If employees are performing at the desired level, good work needs to be recognised. Common ways to do this include salary increases, bonuses, awards, and promotions.

If an employee isn't performing at the desired level-why? Some ways to improve this include conducting regular performance appraisals, matching tasks to employee's skills and improving communication.

The performance management cycle has no beginning or end. Employees improve their competencies; managers get better at managing and the company continues to grow successfully (Personio 2020).

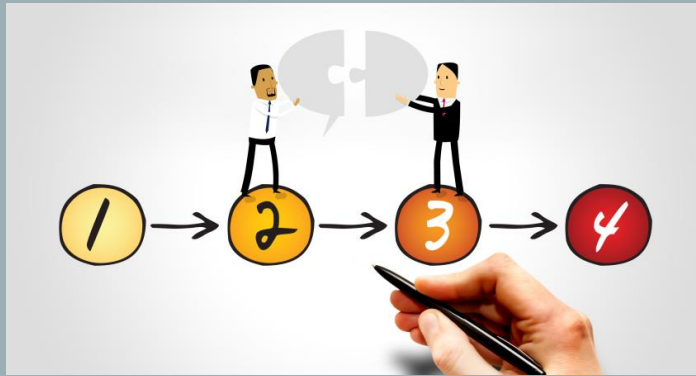
COMMITMENT, CAPABILITY & TALENT



The performance management cycle also provides the opportunity for continuous feedback and appraisals providing organisations the chance to motivate and prepare the workplace for growth. This cycle provides the opportunity to cultivate and retain skilled employees and equip them with both timely and relevant feedback and development opportunities. Following this, line managers can build and manage succession plans assisting in smooth transitions when turnover does occur (Deltek).

According to Gallup's State of the Global Workplace, only 15% of employees in the workplace are engaged (Smarp 2021). Performance management allows line managers and organisations to determine which employees are engaged, reaching their potential, and are presented with the relevant opportunities to develop their skills and develop for future leadership roles. Additionally, performance management can also identify those that are not actively engaged and work to reverse this trend (Acendire). Performance management can help improve employee engagement through ongoing and open communication. It's effective as it identifies expectations for both the employee and line manager, helping align daily tasks to key business objectives which in turn boosts employee's commitment to the organisation (RMI 2019).

Commitment can be defined as a 'willingness to persist in a course of action and reluctance to change plans with a sense of obligation to stay on the course' (Project Clue). Individuals will commit themselves to their employers, co-workers, supervisors, and customers provided they are met with reciprocation. Employees expect that in exchange for their commitment, they are met with secure jobs, compensation, and the opportunity to develop and improve their skills (Vance 2006).



Organisational success is dependant on both the right strategy and resources and its ability to attract, support and retain teams who are focused on achieving the organisation's objectives. Line managers play a pivotal role in this as they are responsible for implementing, enacting, and bringing HR policies and practices to life.

Managers need to consistently get the best possible performance from both the individuals and team they manage. To do this, line managers should communicate effectively with their employees regarding their role in achieving organisational objectives and how this links into their day-to-day tasks. This integration of people, planning and performance with organisational objectives develops organisational capability- in turn leading to higher levels of performance.

Research conducted by a team at Bath University (CIPD 2020) found that line manager's play a critical role in assessing and recognising performance. Their role in performance management includes setting specific and challenging goals for their employees, monitoring progress, providing feedback, and using this to regularly assess performance (CIPD 2020).

To ensure performance management is implemented and carried out effectively, it is important that line managers possess the right attitude towards performance management and the right skills to promote it amongst their team (Juneja 2015).



The day-to-day practice of performance appraisal is primarily a job for line managers rather than an area of management that falls to HRM specialists. Their role is restricted to policy making and giving advice. However, the HR function takes a role in designing the standardised appraisal documentation. The extent of this varies depending on the type of performance-appraisal system operated, however best practice states that a well-designed system should have an element of self-appraisal. The HR department also plays a role in training managers to carry out appraisals effectively.

Participating in appraiser training is incredibly important- after all a badly done appraisal is worse than no appraisal at all. This is because a poor appraisal can negatively affect an employee's motivation, job satisfaction, commitment, and trust. It is important that managers understand the importance/need of:

- objectivity and consistency.
- avoiding passing judgement on any aspect that does not relate to workplace performance.
- justifying negative comments with factual evidence.

- focussing on good aspects of performance.
- taking a constructive approach and making positive suggestions as to how matters can be improved (Taylor, S 2016 p211-212).

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