



Understanding the link between individual and organisational performance

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When understanding the link between Individuals and organisations performance it is important to understand where the individual started within the company.

Woodham's state that once an organisation has secured the services of people with the skills and experience that it requires through effective recruitment, selection and employee retention practices its next aim is to find ways of getting the best out of people (2016, pp.197). The CIPD viewpoint of recruitment is that it is critical to the day to day functioning of any organisation. Hiring someone with the right skills, expertise and qualifications to deliver organisational objectives and aims of the business (CIPD,2019).

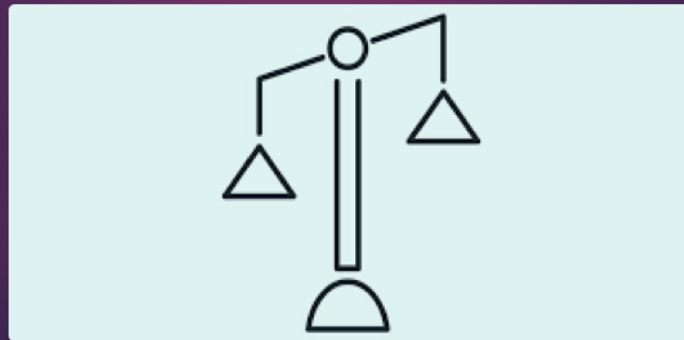


High performing work systems are best known as a bundle of distinct Human Resources Management policies and practices, which are introduced into an organisation. The precise makeup of the bundle has never been agreed definitively however there is a consensus that any list should include practises which are most likely to promote employee commitment and involvement. (Woodhams,2016, pp.199).

Some of the practises would include: - Recruitment and selection, this is the starting point of anyone's career. There is lots more investment into the recruitment process with assessment centres becoming a more common approach to hiring people giving them a job description, criteria of the role so they know exactly what is expected of them from their new employer. The investment and training, Internal promotion it is always important for people to know there is options within the organisation they work. Grievance Procedures knowing that they can be used without fear and if someone has been treated unjustly, they can raise this with senior managers. Performance based pay, team-based approaches, employee participation, information sharing, and performance appraisals it is now common to also see Flexible working, job security, work life balance and the harmonisation of terms and conditions included into the practises for high performance working known as the 'best practise bundle' (Woodhams, 2019, pp.199).

Woodhams states that there has been a lot of research completed over the world linking High performance working and superior Business performance. Whilst the reports for this have generally been encouraging there has been some that have not been convinced by this process (2016, pp.200). Pfeffer (1994,1998) of Stanford University examined ways in which HR practises used their most successful and fastest growing companies differed from those of the less successful competitors. Pfeffer concluded that a mix of policies along the lines of the 'best practise bundle' showed that this view had something significant to offer all organisations (Woodhams, 2016, pp.200).

- ▶ Whilst there have been many theories and researches completed over the years regarding High performing working, we are going to look at just a few.
- ▶ Huselid, Coomes, Purcell and Harter to see how they compare.



Huselid (1995) around the same time went on to conduct a larger piece of research. Huselid completed a questionnaire – based methodology, this questionnaire which detailed HR policy and practises was sent to 968 firms all employing over 100 people. Huselid was able to show that the more sophisticated HR practises there was in a firm the lower its labour turnover, the higher its market value and the higher its profits. This for the first time demonstrated that an academic study that enlightened, people focused HRM paid off in financial terms too (Woodhams, 2016, pp. 201).

There have been further studies carried out, but none has had quite the same impact as Huselid (1994). Combs et al (2006) completed a Meta-analysis which included 92 separate studies. These were of different sample sizes but when considered Combs et al concluded;

Woodhams states that as a result this is now widely considered that ‘best practise HRM’ in the form of the bundle practises described are of a considerable potential benefit for all types of organisations operating all over the world and within any industry (2016, pp. 201). It is believed that this will increase the organisations performance and will help to sustain competitive advantage for longer whilst also increasing the wellbeing and satisfaction of employees (Woodhams, 2016, pp. 201).

Over recent years there has been progression between the link of HRM and business performance. There is still however a keen desire to understand the nature of the

link. Woodhams states this work is still very much in progress and will undoubtedly reveal new insights in the future (2016, pp.201). The most prominent piece of research was carried out by John Percell and is often referred to as 'the black box studies. This is because they explore the unknown reasons for the performance-HR link. This research lasted over a six-year period and consisted of interviews with employees and managers manager's in specific areas of industrial sectors (Woodhams, 2016, pp.210).



Huselid's findings

A 1 standard deviation increase in HR practises Yield's:

- A 7.05% decrease in staff turnover
- \$27,044 increase sales per employee
- \$18,641 more in market value per employee
- \$3,814 more in profit per employee.



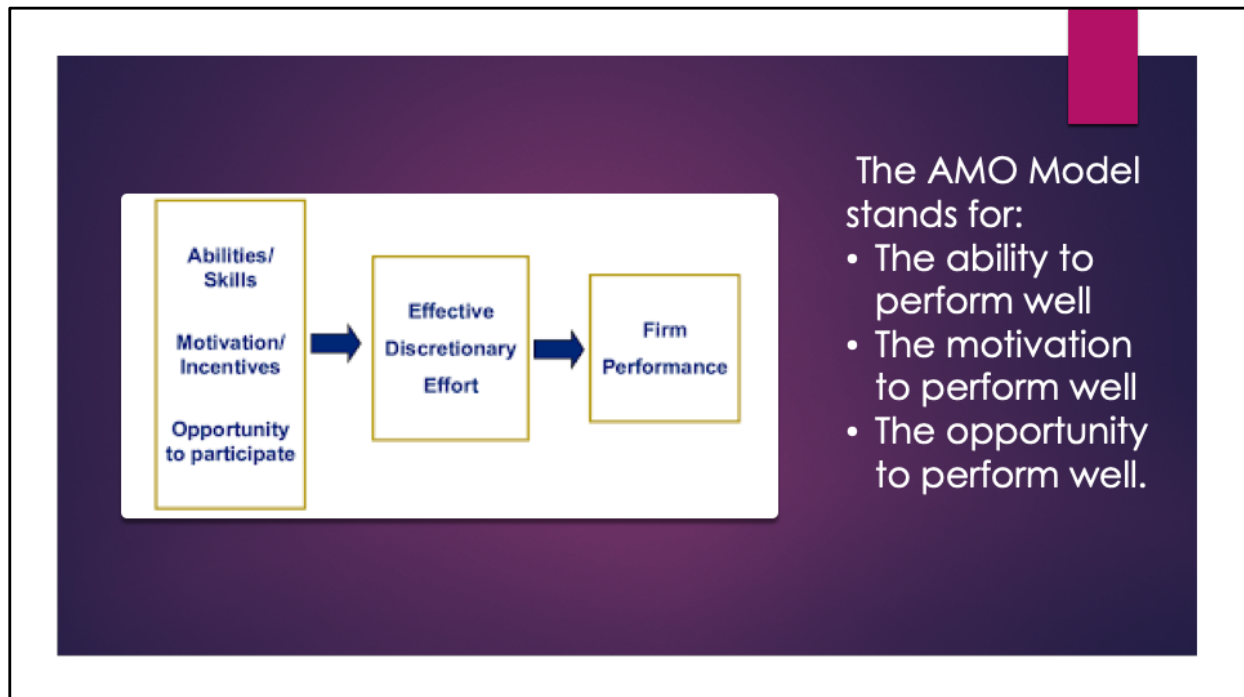
Combes et al Findings

- 4.6% increase on return on assets
- 4.4\$ reduction in staff turnover.



The black box theory was introduced after several years of research and was seen as significant progress.

Woodhams states that the black box studies therefore found good evidence that the right approach to HR implemented effectively, will bring about superior organisational performance (Woodhams 2016, pp. 202). It was believed that good robust evidence across several organisations that demonstrated a strong support for a causal link between the HRM activity and the superior Business performance (Woodhams 2016, pp. 202).



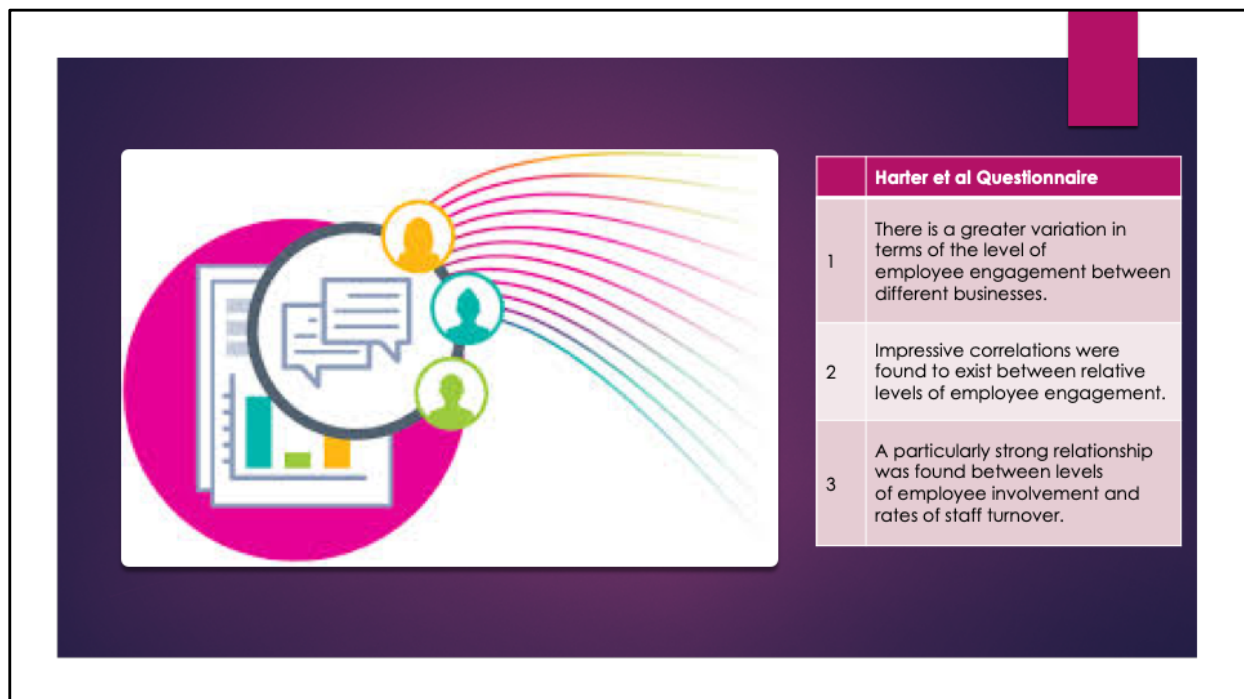
Black box has been widely known for its promotion of the AMO model. The AMO model was initially proposed by Bailey (1993) and was developed by Appelbaum et al in(2000) (Huthchings,2013). The AMO model has been commonly accepted into the framework to explain how HR policies may work and the impact in has on performance.

Woodhams states that it is the AMO model alongside other conditions that permits organisations to benefit from good HR practices (2016, pp. 202).

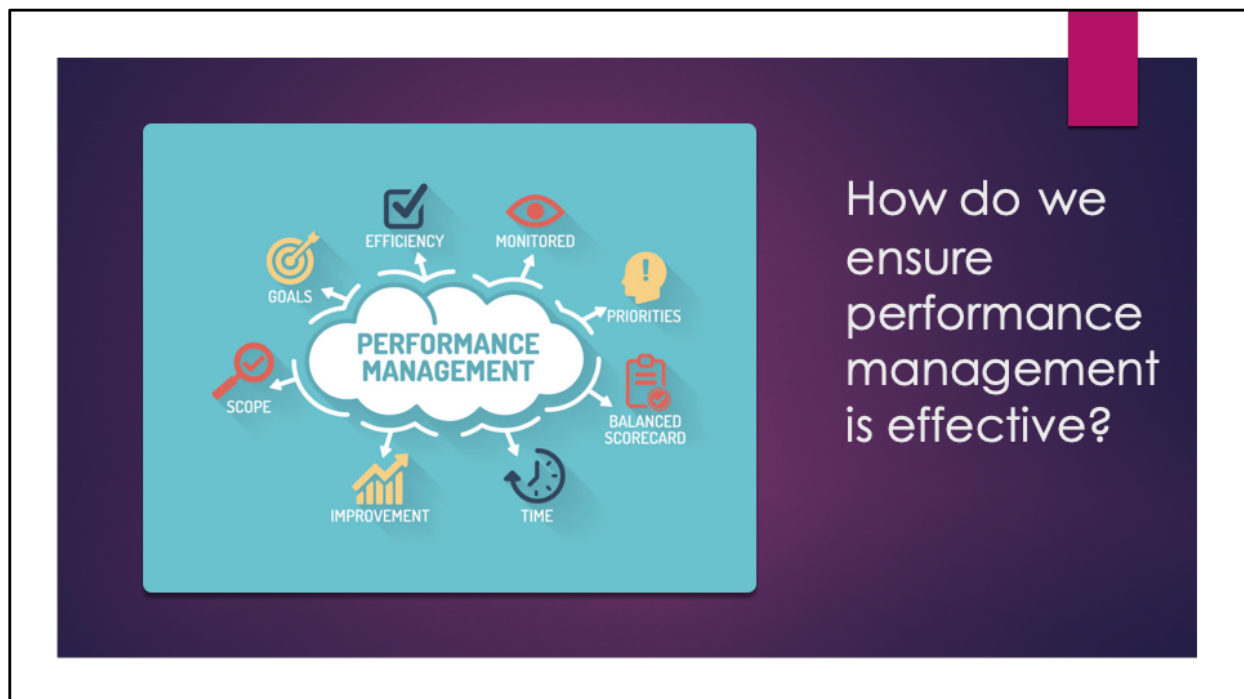


	Purcell et al Findings
1	Organisations with a bundle or progressive or high-performance policy and practises have a positive response from employees with regards to Job satisfaction, motivation and commitment which leads them to work harder and strive to improve their performance.
2	A characteristic shared by one of the most successful organisations is some form of 'big idea' which under pins their mission and values.
3	Having the right HR policies and practices was not enough. These policies need to be brought to life by the line managers and staff on a day to day basis.

There were three major findings of the results published in 2003(Purcell et al)



Another research which emanated from the Gallup studies was Harter et al who also conducted a similar activity and their findings were derived from analysing data collected over several years from across the world using a simple 12-word questions., by 2002 has been administered to 198,514 people in 7939 businesses (Woodhams 2016, pp.202). Some of the feedback from this questionnaire was 'I know what is expected of me at work' and 'In the last seven days, I have received recognition of praise for doing good work'. Some key findings from Harter et al questionnaire was The results from the Gallups studies has many similarities to that of the black box theory, HR policies and practices help to generate superior business performance because they help to motivate employees positively to perform well in their individual roles (Woodhams 2016, pp.203). Both balck box and Gallup both express that Huselid's link can largely be explained by the fact that most employees respond well towards the organisations 'best practice bundle' of high performing work practices which leads to improved work performance (Woodhams 2006, pp. 203).



The research of High-Performance work and the link to organisational performance has been both praised and criticized. High performance working has a clear link with the effective leadership throughout the organisation. Through high performance working organisation they will be able to implement judicious Recruitment ensuring that they are recruiting the right people for the right jobs Schmitt and Kim state that recruitment and selection are critical for organisations wanting to develop the high commitment working model (Marchington and Wilkinson, 2008). To offer employment security Pfeffer argues that employment security underpins the other best practices he identifies as it is not realistic to ask an employee to invest their time, ideas and commitment into a business without expecting continuous employment and development opportunities (Marchington and Wilkinson, 2008). To be able to offer an extensive training and development plan which offer a competitive advantage against other organisations. With High performance working there is also the link to employee wellbeing, ensure that employees feel value within an organisation they know and are actively seeking the benefits of employee engagement, they feel committed to the company and feel satisfied with their work life balance. However, Woodhams states that best Practice HRM may have a positive impact however this cannot be measured or proved (Woodhams, 2016, PP. 203) However, Marchington states that High performance working would be

dependent on Sector, Size, type of firm and where it is located to say whether or not High Performance working is in fact effective, High performance Working is generally more effective with the Public sectors compared to private sectors (Marchington and Wilkinson, 2008). It is stated that the Correlation does not prove causation however superior performance may lead to sophisticated Human resource management some known cases of this would be organisations such google and apple (Woodhams, 2016, pp. 204).

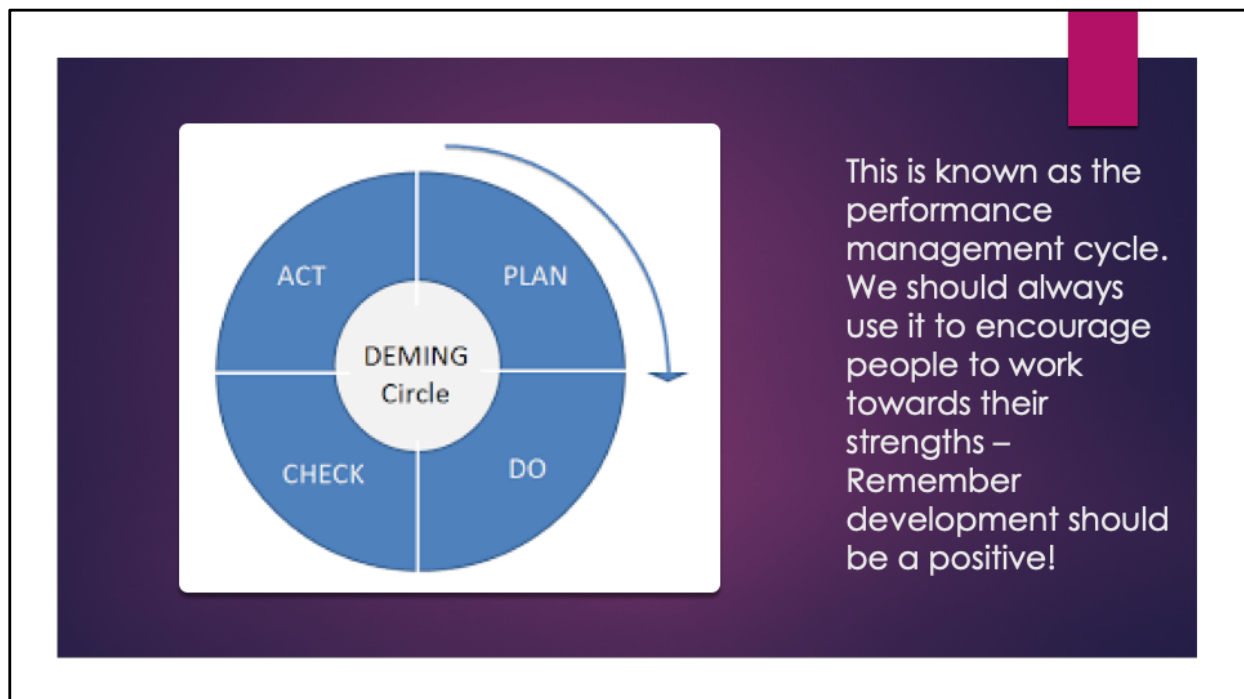
Strategic reward and total reward is something that is commonly used in many organisations. CIPD state that strategic reward takes a long-term approach to how an organisation's reward policies and practises can support its business objectives. Total reward covers all aspects of work the employees' value, both tangible and intangible which may form part of total reward (CIPD, 2019). Strategic reward supports the organisation by aligning their reward approach with business strategies something which is often done through performance appraisals.

Woodhams states that one of the most sophisticated critique's that has been published is from Fleetwood and Hasketh (2010). In their book Explaining the performance of Human resource management they state that it is impossible to predict the financial impact of HR interventions, people deliver performance rather than Human Resource Management and that Human Resources plays an important enabling role but cannot cause high performance on its own.

Armstrong states that performance management is the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organisation. Planning performance to achieve those goals, reviewing and assessing progress and developing the knowledge skills and abilities of people (Armstrong, 2016, pp.7). It has been said that if you can't define performance you can't measure or manage it. Bates and Holton (1995) stated that 'performance is a multidimensional construct, the measurement of which varies depending on a variety of factors' (Armstrong, 2016, pp. 8).

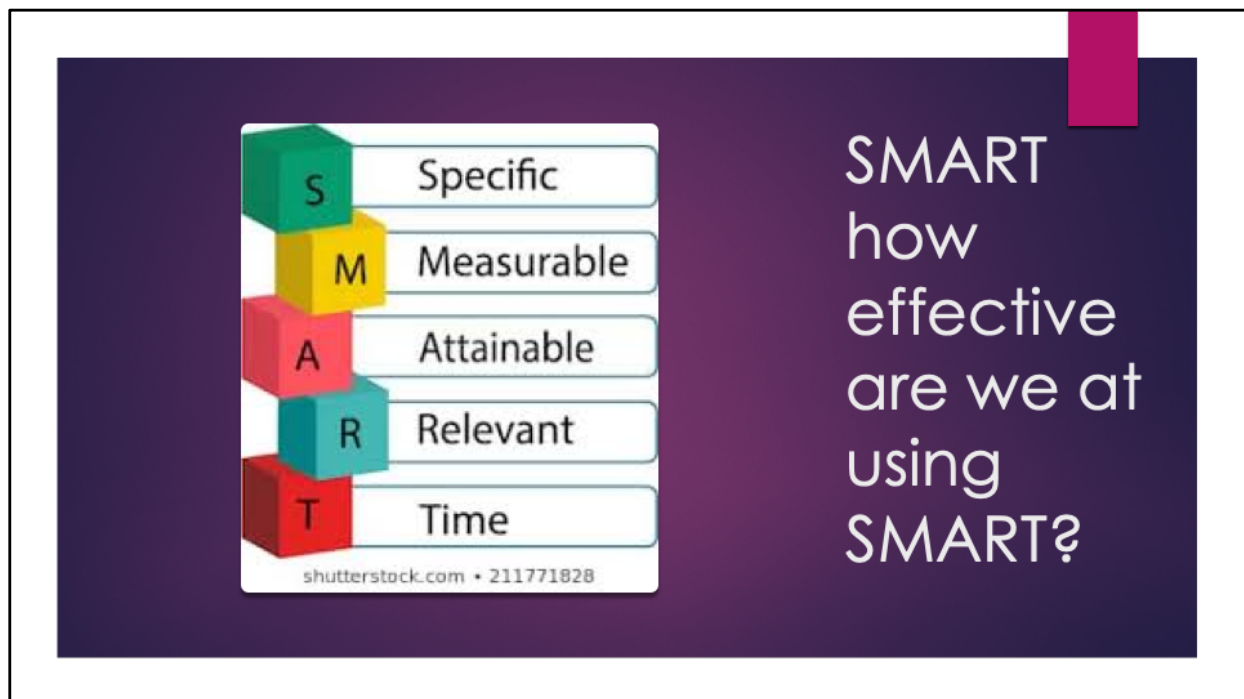
ACAS states that when measuring staff performance, we should reflect on what employees do and how they do it (Acas.org.uk. (n.d.). In many organisations' performance management is deemed as a continuous process where line managers seek to engage and motivate their staff on a day to day basis using the individual approach which suits them best. HR managers don't tend to have a great deal to do with day to day performance management aside from training and any disciplinary actions if someone were to slip into a formal process. In most organisations there is normally now a formal performance management process which operates alongside day to day activities (Woodhams, 2016, pp. 205). Performance appraisals are commonly used although they may fall under different titles in different organisations. Formal appraisals/reviews or evaluations form from a meeting with an employee and line manager on a regular basis, often annually or bi annual. The CIPD state that the value of an annual appraisal has been challenged recently in favour of more regular review feedback (CIPD, 2018).

These reviews are documented and stored on an employee's personnel record there is often an outcome from these meetings which can either be something the employee needs to work on or something that can support their development (Woodhams, 2016, pp. 205). CIPD state that assessing and feeding back on an employee's performance is a critical factor in making targets effective, as monitoring our progress towards objectives is strongly motivational (2018).



In the 1950's William Deming a renowned management consultant developed something known as 'Deming wheel' or 'Deming cycle'. Deming himself named it the 'Shewart Cycle' as this was based on an idea by his mentor Walter Shewart (Mindtools.com, N.D). Demings cycle was based on a plan, do, check and act model which encouraged people to work towards their strengths. There are some key aspects of the Performance Management Cycle, Communication of organisational vision and objectives this should and can be done at any stage of an employee's work life cycle. From day one of recruiting a new employee it is important that they understand the key objectives to the organisation they are wanting to join. Setting departmental and individual objectives, after completing an induction into any organisation it is important to continually think about how you can continue to grow and learn within the organisation. Measuring and reviewing performance this can be built into the appraisal, 121 feedback session which may take place more frequently than an annual appraisal. Identifying training and development needs should be discussed with an employee at every stage of their work life cycle at no point should someone's performance be a surprise to them, evaluating how they are getting along through their employee life cycle and then, linking an individual objective back to the team and organisational objectives It is important for employees to feel they are having a positive impact within an organisation to be able

to fully invest into the company. Throughout this process it is important to remember that these processes are intended to Improve individual and collective performance, raise morale, reinforce control, identify development opportunities and communicate any goals or expectations (Woodhams, 2016, pp.206).



Bloom et al (2012) states that following a ten year long international study that there was evidence across both public and private sectors showing that organisations were on average 23% more productive when they had a formal performance management practices which met the three basic criteria's Targets – tough but achievable objectives, Incentives – Praise, recognition Payments or career development and monitoring – the organisation collecting and analysis performance data to identify how improvements can be made.

According to Latham and Locke (1979) there is an inseparable link between goal setting and workplace performance. Locke states that there are 5 clear elements to improve the chance of success. Clarity set clear goals therefore SMART (Specific, Measurable, Achievable, Realistic, Time bound) objectives are frequently used within most organisations (Woodhams, 2016, pp. 208) There has been however recent challenges to this stating that we have lost sight of the true meaning of SMART objectives (Marsh, 2019), it is stated that 86% of performance appraisals are not SMART. Challenge if the objectives are challenging this will encourage the employee to want to succeed known as social cognitive theory. Securing commitment allowing the employee to be bought into the organisation's objectives. Gaining feedback can be done in a variety of ways in recent years 360-degree feedback has become a popular choice (woodhams, 2016, pp. 210) when using this form of feedback, it

should always demonstrate constructive and remain confidential. Finally, is considering task complexity ensuring that you're not setting the employee up to fail. There has been push back as to how successful these appraisals have been in the past, it has been stated that there is often limited evidence to shows that appraisals improve performance, it is often felt like a tick box exercise and that there has been tendencies to mark people's performance as average or good instead of using the end point of rating scales for fearing of angering or upsetting employees. (Woodhams, 2016. pp.209). It is though that with more effective training and regular evaluation of appraisals would help support some of these issues however there may still be a reluctance by managers to effectively carry out and appraisal which questions if appraisals are effective or not? (Woodhams, 2016, pp. 210).



LINE MANAGER

What is a Line manager's role within Performance management?

How can HR support?

By the nature of the work Line managers are predominantly accountable for Performance management within their team (Woodhams, 2016, pp.211). Line managers should own and lead performance management as they are the ones who know their teams best and work with them on a day to day basis. Human resource managers are more linked with policy writing and giving advice, However Humana Resource managers do take a more hand on approach when it comes to the design and training of anything linked to appraisals (Woodhams, 2016, pp.211)

Hr managers can support with Recruitment, using competency frameworks and sharing visions and values early on within the employees journey, Describing Performance management within the induction, ensuring to promote this as a positive, Providing training and development opportunities, supporting with policies and opportunities for reward and recognition, Giving advice and co ordinating of this process.

In conclusion most organisations are likely to maximise their performance to achieve their objectives but in order to sustain a high performing team they should work alongside appropriate formal performance management systems alongside the bundle of high-performance work practises (Woodhams, 2016, pp.214).



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