

Enhancing Organizational Performance: Unveiling the Dynamics of Performance Management and Employee Engagement

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Abstract: Performance management (PM) is a pivotal tool for enterprises in achieving strategic goals. PM involves processes to decompose and implement objectives, coupled with employee motivation strategies, standardizing HR practices, and enhancing managerial capabilities. The study critically analyzes the Chartered Institute of Personnel and Development's (CIPD) PM definition and its underlying theories. It is structured into four sections: the PM cycle, training and development, performance measurement, and enhancing PM effectiveness. The research underscores the interconnectedness of PM components and their role in driving employee engagement and organizational efficiency.

Keywords: Performance management, PM cycle, Employee Engagement, Organizational Efficiency

1. Introduction

As an important tool to help enterprises achieve their strategic goals, performance management (it is abbreviated to as PM in the following text) can be used to achieve the desired strategic business objectives by effectively decomposing objectives, implementing them level by level and combining them with appropriate employee motivation strategies, standardising enterprise human resource management methods and improving the management capabilities of managers. It follows that performance management must be emphasized in the strategic management of corporate human resources.

The Chartered Institute of Personnel and Development (CIPD) considers performance management to be a holistic set of processes^[3]. In order to get a clear definition of performance management, it is necessary to start with an understanding of performance^[2]. Historically, the conceptual system of performance was mainly established by Boxall and Purcell, who gave a quantitative equation of performance: $P = f(AMO)$, the implication of this AMO model is that performance is determined by employees' abilities, motivation and opportunities^[11]. The employee's performance at work, or the calibre of his output, is determined by his personal competency, positive selectivity, and tenacity in connection to tasks, as well as the availability of an organisational framework in which their potential may be realised. By mediating the independent variable, AMO, it is possible to change the dependent variable, performance, in order to achieve improved employee outcomes. But how to mediate AMO is the domain of PM which is the science of improving employee performance in the workplace through human resource practices. The main objective of PM systems is to raise employee performance in a way that supports the organization's strategic objectives, it refers to the vast range of initiatives, programmes, interventions, and policies created to assist staff in enhancing their performance^[4], that is the reason why PM encompasses a complete set of processes.

There is a logical progressive relationship between PM, employee engagement and enterprise profitability. In organisations, people are the primary source of value creation, and PM aims to maximise human value growth^[3]. PM is the process of layering down the objectives of the overall development of the company and establishing clear performance indicators at each step of the way, so that the employees of the company can analyse their work and needs in detail. This approach can effectively improve the work capacity and efficiency of employees, which in turn enhances the competitiveness of the company.

This study will focus on the CIPD's definition of performance management, critically understanding and uncovering the hidden theory behind it. Specifically, this paper will be divided into four sections focusing on the mechanisms of PM - the PM cycle; the importance of training learning and development;

performance measurement; and how to improve the effectiveness of PM.

2. PM Cycle

The CIPD statement indicates that performance management is a process, however, a detailed representation of this process is missing. There are also different views on the process aspect of PM, but most agree that PM is a cyclical process that takes into account before, during and after the event.

Including measurement and standards, attaining contracts, planning, monitoring, assistance, control, assessment, feedback, personnel choices, development, and returning to measurement and standards are all necessary components of a full PM system [13]. In Richard Williams' *Managing Employee's Performance*, he divides PM systems into four components. They are Guidance (setting performance goals and performance appraisal criteria for employees); Management (monitoring and managing employees' performance, providing feedback and support to help them remove barriers to achieving performance goals); and Appraisal (monitoring and managing employees' performance, providing feedback and support to help them remove barriers to achieving performance goals); and Reward (rewarding, training and placing employees based on appraisal results) [14].

By collating and summarising previous research, Schleicher and other researchers argue that PM encapsulates seven key tasks: defining objectives for performance, monitoring employee performance, incorporating performance data, completing a formal summative performance evaluation, creating and giving performance feedback, holding a formal performance review meeting, and performance coaching [12].

As academic research continues, the PM cycle is being refined and supplemented. Wilton describes the PM cycle as a four-part process of observation, planning, monitoring and rewards [15]. (See figure 1)

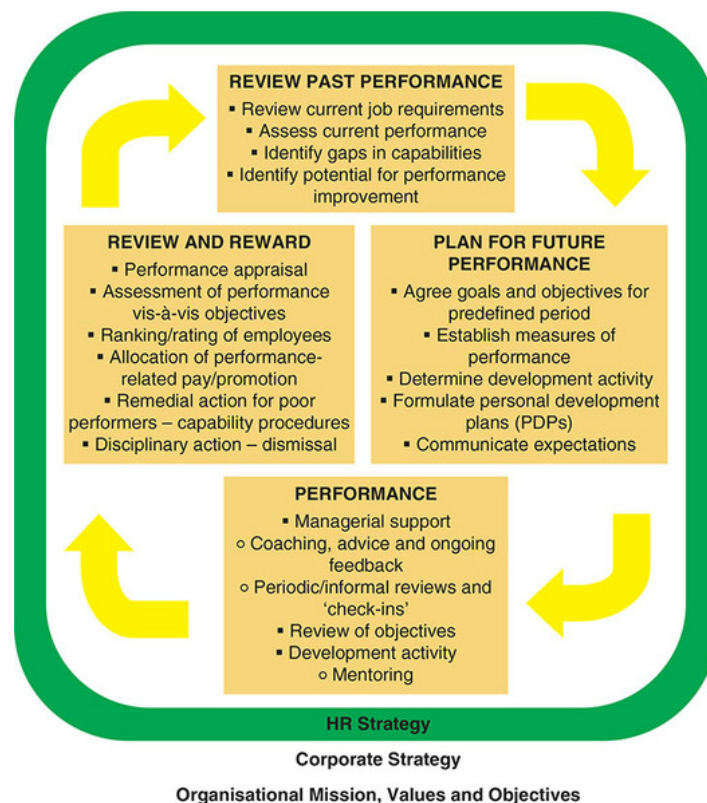


Figure 1: The PM cycle in strategic context

As the start of the PM cycle, the observation phase entails assessing the requirements of the job and the employee's work status and performance at this time, identifying current deficiencies and carrying out a detailed and objective analysis of the current state.

The second part of the PM cycle is the planning by which managers and employees discuss and agree on the objectives and standards of their work over a period of time, based on the strategic objectives of the organisation, the business priorities of their work unit and their job responsibilities, and form a

contract. It is a process of clarifying the organisation's performance expectations of employees, agreeing on performance goals and identifying potential and directions for improvement. When employees have a clear direction of effort, managers can also provide effective guidance and help to employees according to performance goals. At the same time, performance goals also provide basic standards and references for performance evaluation, feedback, and improvement in the application of performance results.

Once a plan has been drawn up, the person being assessed begins to work on it. Performance monitoring is the process through continuous performance communication, managers and employees prevent and help solve the problems existing in the work of employees in the performance cycle, correct the behaviour of employees deviating from the performance target, revise and adjust the performance target according to the specific situation, establish the realization of the performance target, and collect and provide information for the subsequent performance evaluation.

Performance assessment and reward is the process of evaluating and rating employee performance at the end of the performance cycle, using established appraisal methods and techniques. Performance reviews are a summative and sequential process. The assessment itself serves two purposes: a management purpose, in which the results of the performance appraisal provide the basis for many important human resource management decisions; and a developmental purpose, in which the results of the performance appraisal identify the potential capabilities of employees and provide the basis for planning their future career development.

After the above four links, a cycle of PM has been experienced. Only when every link of the PM cycle plays a full role can the whole human resource management system be supported.

Critics also argue that much of the research often focuses on one or two parts of the cycle (mostly on the individual and organizational impact of the presence of assessment and feedback), which gives the reader the illusion that these behaviours are independent, when in fact, there is a lack of joint research in the academic community, and there is no empirical article that considers the importance of the joint existence of multiple tasks and how they interact with each other ^[12].

3. Training- learning and development

The CIPD states that PM includes learning and development, a process that enables good people management. In the third part of the PM cycle - performance, employees and managers need continuous communication, training, learning and development are also part of the third step of PM. But CIPD misses out the important process of training. As employees show some shortcomings in the process of work, training becomes very necessary. Evidence indicates that more businesses choose emphasising the hard components of project management, including target setting and performance reviews, as opposed to the soft aspects, like mentoring and training ^[6].

Training, learning and development are three progressive processes. Training is defined as the systematic change in behaviour through learning programs and activities that enable individuals to reach a level at which they can perform their jobs effectively ^[1]. The key point of the training is the guidance provided by the managers, and the passive reception of knowledge by the employees. However, according to Wilton (2019), organisations have historically narrowed their focus on training as a result of changes in the organisational environment and the nature of employment, which has given rise to the current trend of shifting the emphasis from employee training to learning and development. However, this does not imply that, according to the CIPD's assertion, the value of training may be disregarded.

Learning refers to a more proactive approach to improving employee capabilities, where employees themselves are active players in the process. While development refers to the growth of one's abilities and potential through learning and educational experiences, this acquired ability may not be immediately used or displayed for immediate achievement.

Although training is neglected by the CIPD, learning and development is an integral and important step in achieving good people management practices. Understanding the advantages of learning and growth in three dimensions—individual, organisational, and social—is possible. Individuals can benefit from training and development by gaining new skills and information, improving their employability, job security, and pay ^[15]. For the organization, it has obtained a better-quality labour force and improved work efficiency. According to the "Financial Times", businesses have a significant impact on society through lowering obstacles to employment for young people, enhancing the skills of the next generation of employees, and assisting society in generating more benefits.

The three progressive steps of training, learning and development are very important steps in the PM cycle and cannot be separated by enhancing skills to improve employee performance.

4. Performance measurement and appraisal

CIPD's statement mentioned that as its best, PM is a complete process. But what is the "best case"? Numerous studies have shown that particular PM techniques may be efficient for particular firms functioning in particular circumstances and for particular goals, but what is efficient. Or what works well as a PM practise in one circumstance might not in another. In reality, the idea of "best practise" is called into doubt by the prevalence of several occurrences in PM. In this case, performance measurement and appraisal are very important.

Performance measurement and appraisal form a key operational part of the PM cycle. Assessments provide managers with a tool to review and track employee progress, enable remedial action for underperforming employees, and help improve individual performance ^[15]. However, without the enabling framework that the other PM components offer, assessments are likely to be ineffective or even harmful to employee motivation and performance. For instance, if the achievement of performance goals set forth in the evaluation is not backed up and rewarded with appraisal development activities, this might lead to a missed goal and dissatisfied workers ^[7].

Using performance appraisal in human resource management, in order to maximize the role of performance appraisal, the following principles need to be followed:

First, the principle of fairness and objectivity. This principle is the basis for ensuring the effectiveness of performance appraisal. In the process of performance appraisal, it is necessary to standardize the appraisal process and conduct appraisal in strict accordance with relevant system requirements to ensure the fairness and objectivity of the appraisal results. These are the basis for using performance appraisal and giving full play to its function.

Second, rigorous and strict principles. This principle is the basis for ensuring the orderly conduct of performance appraisal. In the process of performance appraisal, the appraisal indicators and standards used must be rigorous, and the appraisal indexes must be strictly implemented. If there is a lack of rigorous assessment indicators, the assessment results obtained will not be accurate enough, and will not be able to accurately reflect the actual situation, which will easily cause negative effects. If there is no strict assessment attitude, the assessment will be useless. Therefore, in order to ensure the smooth implementation of performance appraisal, it is necessary to formulate strict appraisal indicators, clarify rigorous appraisal attitudes, and strictly follow the appraisal procedures.

Third, the principle of openness and fairness. This principle is the basis for ensuring the rational use of performance appraisal results. In order to give full play to the value and role of performance appraisal, it is necessary to ensure the openness and fairness of the appraisal results. After the assessment work is over, the timely disclosure of the assessment results can allow employees to recognize their own strengths and weaknesses, continue to make use of their strengths and improve their deficiencies, and achieve continuous improvement of employees. In addition, according to the results of the assessment, the enterprise should make a clear distinction between rewards and punishments, organically combine spiritual and material incentives, and improve the enthusiasm of employees.

5. Employee engagement

Although PM is highly valued by managers, employees may not have a positive view of it. Employee satisfaction surveys frequently place performance management near the bottom, with less than one-third of workers believing their company's procedure helps them perform better ^[5].

Beyond what can be accomplished with a standard emphasis on performance alone, focusing on employee involvement in the performance management process may result in performance increases ^[8]. Engagement is described as "a revitalising sensation of engaging in personally rewarding activities that increase an employee's professional performance" by Leiter and Maslach (1998)^[9]. But how to improve employee engagement is a question worthy of attention.

The author thinks that developing a strong performance management incentive system is essential to increasing employees' commitment to the company's performance system. Job satisfaction and role fit were discovered by May, Gilson, and Harter (2004) to be significant positive indicators of one's own

physical, cognitive, and emotional expression in a job position, improving engagement^[10]. An organisation should boost employee engagement in PM practise in addition to theory to improve internal and external recognition of corporate performance management in order to deepen workers' psychological identification. Create a supportive incentive structure to promote professional conduct among employees and to create a link between awareness and conduct.

6. Conclusion

Based on CIPD's statement on performance management, this paper describes the definition, mechanism and structure of performance management through critical analysis, focusing on the importance of training, learning and development, and performance appraisal.

CIPD correctly pointed out that PM is a complete process, but in terms of details, it ignores the existence of training. This article discusses in detail the difference between training and learning and development, as well as its causal relationship with improving employee performance. In addition, CIPD believes that performance measurement is also one of the important principles in PM practice. This paper supports this point of view and makes more detailed supplements to provide principled suggestions to make performance appraisal more effective. Finally, the author suggests that in order to increase the efficiency of PM, the performance reward system may be strengthened. This will increase employee engagement and work satisfaction, which will ultimately achieve higher efficiency.

This article dialectically analyses performance management and enhances the understanding of PM, but the perspective is still very limited. In future research, it may be possible to study the connection and mechanism of each link in more depth.

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