Contents lists available at SciVerse ScienceDirect

### **Evaluation and Program Planning**

journal homepage: www.elsevier.com/locate/evalprogplan





## Does performance management affect nurses' well-being?

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#### ARTICLE INFO

Article history: Received 7 August 2014 Accepted 8 December 2014 Available online 16 December 2014

Keywords: Employee performance management Vertical alignment Performance planning Performance management satisfaction Performance evaluation Affective well-being Job satisfaction Affective commitment

#### ABSTRACT

*Aim:* This article focuses on employee performance-management practices in the healthcare sector. We specifically aim to contribute to a better understanding of the impact of employee performance-management practices on affective well-being of nurses in hospitals. Theory suggests that the features of employee-performance management (planning and evaluation of individual performances) predict affective well-being (in this study: job satisfaction and affective commitment).

*Methods:* Performance-management planning and evaluation and affective well-being were drawn from a survey of nurses at a Flemish hospital. Separate estimations were performed for different aspects of affective well-being.

*Results:* Performance planning has a negative effect on job satisfaction of nurses. Both vertical alignment and satisfaction with the employee performance-management system increase the affective well-being of nurses; however, the impact of vertical alignment differs for different aspects of affective well-being (i.e. job satisfaction and affective commitment).

*Conclusion:* Performance-management planning and evaluation of nurses are associated with attitudinal outcomes. The results indicate that employee performance-management features have different impacts on different aspects of well-being.

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#### 1. Introduction

In this paper, we focus on different components of employee performance-management systems and affective well-being in the healthcare sector. Based on the human-resource management (HRM) and performance-management literature, we explore the relationship between employee performance-management system features and affective well-being in a hospital setting. We develop a model to explore the relationship between salient features of employee-performance management and job satisfaction and the affective commitment of nurses.

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http://dx.doi.org/10.1016/j.evalprogplan.2014.12.018 0149-7189/© 2014 Elsevier Ltd. All rights reserved.

During recent decades, hospitals and healthcare organisations have been confronted with numerous challenges, such as a growing demand for nurses and caregivers due to ageing populations, fewer younger nurses entering healthcare organisations, and an ageing nurse workforce (Buchan & Black, 2011; Simoens, Villeneuve, & Hurst, 2005). The urge for increased efficiency and effectiveness (Townsend & Wilkinson, 2010) pushes hospitals to consider the adoption of new management practices, systems and policies. Among these practices, systems and policies, HRM and, more specifically, employee performance-management systems, have been adopted to plan, monitor and evaluate the performance of nurses in the hospital sector (Veld, 2012). Employee performance-management systems are specific HRM systems (Boselie, Dietz, & Boon, 2005) used in "creating a shared vision of the purpose and aims of the organisation, helping each individual employee to understand and recognise their part in contributing to them, and in so doing to manage and enhance the employee performance of both individuals and the organisation" (Fletcher & Williams, 1996, p. 169).

Several scholars applaud this rise of managerialism within the hospital sector. Recent studies of 'global human resources for health' conclude that all countries can improve (regional) health through more strategic investments in and management of their nursing staff (Sermeus et al., 2011). In addition, according to Veld (2012), a crucial factor in addressing the challenges for hospitals involves managing human resources in the healthcare sector. The management of the workforce within a hospital can make the difference between high performance and poor or mediocre performance and eventually has an impact on the quality of healthcare (Veld, 2012).

The reasoning that HRM drives outcomes that are important to the organisation and for employees is well established in HRM literature. HRM practices are thought to lead to the development of a skilled workforce (Wright, Dunford, & Snell, 2001), resulting in improved employee performance and ultimately in higher output (Boselie, 2010; Boxall, Purcell, & Wright, 2007). Recently, it has been increasingly acknowledged that, beyond performance outcomes, it is important to understand how HRM relates to the wellbeing of employees (Van De Voorde, Paauwe, & Van Veldhoven, 2012). It is the first purpose of our research to address this call for research on HRM and well-being.

Furthermore, little is known about the impact of employee performance-management systems (DeNisi & Pritchard, 2006; Latham, Borgogni, & Petitta, 2008), which are distinct from but related to HRM systems. An employee performance-management approach involves designing HRM practices to maximise current and future employee performance (Aguinis & Pierce, 2008; Decramer, Smolders, Vanderstraeten, & Christiaens, 2012b; den Hartog, Boselie, & Paauwe, 2004). In addition to employee performance, employee performance-management systems are theorised to result in affective well-being (i.e. job satisfaction and affective commitment), and, ultimately, in organisational performance (Fletcher & Williams, 1996). However, one of the issues considered in the employee performance-management literature is that employee performance-management systems drive performance improvements at the expense of the employees' affective well-being (Fletcher & Williams, 1996; Ordóñez, Schweitzer, Galinsky, & Bazerman, 2009). The second purpose of this study is thus to study the relationship between employee-performance management and affective well-being.

In addition, the previously mentioned challenges in healthcare and the rise of employee-performance management in hospitals suggest that these relationships are particularly relevant in the context of a hospital. However, while previous work has examined HRM and performance management in the healthcare sector, it remains unclear how employee performance-management systems affect affective well-being in *hospital settings* (West et al., 2002). This study contributes to our knowledge of employee performance-management systems and affective well-being in hospitals. The third purpose of our research is to study the outlined relationships in a hospital setting.

Specifically, affective commitment and job satisfaction are indicators of affective well-being (Van Horn, Taris, Schaufeli, & Schreurs, 2004) that are highly relevant in the study of performance management. Fletcher and Williams (1996) found that elements of employee-performance management influence organisational affective commitment and job satisfaction. Moreover, the choice to examine job satisfaction and affective commitment, two indicators of affective well-being, is inspired by a recent movement in HRM theory. With this study, we provide support for the importance of bringing the 'worker back into HRM' (Guest & Conway, 2011; Huselid & Becker, 2011). In HRM literature, theories such as social exchange have been used to explain how HRM investments in the employee yield returns to the organisation (Whitener, 2001). Recently, it has been acknowledged that there may be a trade-off between the employee as a 'happy worker' and the organisation as a 'productive workplace' (Van De Voorde et al., 2012).

Beyond addressing the research gaps mentioned above, we contribute to the literature in multiple ways. First, most research focuses on the HRM system as designed by the HR department, rather than the system as perceived by the employee. Because the implementation of employee performance-management systems is key to individual and organisational performance (Wright & Nishii, 2004), we address the on-going need for understanding of this relationship (Paauwe, 2009). Second, while many previous studies in hospitals have focused on individual HR practices (Sermeus et al., 2011), this study will examine the wider concept of employee-performance management. Therefore, we analyse a set of employee performance-management features (Aguinis & Pierce, 2008) on which scholars have only recently engaged in conceptual and empirical studies (Decramer, Smolders, & Vanderstraeten, 2012a; Decramer et al., 2012b). Last, we contribute to the discussion of HRM outcomes in the hospital sector (Townsend & Wilkinson, 2010; Veld, Paauwe, & Boselie, 2010; West et al., 2002).

In the next section, we review the literature and present our hypotheses regarding the relationships between employee performance-management systems and affective well-being. This review is followed by the methods of analysis, a discussion of the data set and the results, and some concluding observations concerning the implications of the research for the study and employeeperformance management in hospitals.

### 2. Employee performance-management systems and affective well-being

The study primarily builds on strategic HRM literature (Guest, Conway, & Dewe, 2004) and employee performance-management literature (DeNisi & Pritchard, 2006; Fletcher, 2001; Murphy & Cleveland, 1995). An employee performance-management system typically involves three features: performance planning, performance evaluation, and vertical alignment (Aguinis & Pierce, 2008; Ainsworth & Smith, 1993; Brown & Benson, 2005; DeNisi, 2000; Storey & Sisson, 1993; Torrington & Hall, 1995). Performance planning entails the formulation of individual goals, and performance evaluation focuses on achievement of goals and assessment of competencies (Fletcher, 2001). Employee performance-management systems organise HRM practices such as planning and evaluation to maximise individual performance, which in turn is expected to affect organisational performance (den Hartog et al., 2004). Proponents of employee-performance management assume that the strategic and integrated approach is necessary to achieve sustained organisational success and to develop the capabilities of individuals and teams (Aguinis & Pierce, 2008; Armstrong & Baron, 2004; Fletcher, 2001). This integrated approach entails an alignment between HRM or employee-performance management practices and the organisation's strategy. This has been labelled 'Vertical Alignment' (also: vertical fit or strategic fit). The emphasis is on linking individual employee performance to corporate objectives, ensuring that 'there is a clear line of sight between organisational and individual requirements' (Boswell, 2006). When the vertical alignment is strong, employees are able to see how their goals fit with organisational-level planning and objectives (Aguinis & Pierce, 2008; Fletcher, 2001).

The study concentrates on the affective well-being of nurses in relation to the features of the employee performance-management system. Different conceptualisations of well-being have been recently integrated and validated by Van Horn et al. (2004) in five components: affective, professional, social, cognitive and psychosomatic. This study focuses on affective well-being, the pleasure-displeasure axis of well-being, which here consists of job

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