Open access • Journal Article • DOI:10.1080/09585192.2016.1239220

When employee performance management affects individual innovation in public organizations: the role of consistency and LMX — Source link

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Published on: 09 Mar 2019 - International Journal of Human Resource Management (Routledge)

Topics: Employee research, Employee engagement, Industrial relations and Job satisfaction

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To cite this article:

Audenaert, M., Decramer, A., George, B., Verschuere, B., & Van Waeyenberg, T. (2016). When employee performance management affects individual innovation in public organizations: The role of consistency and LMX. International Journal of Human Resource Management, Forthcoming. doi:http://dx.doi.org/10.1080/09585192.2016.1239220

Abstract

Public sector challenges translate in more complex job demands that require individual innovation. In order to deal with these demands, many public organizations have implemented employee performance management. In a multilevel study, we examine when employee performance management affects individual innovation. We contribute by focusing on consistent employee performance management and Leader-Member Exchange (LMX). Based on goal-setting theory, we first argue that employee performance management fosters individual innovation when it entails consistent subpractices. Subsequently, LMX is theorized to function as a moderator in this linkage. We use multilevel data from 68 elderly homes and 1095 caregivers in Flanders to test our hypotheses. The study reveals that individual innovation is related to consistent employee performance management, and that LMX functions as a moderator in this relationship. Our findings contribute to scholars' understanding of effects from employee performance management in public organizations.

Keywords

Employee performance management, LMX, perceived individual innovation, Public sector, Public residential care

Introduction

Innovation in the public sector is deemed important because it is argued to be a key antecedent of public-sector performance (Boyne, Gould-Williams, Law, & Walker, 2005). Public organizations face challenges to provide the same or better services to citizens with less resources (Osborne & Brown, 2011; Walker, 2014). Through innovation, public organizations can efficiently and effectively address these challenges and 'improve the services delivered to users and citizens, with the broad aim of improving quality of life and building better and stronger communities' (Walker, Damanpour, & Devece, 2011: 367). However, these challenges and the required organizational innovation result in rising and more complex job demands of public servants (Jung, 2014; Wright, 2004). In order to deal with these demands, public servants are expected to display *individual innovation* (Bysted & Hansen, 2015), which entails the generation and implementation of ideas in order to improve services (Parker & Collins, 2010). Despite the argued importance of individual innovation in public organizations, there is a dearth of studies that focus on the antecedents of individual innovation in public organizations (De Vries, Bekkers, & Tummers, 2016). Specifically, while previous management research indicates a relation between HRM and individual innovation (e.g., De Jong & Den Hartog, 2007), insights into this relation within public organizations is scarce. This article addresses this gap.

In public organizations, it is specifically relevant to study a performance-based approach of HRM. The New Public Management movement caused a shift from a classic bureaucratic approach of HRM to a performance-based approach of HRM (Brown, 2004). Whether this approach is effective is a controversial topic in literature and in practice. Recent research suggests that unexpected effects are due to *inconsistent* applications of this performance-based approach (Decramer et al., 2015). Accordingly, in HRM literature it is argued that it is important to consistently manage expectations (Bowen & Ostroff, 2004). A specific approach

to *consistently* manage performance goals is *employee performance management* (DeNisi & Smith, 2014) which entails multiple related practices: planning, monitoring, evaluation, and recognition of employees' performance (Aguinis, 2013). This consistent employee performance management would be specifically functional for employee groups with high job demands (Decramer, Smolders, & Vanderstraeten, 2012). Also public servants face 'multiple, conflicting goals, as well as the presence of procedural constraints on employee action' (Wright, 2004: 62). Consistent employee performance management may focus public servants' efforts. We study whether consistent employee performance management guides public servants' individual innovation. In a sector that faces conflicting demands, understanding how this management tool influences individual innovation is important because it has the potential to generate bottom-up innovations and other beneficial outcomes (Anderson, Potočnik, & Zhou, 2014).

In addition to the argued importance of studying a consistent employee performance management, recent literature also acknowledges that line managers affect the effectiveness of HRM (Knies & Leisink, 2014; Nishii & Wright, 2008), and employee performance management (den Hartog, Boselie, & Paauwe, 2004). New Public Management has increased the managerial tasks of line managers (Pollitt, van Thiel, & Homburg, 2007). Recent research specifically suggest that Leader-Member Exchange (LMX) functions as an interpretative scheme through which employees interpret HRM (Audenaert, Vanderstraeten, & Buyens, 2016b; Buch, 2014). LMX is about the different exchange relationships that employees develop with their line managers resulting in different extents of exchanged resources, information and support (Graen & Uhl-Bien, 1995; Liden & Maslyn, 1998). LMX can be studied from the employee's perspective or from the line manager's perspective. Since we build on the view that LMX determines how employees perceive their work context (Gerstner & Day, 1997), we examine the employee's perspective. This paper addresses the question

whether LMX functions as a moderator in the relationship between employee performance management and individual innovation. We thus bring together two strands of literature: that of employee performance management and that of LMX. This holds the potential of providing a more nuanced understanding of the relation between employee performance management and individual innovation in public organizations.

Theory

The studied model entails a multilevel linkage of employee performance management, LMX and individual innovation (see Figure 1). As detailed below, our model is built on (1) goal-setting theory (Locke & Latham, 2006) and HRM literature (Bowen & Ostroff, 2004) to explain the role of consistent employee performance management, and on (2) theory about LMX quality (Graen & Uhl-Bien, 1995) to explain the role of individual perceptions of LMX.

Insert Figure 1 about here

Consistent Employee Performance Management and Individual Innovation

As mentioned in the introduction, public servants face many job demands (Wright, 2004; Jung, 2013). Some of these demands are even conflicting, such as efficiency versus service quality and public values. Employee performance management may address this issue of multiple demands. It provides clear guidance, support, and feedback by continuously coming back on the performance goals (Aguinis, Gottfredson, & Joo, 2012), all of which have been theorized by goal-setting theory (Locke & Latham, 2006) to focus employee attention and effort. Not only does this make employees more likely to consider different alternatives which

foster creativity (Shalley, Zhou, & Oldham, 2004), also employees are more likely to persevere in implementing creative ideas. Below, we explain this reasoning with more detail.

Clarity on the required demands is vital to foster ideas that are worthwhile to implement (Amabile, Conti, Coon, Lazenby, & Herron, 1996). Employee performance management may provide this required clarity in a complex jumble of job demands. According to goal-setting theory, goal clarity is important to foster employee motivation, clear goals enable employees to know and apply appropriate efforts (Latham & Locke, 1991). Goal-setting theory specifically stresses that goal-setting combined with feedback and support is a motivational approach that fosters goal-clarity (Locke, Shaw, Saari, & Latham, 1981). Accordingly, employee performance management entails goal-setting in the planning phase, as well as support and feedback by frequently monitoring, assessing, and rewarding employee's progress in obtaining these expectations (Aguinis et al., 2012).

In HRM literature, the relevance of combining goal-setting with feedback and support is referred to as 'consistency'. This consistency in signaling performance goals provides a clarity to employees on what is expected from them, which is likely to steer their reactions (Bowen & Ostroff, 2004). It is important to link feedback and monitoring to rewards, because this establishes 'an unambiguous perceived cause effect relationship in reference to the HRM system's desired content-focused behaviors and associated employee consequences' (Bowen & Ostroff, 2004: 210). By following the logics of plan-do-check-act, the continuous process of employee performance management reflects a consistent system rather than performance evaluation as a discrete event (Aguinis et al., 2012). This consistent application of employee performance management is evidenced in the interrelated phases of planning, monitoring, assessment, evaluation and recognition (Decramer, Smolders, & Vanderstraeten, 2012; Decramer, Smolders, Vanderstraeten, & Christiaens, 2012). By consistently eliciting, rewarding and providing feedback on required employee behaviors, focused employee

reactions are fostered. This consistent employee performance management makes employees inclined to 'understand what they need to do and [are] motivated to do it (through effective performance appraisal and reward systems)' (DeNisi & Smith, 2014: 157).

This focus in steering employee actions may be particularly relevant to public servants because they face multiple demands (Wright, 2004). Since individual innovation comprises the risk that innovative ideas will never be implemented, it takes focus to ensure perseverance from the employees (Parker & Collins, 2010). In a context in which returns are unsure, this perseverance may stay out. Therefore, 'resources such as organized feedback are needed to enhance employees' motivation and ability to reach successful implementation' (De Jong & Den Hartog, 2007: 58). Employee performance management focuses employees on their goals (Aguinis, Joo, & Gottfredson, 2011). By providing clear guidance, support and feedback in a context of many job demands, employees can channel their efforts. Employees are thus motivated to persist in innovative behavior that includes not only idea generation but also idea implementation (Parker & Collins, 2010).

It is theorized above that a motivational mechanism drives the linkage between consistent employee performance management and individual innovation. In support for this argument, research has shown that public service motivation shapes employee commitment to perform well (Vandenabeele, 2009), and employee commitment to change in the public sector (Wright, Christensen, & Isett, 2013). Research also shows that clear performance expectations facilitate employees' persistence in goal-oriented behavior (Wright, 2007). We thus hypothesize:

Hypothesis 1: Consistent employee performance management is positively related with individual innovation

Leader-Member Exchange as a Moderator

The previous hypothesis suggests that individual employees react similarly to a given level of employee performance management. However, although the intended HRM is the same for a group of employees, individual employees react differently to HRM (Nishii & Wright, 2008). We build on the view that LMX functions as an interpretation framework (Gerstner & Day, 1997) through which employees react on HRM. Also the conceptualization of individual innovation presupposes individual differences in innovative behavior (Parker & Collins, 2010).

When employees perceive high-quality LMX, they experience employee performance management as supportive rather than controlling. The organization's employee performance management is interpreted through their individual LMX relationship. Employees within organizations differ in the extent to which they regard their relationship with their line manager as qualitative. Employees form perceptions of LMX quality over time as a result of an exchange of role expectations and fulfilments (Graen & Uhl-Bien, 1995). In high-quality LMX relationships, employees perceive that their relationship with their line manager is characterized by mutual contributions, affect, professional respect and loyalty beyond what is stipulated in the employment contract (Liden & Maslyn, 1998). In contrast, low-quality LMX relationships engender contractual economic exchanges (Graen & Scandura, 1987).

First, during the planning of employee performances, employees with high-quality LMX may get more interesting challenges which fosters their individual innovation. These employees interpret these challenges as important work goals that go above and beyond their contract. Also, they perceive more decision latitude and influence (Liden, Wayne, & Sparrowe, 2000). This makes them pursue challenges that are linked to their interests in the planning phase of employee performance management. Furthermore, they experience greater job responsibility and psychological empowerment (Seibert, Wang, & Courtright, 2011). This fosters their

intention for individual innovation to deal with the assigned work goals (Hammond, Neff, Farr, Schwall, & Zhao, 2011; Shalley et al., 2004).

Second, during the monitoring phase of employee performance management, employees that perceive high-quality LMX feel encouraged to freely discuss problems in obtaining their work goals. This open discussion may foster idea-generation and tackling hindrances when implementing ideas. By feeling respect for their line manager's professional achievements (Liden & Maslyn, 1998), they are more inclined to ask for additional feedback beyond the formal feedback in the monitoring. This form of support is important to facilitate individual innovation in risky situations (Dulebohn, Bommer, Liden, Brouer, & Ferris, 2012). Furthermore, the high extent of autonomy and decision latitude that are perceived in high-quality LMX (Graen & Uhl-Bien, 1995), are essential for interpreting the monitoring phase as a constructive, continuous feedback system. Employees are fostered to openly share their ideas and ask for the required resources to implement them. In support of this logic, a recent review indicates that autonomy and decision latitude are found to relate to innovation in public organizations (De Vries et al., 2016).

Third, employees in a high-quality LMX relationship feel valued and respected by their line managers (Liden, Sparrowe, & Wayne, 1997). As a consequence, during the evaluation phase of employee performance management, employees in high-quality LMX may experience task-related recognition and professional respect as rewards for their contributions (Liden & Maslyn, 1998). In return for this felt appreciation, a social exchange mechanism makes employees reciprocate positively to the organization (Liden et al., 1997). These employees feel obliged to persevere in the implementation of their ideas.

Employees that perceive high-quality LMX experience employee performance management as a supportive HRM tool rather than a controlling tool. They experience social exchange

from their high-quality LMX (Loi, Mao, & Ngo, 2009). This functions as an interpretation framework (Gerstner & Day, 1997) through which they experience employee performance management. In social exchanges, trust functions as a corner stone (Shore, Tetrick, Lynch, & Barksdale, 2006). Trust provides a safe atmosphere within which employees are willing to be open about their ideas and take risks to implement them (Audenaert, Decramer, Lange, & Vanderstraeten, 2016). In contrast, when employees perceive low-quality LMX, they experience employee performance management as a control instrument. They do not experience to be in a trustful relationship that allows making mistakes that are often inherent to implementing innovations. Thus, employee performance management will lead to more individual innovation for employees in high-quality LMX relationships. We hypothesize:

Hypothesis 2: Leader-member exchange moderates the relationship between consistent employee performance management and individual innovation such that this relationship is stronger for higher than for lower levels of LMX

Method

Residential care sector in Flanders

Many challenges have put improvement and long-term financial sustainability of residential care on the European agenda (Kraus, Czypionka, Riedel, Mot, & Willemé, 2011). Demands for qualitative cost-effective service provision are increasing (Veld, Paauwe, & Boselie, 2010), health care budgets constraints are growing, and there is a shortage of caregivers (L. H. Aiken et al., 2014). These challenges have brought the need for innovation in the residential care sector to the foreground (Verleye & Gemmel, 2011), as well as the need for individual innovation by caregivers (Spurgeon, Cooper, & Burke, 2012).

In Belgium, the Federal Planning Bureau forecasted that the share of people aged 85 and older is likely to grow from 2.2% in 2010 to 5.8% in 2050 which leads to more people requiring residential care (Kraus et al., 2011). In Flanders (the Dutch-speaking part of Belgium where this study took place), there are 745 residential care facilities, which together provide approximately 72,000 places (Verschuere, 2014). There are three types of organizations that provide residential care in residential homes: public, non-profit, and commercial organizations. The public residential homes are mostly established by local governments, non-profit organizations originate mostly from religious congregations, and for profit initiatives are taken by private entrepreneurs (Verschuere, Moray, & Decramer, 2012).

The institutional context characterized by large public financing, makes residential homes very dependent on the government. The largest part of the financial resources comes from government, while the daily client fees only cover (depending on the residence) 30-40% of the total cost. Given the current austerity policies of the government, with levels of subsidizing that are actually too low to keep track with the need for delivering qualitative care, many residential homes increasingly face financial problems (Verschuere, 2014). In this situation, residential home managers have – roughly spoken – two options. The first is increasing the client fee. This solution is limited to the extent the residents can afford the fee. If residential care is seen as a public service that needs to be accessible for all citizens that are in need, one should be careful with raising fees in order not to compromise the principle of equal access. The second solution is related to increasing internal organizational efficiency: do more with less. Here the risk is that increasing efficiency eventually deteriorates quality levels, which is also undesirable. The basic question is then how organizations can, via managerial measures, increase efficiency to lessen the financial burden, without compromising on quality. One way – the focus of this article – is to study how employee performance management is related to individual innovation. A lot of (undiscovered) potential

individual innovation may be present in the ranks of the caregivers. Maximizing the innovation potential may lead to improved service delivery and quality, hence increased efficiency.

In order to grant subsidies, the government imposes quality criteria and organizes quality control (Verschuere, 2014). Although HRM practices do not make part of these obligatory quality criteria, there has been a growth of these practices in public residential care. 'Management' used to be regarded as non-unifiable with the values of voluntarism, compassion and idealism (De Prins, 2003). The raise of New Public Management has changed this view in residential homes. New Public Management principles (Pollitt et al., 2007) of higher efficiency, effectiveness and accountability have fostered the adoption of employee performance management by many public organizations (Verschuere et al., 2012), amongst which also public residential homes (Verschuere et al., 2012). Since this management tool is not obliged, we expect differences in the extent to which residential homes have adopted consistent employee performance management.

Sample

The data that was used in the analysis is part of a larger research project. We gathered data from 1,095 caregivers in 68 public and non-profit residential homes in Flanders (the Dutch speaking part of Belgium). In these residential homes a sample of caregivers were provided with pencil-and-paper surveys. More than one third of the respondents (36%) held a bachelor's degree in nursing studies, and more than one third of the respondents studied an additional specialization year after secondary school (38%). About 1% of the respondents held a university degree. Most of the respondents were female (94%). The respondents had an average tenure of 11 years within their current residential care organization.

Measures

All constructs are measured on a 7-point likert scale. The items are listed in appendix.

Consistent employee performance management is measured with an eight-item scale developed from Merchant (1985). We measured practices that may be used to describe the nature of the work environment in organizational units. The scale is suitable to measure consistent employee performance management because the different phases of the cycle are present and there is an alignment between the different phases. Respondents were asked to indicate the extent to which they agreed that each statement in the scale reflected practices within their organization. Each item was scored on a 7-point scale, anchored on 1 for 'strongly disagree' and 7 for 'strongly agree' so that higher scores represented a more consistent employee performance management (alpha = .90). Considering that the caregivers are nested in their organizational approach to employee performance management, we tested for aggregation to the organizational level. We found support by significant between-organization differences from the ANOVA test ($F(66,564)=3.44$, $p<.001$), and high ICC values (ICC 1= 0.19; ICC2= 0.71) (Hox, 2010). Thus, support was obtained for aggregating employee performance management to the organization-level.

LMX relationship was measured with the eight-item scale by Bauer and Green (1996). Support for combining the items into a single scale is found in the high level of internal consistency reliability (alpha = .94).

Individual innovation was measured with a construct by Scott & Bruce (1994). There was support for combining the three items in a single scale (alpha = .85).

Controls. At the individual-level, individual innovation differences may be the result of differences in professional experiences. We control for education and job tenure as this may demonstrate differences in the expertise that an employee brings to an organization. Job tenure reflects the level of knowledge, skill, or experience the individual brings to work (Seibert et al., 2011), and it represents the duration of the relationship. At the organizational level, we control for the organizational form (dummy variable: 1= public organization, 0=non-profit organization) because the development of strategic HRM approaches may be dependent on the organizational form (Truss, 2003), and the number of older people with dementia in the elderly home because the care needs for older persons with dementia is more challenging (Mackenzie & Peragine, 2003). Furthermore, linked to the insight that organizational slack resources affect innovation in public organizations (De Vries et al., 2016), we controlled for the size of the elderly home (i.e., full-time equivalents).

Common Method Bias

Our data might be susceptible to common method bias (CMB) since one survey-based source was used. However, using one survey is considered a valid option when 'both the predictor and criterion variables are capturing an individual's perceptions, beliefs, judgments, or feelings' (Podsakoff, MacKenzie, & Podsakoff, 2012: 549). Nonetheless, we addressed potential issues with CMB by incorporating ex ante remedies in our survey design and conducting ex post statistical analyses (Podsakoff et al., 2012).

First, we included several interventions in our survey to cope with CMB. Interventions included the following: (1) all measures were based on previously published scales, (2) the survey was pretested by an academic and practitioner committee to avoid abstract questions, (3) we labelled the response options, (4) we incorporated buffer items between independent

and dependent variables and placed these variables on different pages of the survey, and (5) the invitation letter guaranteed anonymity and emphasized that there were no wrong or right answers (Podsakoff et al., 2012).

Second, we conducted confirmatory factor analysis (CFA) to test for CMB. To compare different models, we reported the Satorra – Bentler chi – square (χ^2) difference test (*TRd*) to adjusts for non – normality with ordinal data (Hu & Bentler, 1999). We assessed model fit with a combination of fit indices (Hair, Money, Samouel, & Page, 2007): normed chi-square (χ^2 /d.f.), Root-Mean-Square Error of Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR) were used as absolute fit indices, and Comparative Fit Index (CFI) and Tucker – Lewis index (TLI) were used as incremental fit indices. We combined the items in so-called parcels to reduce the numbers of parameters to be estimated during CFA (Little, Cunningham, Shahar, & Widaman, 2002). A parceling procedure is deemed appropriate when using established constructs and examining relationships rather than the nature of constructs. We split all odd and even items for each construct and used their means to calculate two parcels per construct (Yang, Nay, & Hoyle, 2010). This parceling method aims for higher reliability, greater communality, and reduced sources of sampling error (Little et al., 2002; Yang et al., 2010). The hypothesized three-factor model (= EPM, LMX, INNOVATION) showed a very good fit (χ^2 = 8.70, *d.f.* = 6, RMSEA =.021, SRMR = .007, CFI = .999, TLI = .999). In support of discriminant and construct validity, this fit was significantly better than (1) a two-factor model which combined PM and LMX (*TRd*(2) = 1739.7, $p < .001$), (2) a two-factor model which combined PM and Innovation (*TRd*(2) = 1419.3, $p < .001$) and (3) a two-factor model which combined Innovation and LMX (*TRd*(2) = 1293.6, $p < .001$). CFA additionally revealed no problematic CMB. First, a single factor did not match our data (χ^2 = 2705.915, *d.f.* = 9, RMSEA =.544, SRMR = .202, CFI = .432, TLI = .054), which indicates that there is no problematic CMB (e.g., Mossholder, Bennett, Kemery, & Wesolowski, 1998).

Second, we added an unmeasured latent variable to the hypothesized three-factor model and allowed each parcel to load on it. The average common variance was 14.87% and CFA revealed no improved fit ($TRd(4) = 5.538$, $p < .24$), supporting the absence of a method factor (e.g., Podsakoff et al., 2012). These results also provided support for construct and discriminant validity of our measures.

Analyzes

The analyzes were conducted with Hierarchical Linear Modeling (HLM) which is well suited to analyze a model with cross-level relationships (Hox, 2010). The tests were run with full maximum likelihood. Pseudo R^2 is calculated on the proportion of unexplained residual variances at level 1 and level 2. Also deviance is reported as an indicator of fit that is interpreted as 'the smaller, the better the model' (Hox, 2010).

Results

Table 1 presents the means, standard deviations, and correlations. At the individual level consistent employee performance management is positively related with LMX quality (r=.42, p<.001) and individual innovation (r=.24, p<.001), and negatively related with job tenure (r=-.06, p<.05). LMX quality is positively related with individual innovation (r=.26, p<.001) and job tenure (r=.08, p<.05). At the organizational level, full-time equivalents is positively related to the number of demented people (r=.75, p<.001). The correlations suggest that multicollinearity is not a problem as no correlations exceed .80 (Gujarati, 2009).

Insert Tables 1 and 2 about here

In Table 2, the analyzes are reported for individual innovation as an outcome. The intercept-only model demonstrates that the level two errors are significant, which suggests that it is appropriate to continue the multilevel linear modeling. In model two, the controls were added. In model three, we tested the first hypothesis which predicts that consistent employee performance management is positively related to individual innovation. We found support for this hypothesis. In model four, we tested the second hypothesis, namely that LMX interacts with employee performance management in this relationship. We found support for this hypothesis. This model explained 28 % of the organizational-level variance, and 5 % of the individual-level variance in individual innovation.

Insert Figure 2 about here

The interaction is plotted in Figure 2. We followed recommendations of L. S. Aiken and West (1991) for plotting the interaction. The Y-axis represents individual innovation, and the X-axis represents employee performance management. The separate lines for LMX represent higher LMX (plus one standard deviation), mean LMX and lower LMX (minus one standard deviation). The plot suggests that employee performance management is more strongly related with individual innovation when LMX is high.

Discussion

Individual innovation is vital for dealing with budget constraints, growing demands and quality goals of public organizations. However, they are confronted with ever-higher demands to deliver both efficient and effective services along with serving public values. This may

hinder employees to focus their attention and persevere in their innovation efforts. A consistent employee performance management incorporates a consistent, continuous monitoring and feedback. As a consequence, employees can focus their individual innovation efforts. The highest individual innovation is reached for employees in high-quality LMX that work in public organizations with consistent employee performance management.

Theoretical implications

A first contribution of our research concerns the relevancy of *consistent* employee performance management. Introducing the term of consistency (Bowen & Ostroff, 2004) in the debate on unexpected outcomes of performance management has the potential of providing a more nuanced discussion. Research on subpractices of employee performance management suggests that an inconsistent introduction of subpractices may be detrimental to employee reactions. For instance, employee performance planning may lead to job dissatisfaction when it does not make part of a consistent system (Decramer et al., 2015). Such unexpected effects of employee performance management lead organizations to doubt its usefulness. However, our research on consistent employee performance management shows that it fosters the individual innovation of public servants. This finding supports theory that suggests the relevancy of consistent planning, monitoring, and evaluating behavior in order to steer individuals towards the behavior required of them (Bowen & Ostroff, 2004). Our work thus endorses the relevancy of consistency pertaining to HRM, but goes beyond this in applying consistency to employee performance management. Our findings thus corroborate the view that consistent performance management practices are effective (Decramer et al., 2012; DeNisi & Smith, 2014).

Moreover, the relevancy of a consistent employee performance management may be specifically important to some employee groups. Research showed that a consistent employee performance management generated more positive attitudes among young employees in public organizations (Decramer, Smolders, & Vanderstraeten, 2012). Together with this research our findings offer evidence for the idea that the consistent application of employee performance management generates a clear understanding that is vital to public servants who face high job demands. This relevancy of a clear understanding has also been supported by HRM research. HRM practices can drive employee motivation for innovation when it generates an ownership of the problem by clarifying their role and their impact in solving the problem (Dorenbosch et al., 2005). This clarity is crucial for generating and implementing ideas in the face of high and conflicting demands. The latter is a problem for public servants. The hybrid goals at the organizational level may foster competing job demands of these employees (Jung, 2014; Wright, 2004). When goals are unclear, employees may still engage in creative idea-generation. However, the extent to which they would actually be fostered to also implement their ideas is inclined to be lower.

A further contribution of our study concerns the role of LMX quality in the abovementioned relation. Line managers in the public sector face increasing managerial tasks (Pollitt et al., 2007). Recent research shows the importance of LMX for the functioning of employees in public organizations (Hassan & Hatmaker, 2015). We found that consistent employee performance management generates more individual innovation when LMX quality is high. Similar to previous research on HRM (Kuvaas & Dysvik, 2010; Purcell & Hutchinson, 2007), we expect employees to react differently to HRM depending on their LMX relationship. We found support for the view that LMX functions as an interpretation framework (Gerstner & Day, 1997) through which employees experience employee performance management of the

public organization. This finding echoes the importance of line managers in the effectiveness of employee performance management (den Hartog et al., 2004).

Although public service organizations may use employee performance management for their employees, employees may differently interpret the employee performance management for them personally. In high-quality LMX, employees may be more inclined to develop and implement new ideas. They perceive that their line manager will provide the necessary input to achieve a successful implementation. Employees feel safe to discuss problems to focus and implement ideas. They are more inclined to do so because they respect the professional feedback from their line manager. When a successful implementation is prevented, they expect that this will be regarded as a learning experience and not as something they will be punished for. By finding support for LMX as a moderator through which employees interpret employee performance management, we add to previous research that has found the relevancy of LMX as a moderator for the interactive role of LMX with employment relationships (Audenaert, et al., 2016a), social exchange (Buch, 2014), job autonomy (Volmer, Spurk, & Niessen, 2012), and individual perceptions of HRM (Kuvaas & Dysvik, 2010). The evidence piles up that LMX can be regarded as an interpretation framework that influences the effectiveness of HRM.

Limitations and future research

We have gathered data from one data point and one source which may result in common method bias. Nevertheless, the CFA that was conducted at the individual level supports the argument that common method bias is not an issue in this study. Moreover, the multilevel analysis provides a stringent test of the linkages that lower the chance for a type 1 error relative to single-level models (Hox, 2010).

A further issue is the generalizability of our results since the focus in the empirical part of our study is restricted to the studied context. In the context of residential homes, front-line public servants have a close, daily contact with the clients that may be different from other public organizations. Recent research suggests that the effectiveness of individual innovation requirements depends on job complexity (Audenaert et al., 2016b). Research in other public sector contexts is thus required.

Finally, in order to unravel the HRM-performance chain more completely, it would be interesting to study the motivational mechanism with more detail. Future research could study the motivational mechanism of public service values (Perry & Vandenabeele, 2008). Not only could public service motivation function as a motivational mechanism, but also as a moderator. It has been suggested that in performance appraisal 'supervisors may award employees with high public service motivation more credit for their contributions' (Wright & Grant, 2010, p. 695). This may be particularly the case for employees with whom they have high-quality LMX, pointing at the potential relevancy of a three-way interaction among employee performance management, LMX and public service motivation. In addition, future research can also measure emergent relationships from employee performance to organizational performance. To that regard, it should be noted that innovation not always leads to improvements (Osborne & Brown, 2011).

Recommendations for practice

Considering that budgets are actually too low to keep track with the need for delivering quality, fostering innovation may be relevant for public organizations to survive further budget cuts. Systematic review findings demonstrate that public managers can foster autonomy, empowerment, risk-taking and knowledge-sharing in order to facilitate individual

innovation (De Vries et al., 2016). In addition, the findings of our research suggest the relevancy of consistent employee performance management and high-quality LMX for individual innovation in public organizations. First, public managers can address the consistency of employee performance management. Consistency necessitates a continuous cycle of subpractices to signal the goals for the employees. Goals should function as a consistent, red thread across the different phases of this cycle. Human Resource Management Information Systems can support this consistent cycle. Second, public managers can consider to foster the development of qualitative LMX relationships by making it part of the job requirements of line managers.

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Table 1: Descriptive Statistics and Correlations

	Mean	*Sd*	1	2	3	4	5	6	7
Individual level									
1. Consistent employee performance management	*4.56*	*1.00*	1						
2. LMX quality	*5.03*	*1.07*	.42***	1					
3. Individual innovation	*4.90*	*.99*	.24***	.26***	1				
4. Job tenure	*11.36*	*9.84*	-.06*	.08*	.01	1			
Organizational level									
5. Consistent employee performance management	*4.59*	*0.49*					1		
6. Full-time equivalents	*70.31*	*40.22*					-.16	1	
7. Demented people	*49.94*	*30.88*					-.15	.75***	1

Notes.

* p < .05; ** p < .01; *** p < .001

The data is based on 1095 employees at the individual level and 68 residential homes at the organizational level.

The HLM analysis on employee performance management is at the organizational level. However since the data was collected at the individual level, it is possible to retrieve correlations at the individual level.

Table 2. Results of hierarchical linear modeling for individual innovation

	Individual innovation			
	Intercept-only model	M2	M3	M4
Intercept	4.91***	4.84***	4.84***	4.83***
Organizational level				
Demented people		-0.00	-0.00	-0.00
Public versus non-profit		0.07	0.07	0.05
Full-time equivalents		0.00	0.00	0.00
Consistent employee performance management			0.32***	0.19**
Individual level				
Tenure		-0.00	-0.00	-0.00
Education		0.11	0.10	0.07
LMX				0.23***
Cross-level interaction				
EPM * LMX				0.13**
DEGREES OF FREEDOM (Level 1; Level 2)		*64; 880*	*63; 880*	*63; 860*
DEVIANCE	*3047.65*	*2692.77*	*2676.89*	*2575.85*
PSEUDO R^2 LEVEL 1		*0.00*	*0.00*	*0.05*
PSEUDO R^2 LEVEL 2		*0.02*	*0.16*	*0.28*

Notes.

* p < .05; ** p < .01; *** p < .001

Education: 1=higher education; 0= no higher education

EPM: Consistent Employee Performance Management

APPENDIX

Consistent Employee Performance Management (based on: Merchant, 1985)

Employee expectations are specified in detail

Desired results are explicitly defined

Work rules and/or specific work policies are widely used

Direct supervision of employee performance takes place frequently

Frequent monitoring of employee performance takes place

Performance measures are precise and timely

Performance reviews are detailed, comprehensive and frequent

There is a strong link between the penalties imposed or rewards provided and the performance measures used

Leader-Member Exchange (based on: Bauer & Green, 1996)

I usually know where I stand with my leader

I usually know how satisfied my leader is with me

My leader understands my job problems and needs a great deal

My leader recognizes my potential well

Regardless of how much authority he/she has built into his/her position, the chances that my leader would use his/her power to help me solve problems in my work is very high

Again, regardless of the amount of formal authority my leader has, the chances that he/she would "bail me out", at his/her expense, are very high

I have enough confidence in my leader that I would defend and justify his/her decision if he/she were not present to do so

I would characterize the working relationship I have with my leader as extremely effective

Individual Innovation (based on: Scott & Bruce, 1994)

(How frequently do you …)

… generate creative ideas?

… search out new techniques/ideas

… promote and champion your ideas to others

Figure 1: Multilevel moderation model of the linkage between Consistent Employee Performance Management, Leader-Member Exchange and Individual Innovation

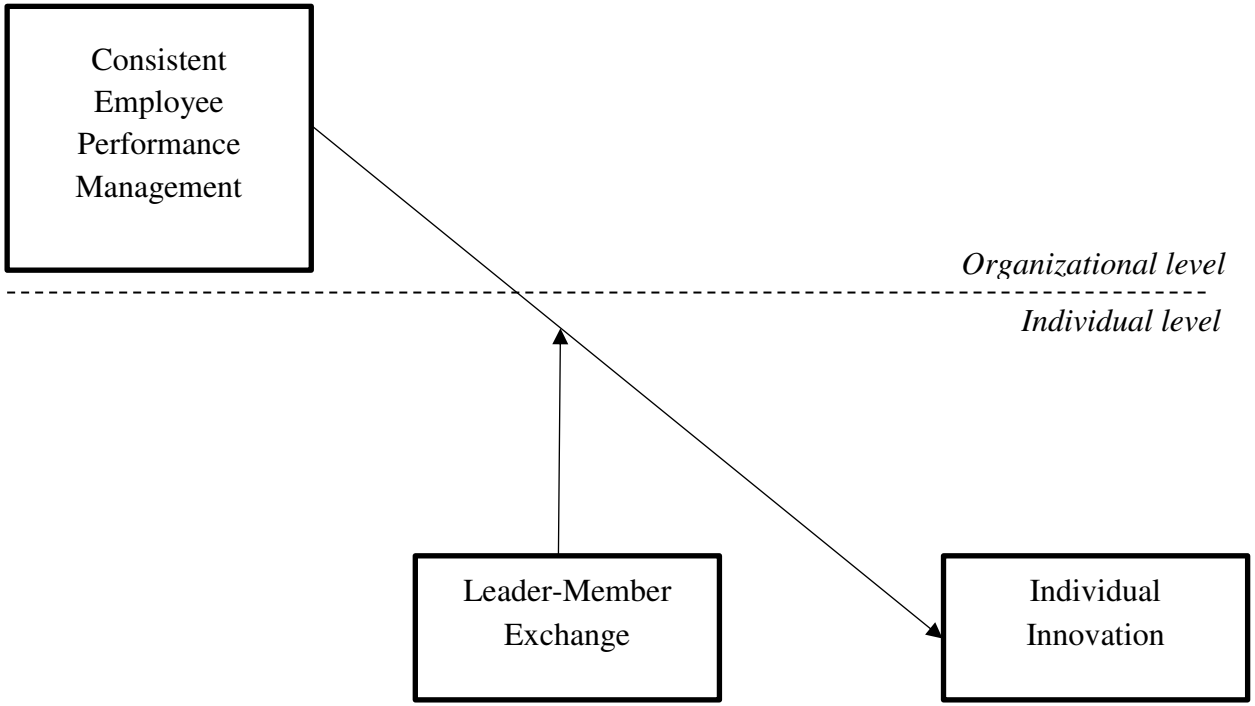

Figure 2: Moderation of Leader-Member Exchange in the relationship between Consistent Employee Performance Management and Individual Innovation