

# PAY FOR PERFORMANCE SYSTEM

**Pay-for-Performance:** If done correctly, pay-for-performance is the “marriage of an organization’s pay system to its performance appraisal system in order to reward and motivate employees to provide superior performance.”

## **Why Should Organizations Institute a Pay-for-Performance System?**

- To Pay Employees “Right”
- It is Perceived as Fair by Employees
- Proven to Increase Productivity and Engagement
- Reduces Turnover
- Cost Effective
- System Holds Managers and Employees Accountable

## **Components for Success:**

- Top Management Support
- “Culture” Change (Not Just Pay System Change)
- Must Not Skip Any of the Suggested Implementation Steps
- Sell the Process Organization-wide (One Step at a Time)
- Educate and “Warn” Managers – A Lot of Hard Work
- Consistent in Practice and Action by All
- Alignment with Corporate Goals, Focal Review Process
- Willingness to Fund with “Real” Money
- Courage to Hold all Levels Accountable
- Regular Reviews, Updates, and Communication