

RESOURCE CENTER

[RETURN ON EXECUTION](#)[ANALYST RECOGNITION](#)[ARTICLES](#)[BLOGS & PODCASTS](#)

Getting the Most Out of Performance Appraisal Systems

Performance appraisal systems solve the review process problem—normally a formidable and cumbersome task—by making it both efficient and effective for managers and employees. HR often gets bogged down with the process, and managers are often untrained in delivering effective reviews that actually impact workforce performance and help grow the business.

But there's a much bigger business impact to be had from an online performance appraisal system than simply time savings —by centrally locating the performance appraisal information within a formal framework, managers can more easily communicate business strategy and create measurable goals for their employees that will support overall company objectives. This, in turn, gives management the tools to measure individual performance throughout the organization and identify top performers for further development and establish a pay-for-performance compensation plan.

Create a pay-for-performance culture and retain valuable employees

It's no secret that the key to retaining your top performing employees is recognizing and compensating them appropriately. In fact, many companies actually lose money by overcompensating poor performers. This practice leads to an increase in corporate spending due to the recruiting and training costs associated with new hires. In many instances, a high employee turnover rate can be traced to disgruntled employees leaving due to what they feel are unfair salary practices. Alternatively, when employees perceive that the system provides fair compensation and rewards, employee engagement and retention improves.

Effective goal alignment and performance management lets you establish a true pay-for-performance culture at your company by providing the foundation for closely linking reward systems with individual and team performance, thereby allowing you to hold on to your high performing employees.

Deploy Talent and Resources Appropriately

By using a performance appraisal system, you ensure that everyone keeps their projects on track based upon established goals that are aligned with company goals. Additionally, management has the tools to make informed business decisions based upon the completion or non-completion of these recognized goals. Why waste precious human capital pursuing goals not aligned with those of the company? This is a waste of resources that could be focused on contributions that lead to achieving true business goals.

More than performance reviews

However, a performance appraisal system is more than simply a database for annual performance reviews. Developing internal talent can be a significant source of savings considering external recruitment and training can be twice as expensive as finding internal successors. Managers can analyze their employees' skill sets within a performance appraisal system to forecast readiness for promotion and find potential successors and design training programs to assist those employees found with gaps in required skill sets. The information that is gathered can be analyzed and used to make informed business decisions regarding promotions, rewards, and succession planning for internal candidates while supporting difficult decisions when layoffs loom during challenging economic times.

Create Best Practices

Why reinvent the wheel? Employees with similar job descriptions and, therefore, similar goals should share best practices company-wide to improve everyone's performance in that area. For example, when one employee has a system that works efficiently, and is considered an "expert", others can be trained to follow those best practices and be successful.

Case Study: *Kimberly-Clark*

The issue:

Kimberly-Clark employs 53,000 people in 66 countries. Many of the employees have roles with overlapping responsibilities requiring working with various teams across the organization. They needed a performance management system that would support an organization with employees wearing multiple hats and working in multiple teams.

The solution:

Kimberly-Clark implemented SuccessFactors' Goal Management, Performance Management and Succession Planning solutions globally in 18 languages.

The result:

- 90% of employees saw an improvement in goal alignment and communication within the company.
- 67% of employees responded favorably when asked whether their performance appraisal was fair and accurate.
- 17% increase on improved coaching.

"Everybody now sees the value of goal setting and aligning them to their division and corporate objectives. So, now they are using the system—not just to stay in compliance, but to enter meaningful goals and performance data—since they believe it helps them and their teams be better at their jobs."

**Patti Wallace, Senior Consultant
Talent Management
Kimberly-Clark**

Feedback and Coaching

Managers need to be available and check in with their employees on a regular basis to give feedback and / or coaching as necessary. They should be made aware of any obstacles that may keep their employees from achieving these established goals. If there are obstacles, the manager and employee can create a plan to overcome them, such as reviewing the skill development or training necessary to be successful or evaluate the current available resources to identify whether additional resources are required. Performance monitoring, feedback and coaching creates a separate feedback loop within the larger loop which should take place more than an annual review, allowing for changes as necessary.

Conclusion:

Whether you have 10 employees or 10,000, using a performance appraisal system put your employees on the track to increased productivity and keep them there. With increased visibility of company goals, employees will understand what is important to the company's bottom line and direct their efforts to be focused on what is necessary to make your company successful.

About SuccessFactors

Execution is the difference™. Welcome to the new era of Business Execution Software from SuccessFactors. Our suite of on-demand applications is relied upon by 2800 companies of all sizes around the world to align their businesses to their strategies, arm their organizations for success and incite their employees to greatness—every day. More at www.successfactors.com.

* Required (*)

First Name:*	<input type="text"/>	How Did You Hear About Us?*	<input type="text"/>
Last Name:*	<input type="text"/>	Company Name:*	<input type="text"/>
Job Title:*	<input type="text"/>	Company Size:*	<input type="text"/>
Job Role:*	<input type="text"/>	Are you working on an active project?*	<input type="text"/>
Phone:*	<input type="text"/>	Country:*	<input type="text"/>
Email:*	<input type="text"/>		

Submit