

## RESOURCE CENTER

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

# Performance Management—The Key to Outperforming Your Competition

What's the secret to achieving greater organizational success? Strong Performance Management—the processes you put in place to measure and reward the abilities of your workforce to meet and exceed goals.

Improving morale, creating loyalty and increasing overall productivity in your employees through performance management is the key to your company outperforming the competition. An effective performance management system is at its best when it establishes a true pay-for-performance culture which, in turn, develops employee engagement. The process for linking a company's compensation plan to individual or team performance includes setting, measuring and rewarding achievable performance expectations.

There are many ways to approach the task of creating a performance management process, but most are organized something like this:

- Individual goals and corporate strategy are defined and communicated company-wide.
- Progress on goals is monitored, and management provides coaching on performance.
- Individual performance is appraised with feedback and formal documentation.
- Compensation is given based upon performance. If performance meets or exceeds the desired standard, a reward is given. If performance does not meet the desired standards, a performance development plan is created to address the gap, and a new performance date is scheduled.

## Defining Goals

The first step in performance management is setting the stage correctly—defining individual goals and aligning them with the corporate strategy. The process of setting goals should be a collaborative process between a manager and his or her employees. Once the company-wide strategy is established, individual goals should be created that support the “big picture”. Major job functions and responsibilities, both shared and individual, should be addressed within a **SMART** goal framework.

Specific: Well-defined to inform employees exactly what is expected, when, and how much. Measurable: Provide milestones to track progress and motivate employees toward achievement. Achievable: Success needs to be attainable with effort by an average employee, with a bit of a stretch. Relevant: The goals should focus on the greatest impact to the overall corporate strategy. Timely: A goal should be grounded within a time frame to create a sense of urgency for completion.

## Monitoring Progress on Goals

Managers need to be aware of their employees' progress on goals in order to step in with coaching assistance or resources when it appears that goal targets may be missed or, even better, to acknowledge successes with appropriate monetary or non-monetary rewards. In addition to the need for managers to review the employees' productivity, it's also important for the employees to track their own progress on goals. Having this information handy is helpful during the all-important appraisal process to inform management of the steps involved in reaching a goal or to highlight successes from earlier in the year. The secret to high performance: review individual and team goals at least once a week or month to clarify your focus and use this information as a basis for performance discussions. You can use the opportunity to review the progress and adjust timelines, request additional resources if necessary, or even broaden the goal once more information is gathered from other sources.

## Appraisal Process

In order to get the most out of their employees, the appraisal process should include listening, observing, giving constructive feedback, and providing recognition. Most performance management solutions include writing assistants and coaching tools to help managers find just the “right words” to give constructive analysis of the employee's performance. The most important part of the appraisal is to provide feedback about what the employee has successfully learned and still needs to learn and create a plan to provide the opportunity for the employee to develop those necessary skills. This can be an important factor not only in the employee's growth, but also in the health of the entire organization since employees have a greater sense of loyalty to companies that develop talent from within and thus become more engaged in their work. These development plans also allows the company to create a pool of talent for strategic succession planning.

## Pay-for-Performance Compensation

A successful pay-for-performance compensation strategy can be the key to retaining your top talent and driving organizational performance that exceeds all expectations. At its core, pay-for-performance serves to align your people with the goals and objectives of the company and motivate and reward your top performers, while continuing to develop the under performers to

become greater assets to your organization.

It is important for an employee to know that if his or her work performance meets or exceeds expectations that he or she will be rewarded for the hard work appropriately through pay raises, bonuses or other rewards (flexible schedule or time-off, gifts, recognition through awards, etc.) Pay for performance compensation structures not only account for the individual, but also for the working environment and performance of the team as well, encouraging the employees to band together to reach the common goal.

### Conclusion

A first-rate performance management plan is the key to creating an engaged and aligned workforce—the hallmark of all successful businesses. Without one, your organization could lose more than just time and money – you could lose knowledge, employees and, in the end, your competitive edge.

### About SuccessFactors

SuccessFactors is the global leader in business execution software. The SuccessFactors Business Execution Suite improves business alignment and people performance to drive breakthrough results for companies of all sizes. More than 8 Million+ users and 3000+ companies leverage SuccessFactors every day. To learn more, visit: [www.successfactors.com](http://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



Videos