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Pay-for-performance done right pays dividends

**By D. Allen Miller, Managing Director
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“Pay-for-performance” has long been a mantra that has guided (or sometimes more appropriately—misguided) company compensation programs. While “pay-for-performance” has proven to be an effective tool to attract and retain the best and brightest, it can also become a major problem for organizations when not implemented or managed effectively.

As you review your company’s pay-for-performance program, keep the following often overlooked points in mind:

Employees must know the goal. Successful pay-for-performance programs recognize that performance expectations must be clearly tied to the company’s strategies and goals. Without clearly defined goals and outcomes, the employee’s efforts will be aimless.

Communicate, communicate, communicate. Employees need to understand what is expected of them so they can do their jobs successfully. This means managers and supervisors must be willing to spend the necessary time letting the staff know where things stand, what has been done right and what needs to be corrected. These conversations should occur when problems arise and not ‘gunny-sacked’ for scheduled performance discussions.

Understand the law of unintended consequences. When it comes to pay-for-performance, “you get what you pay for.” If you are paying employees for productivity, quality may suffer. If you are paying employees for quality, productivity may be impacted. Be sure to get a clear grasp of the consequences of your pay plan and make adjustments as necessary.

Do what you say you will do. Nothing undermines employee confidence quicker with more impact than changing pay-for-performance program essentials mid-stream. If you implement a plan that pays employees for production without considering sales or profitability, you had better pay employees what they’ve earned despite falling sales or lower profits.

If your company plans to adopt pay-for-performance or needs a review of your current pay-for-performance plan, call Allen Miller today. His expertise will help you implement the right program to meet your organization’s specific needs.

D. Allen Miller is Managing Director of Business Advantage International, Inc., (www.gotoBAI.com) which offers a comprehensive approach to resolving your organization’s management challenges. Whether it’s facilitating the development of your organization’s strategic planning process, designing and implementing a comprehensive compensation system, conducting employee opinion surveys or initiating results-oriented training programs, Business Advantage International is a one-stop center for management expertise to supplement your in-house resources. BAI works with you on an on-going basis to address organizational issues before those issues become real business problems. Contact Allen at 801.444.9919 or by e-mail at amiller@gotoBAI.com.