



6-1 Discussion: Discussion 6

Discuss why pay-for-performance plans have become more popular and what elements are needed to make them successful.

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Rubrics

[Discussion Rubric: Undergraduate](#)

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Week Six Discussion

Amanda Blandford posted Feb 10, 2021 9:27 PM

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Hello Class,

Pay-for-performance systems are becoming increasingly popular due to the many positive effects they produce. Pay-for-performance programs not only provide incentives for employees, but also

substantially benefit the companies that offer them. According to an article by HR Daily Advisor, there are five reasons employers should embrace pay-for-performance:

- It links compensation to business strategy and culture.
- It makes it easier for companies to align employee payouts with actual contribution and success.
- It retains and engages high performers.
- It can be used as a competitive advantage.
- Like it or not, it's the new normal.

(Unknown, 2013)

While the fifth reason on HR Daily Advisor's list may not be beneficial to an organization, the top four definitely are! Attracting and retaining talent, integrating business strategy and employee compensation, ensuring fair compensation based on contribution, the benefits are insurmountable.

HR Daily Advisor also offered an informative article regarding the components of an effective pay-for-performance program. There are 5 major components of an effective pay-for-performance program, to-wit:

- Evaluation forms
- Administrative manual or handbook for managers
- Initial and on-going training
- Effective communication channels
- On-going coaching and feedback

(Unknown, 2013)

Evaluation forms and the content thereof are an extremely important part of an effective pay-for-performance system. Evaluation forms should be complete and concise, employees should be able to comprehend and understand the objectives listed on the evaluation form and what performance constitutes the highest rating possible. If employees are not aware of the requirements to meet outstanding performance ratings, then they will never be able to achieve those ratings. Having a manual or guide for managers to refer to is an effective way to ensure evaluations are performed

correctly and efficiently. Additionally, effective communication and consistent training, coaching and feedback are also important aspects of a successful pay-for-performance system.

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Discussion 6: Pay-for-Performance

Angela Cook posted Feb 11, 2021 9:13 PM  [Subscribe](#)

The pay-for-performance model is one where the firm pays employees based on the individual's productivity instead of a set wage or salary. Although this model may discourage some potential candidates from joining a company because of the potentially inconsistent income, this model is popular and has advantages for both employees and employers. Some of those advantages include increased motivation to perform better, increased productivity, and increased retention rates. For this model to work, our text notes that training and feedback must be on-going. There must be direct and effective communication, and performance measures must be realistic (Mathis, Jackson, Valentine, e.g., 2017).

The agency that I work for would not benefit from this model. The biggest issue would be the inability to create a proper performance measure that would be motivating versus frustrating for the employees. The social workers track their time spent on clients and every eight minutes counts as "a unit," which is billed to the state. We expect that our employees are effectively "billing" for 80% of their day but would not incentivize or use the pay-for-performance model reimbursement model. If a client goes into the hospital, does not answer

the phone, refuses a visit, or passes away, the case manager would be unable to bill. We serve a very vulnerable population with MH, IDD, SUD, and Co-Occurring disorders, so each of these scenarios is common. Also, my agency serves the entire state of Pennsylvania, and before the global pandemic, they spent a great deal of time in their cars driving to assessments. Going time to member's homes are not considered billable services. It would be discouraging for my caseworkers who cover distant and rural cases not to have the same opportunity as an employee who carries a caseload grouped with less driving time. TSS' and Mobile Therapists who work with children one-on-one in schools and their homes are reimbursed with this model of care. The problem with this is when children do not go to school or when parents cancel appointments, the therapist does not get paid. I have hired several employees who left this position to come work for me because of pay.

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Last post February 14 at 10:01

Discussion 6-1

Ashley Colon posted Feb 11, 2021 5:41 PM  [Subscribe](#)

A pay-for-performance model steps away from the traditional compensation packages and attaches an employee’s pay to an aspect of their performance. What a person is paid using this type of model will vary by position. A sales position would be given a more individual scale with their pay being based off what they achieve on their own. A different employee that functions as part of an office or a team would be compensated differently with their incentives based off the success of the group as a whole. There have been studies performed that found that three-quarters of the most successful companies tied their incentives to employee performance (Miller 2018). This allowed the workforce to strive to hit higher goals and be justly compensated for them.

These types of models are difficult to maintain due to the amount of work that they require, but if done properly, it can be very successful. There are evaluation forms that have to be created and updated every so often. Since incentives are based on performance, there must a method to determine the success of an employee’s performance. The management teams must also know what the goals, incentives, and benchmarks are for the model the company is using. Without this, there is little chance of proper guidance being given to the staff. Training on this type of system must be given, especially for those that have only worked in companies with the traditional compensation packages. Communication is also crucial in this method and success will be minimal without it.

Miller, S. (11 April 2018). Study: Pay for performance pays off. Retrieved February 11, 2021, from <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/paysoff.aspx>.

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Discussion 6

Autumn Dunaway posted Feb 8, 2021 2:57 PM  [Subscribe](#)

"The term "pay-for-performance compensation" refers to performance-based pay programs where an employee is incentivized and rewarded for achieving goals or objectives." (Harrison, 2021) These types of compensation plans have become more popular because it motivates employees to work harder to gain higher pay or benefits. It has been said that employees are more likely to stay and are more involved with companies that offer pay-for-performance. It can also help employees become more efficient or better at what they're doing because of these incentives. "Pay-for-performance plans can help employees grow professionally due to their desire to be rewarded." (Harrison, 2021)

For anything in a business to be successful, it needs the support of the employees. They need to be aware of how things work so they know what to expect as an outcome. "The pay for Performance is not just a tool, it is more about the philosophy of the organization to reward the best performing employees and building the sustainable competitive advantage." (*Pay for Performance*, 2019) Some elements that make pay for performance successful are easy to use, simple to integrate, and straightforward guidelines. "A successful pay for performance plan requires consistent engagement with the employees to let them know that their performance has a direct impact on the compensation they will be receiving." (Truskey, 2020)

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Discussion 6 - BR

Benita Robinson posted Feb 10, 2021 7:56 PM  [Subscribe](#)

It has been mentioned that variable pay or *pay-for-performance* is an ideal compensation system that aligns an organization's needs with an employee's performance. A couple of reasons why organizations are adopting this compensation strategy is that companies can recognize levels of performance and reward employees for their work. The organization's strategic plan should include a pay-for-performance compensation strategy which can be used to tie business objectives to compensation (Mathis, 2017). The pay-for-performance system achieves three important goals (Koss, 2008):

- Attract talent
- Employees work harder
- Maintain employee retention

In order for a pay-for-performance compensation strategy to be successful, they have to "fit the organization's objectives, culture, and financial resources" (Mathis, 2017). Specifically, they should set clear expectations that are consistently communicated, set achievable goals, make sure the goals are linked to the organization's objectives, clearly differentiate regular pay from incentive pay on pay stubs, and identify the level at which the pay-for-performance has been paidout (Mathis, 2017).

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Mathis, R. L. (2017). Human Resources Management 15th Edition. Cengage Learning.

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Last post **February 14 at 11:21 AM** by Angela Cook

Pay for performance, and the results achieved!

Brian Rudrud posted Feb 11, 2021 8:39 PM [☆ Subscribe](#)

"Discuss why pay-for-performance plans have become more popular and what elements are needed to make them successful."

Good Evening Class-

Compensation structure and performance management are key attributes to a successful strategy for growth and stability in any organization. When we are in a strong economy with low unemployment, an effective pay-for-performance strategy is key to winning over talent, and retaining the key figures you have in place. When the market turns, you re-evaluate and re-adjust based on market, demographic and individual trading area needs.

An effective pay-for-performance plan (and this plan in general) has been IMMENSELY popular for a few reasons:

1. It can improve morale and overall employee motivation
2. Increases/encourages employees to perform at "top-level"
3. Keeps good employees from leaving

A strong pay-for-performance structure can include a total compensation package in the following areas:

- "Lag the Market" - This total compensation structure typically is less valuable to similar companies and positions in the market. This type of performance structure could include a lower base salary, but with a larger amount of "fringe" benefits and offer a larger amount of non-monetary benefits (such as more responsibility and upward mobility in a start-up firm! -- think the early years of Microsoft and Apple!)
- "Meet the Market" - This type of compensation structure is most common (Koss, 2008). This total compensation structure is valued at what other firms offer for similar positions in similar companies in the trading area.

- "Lead the Market" - This total compensation structure is valued above for similar positions within the market. If you are in a position to do so, this is the option to go with for a few reasons:
 - Lead the market ensures you get your pick of the best candidates
 - You will get a higher tiered candidate, with more experience
 - Your employees have a higher potential to be more dedicated
 - Your employees will have a high-degree of professionalism, a larger amount of time.

Within these 3 structures, there are clear benefits and downfalls. Many companies will adjust their compensation structure based on local/regional/national economic conditions as well as local competition for labor. It is incredibly important that in any pay-for-performance structure the design is to help incentivize and empower employees to make sound judgement and achieve goals to help the company grow and succeed. There are some additional key aspects for a pay-for-performance structure to be successful long-term:

- Evaluation forms and effective/timely performance appraisals - Ensuring managers and HR can effectively communicate what went well, what can be improved on and how the employee has contributed to the company in a way they can understand, which helps them see where they can continue to grow and learn.
- Initial and ongoing training - Effective training measured in ways HR can ensure that productivity is improving, and employees are increasing knowledge and improving the business operations.
- Effective and consistent communication channels - Communication must be effective from the bottom-up, and top-down. All communication must be clear, concise and understandable.
- Ongoing coaching and feedback

In my professional life, we offer pay-for-performance structure that leads the market. We offer between 15-20% higher average starting pay than our competition, with effective and measurable long-term growth potential. We have bi-annual performance appraisals (they get 2 raises per year!) and we ensure we offer a large amount of additional benefits to enhance the employee experience as well. This has helped us (in a majority of our locations) ensure a high-degree of staffing in a very competitive market.

Have a great week everyone!

Thanks,

Brian

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6-1 Discussion

Brittany Garner posted Feb 7, 2021 5:28 PM  [Subscribe](#)

Pay for performance plans would certainly increase my drive to go beyond my task in responsibilities. Besides, instead of getting paid a bonus annually, there's potential to get paid more throughout the year instead of just once. Given the increased shift towards performance pay, it reflects important outcomes to shareholders,

customers, and employees (Valentine, R.L.M.J.H.J.S. R. (2020). Excellent performers are compensated with greater pay increases than employees who perform satisfactorily. Another reason would be that individuals who don't perform so well will not get any sort of rewards or pay increase. Those stipulations will confidently improve their contributions at work. Furthermore, pay for a performance motivates by the opportunity to do more to acquire more benefits. Further, advantages consist of the enjoyment of setting their hours to accommodate their lifestyle which results in less use of office space and resources for the company. Businesses realize that there is a high desire for more income, so employees are willing to deliver more of their time and effort concerning their duties. Lastly, studies have shown that jobs that use this performance system are highly attractive resulting in employee longevity in the company (Lindenberger Group, 2018).

Next, the elements needed to make this performance plan successful consists of an evaluation form clearly defining what each performance level requires the employee to achieve to get the pay increase (HR Daily Advisor, 2013). Then managers must have references to ensure that they are conducting proper evaluations. Also, effective pay for performance needs ongoing training from the HR department for employees that are promoted or when training needs a refresher. As well as effective communication channels between managers to managers and managers to employees. Finally, yearly feedback between the manager and the employees during the performance periods ensures that employees are on track and the season will end with successful results (HR Daily Advisor, 2013).

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Discussion 6

Danielle Disney posted Feb 9, 2021 6:38 AM [★ Subscribe](#)

According to SHRM, goals for a pay to performance system are to, “motivate people to join the organization, motivate employees to perform at the top of their skill set, and motivate employees to stay” (Koss,2008). Among other reasons, these 3 mentioned are motivation for the organization to be strategic when designing their pay for performance. If the organization yielded these outcomes, this would be a reason this system would be popular.

Long term, the pay for performance model can improve employee engagement and retention by tying employee achievement of goals to financial rewards. The money is a huge reason for staff to stick around long term. My company does their year end reviews every November at which time I had only been there for 3 months. I had not expectation and ended up get a very sizeable year end bonus in addition to a raise and a nice chunk of stock awards. Aside from feeling grateful, I thought to myself, “wow, what will this look like after a year’s worth of time?” Do you think I am going to stick around to find out? Oh yeah! I work in Pharma and realize they are progressive and ahead of the curve but man, I was impressed.

Our text highlights the elements to make these plans successful as:

- Develop clear, understandable plans that are continually communicated.
- Use realistic performance measures.
- Keep the plans current and linked to organizational objectives.
- Clearly link performance results to payouts that recognize performance differences.
- Identify variable pay incentives separately from base pay on paychecks. (Mathis,2017).

These plans will be successful so long as they fit with the organizations culture, objectives and goals, and financial resources.

Koss, S. (2008) SHRM. How a Pay-for-Performance compensation Strategy Pays off. Retrieved from. <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/payforperformancepaysoff.aspx>

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6-1 Discussion

Dominique Lynch posted Feb 9, 2021 6:28 PM  [Subscribe](#)

Pay-for-performance plans is when employees get paid per their performance, rather than a set wage. This has become more popular because it is an example of a motivation for someone to "do their job" or to do better at it. While it motivates the employee, the company also benefits from this drive because they'll more than likely get the best out of their employee and it will help the company in the long run. This will also promote flexibility where the employees can make their own hours that best suit their lifestyles, which also benefits the company because it will make less office space and less resources needed. This plan creates high productivity in lesser amount of time. Lastly, jobs who utilize this plan are attractive and often result in employees who stay longer, comfortable with the relationships, commissions, and paychecks, which results in retention (Why should you consider moving to a pay for performance compensation model?, 2018).

5 components needed to make pay-for-performance plans successful are: evaluation forms, manual or handbook for managers, initial and on-going training, effective communication channels, and on-going coaching and feedback (HR Daily Advisor Content Team, 2013).

HR Daily Advisor Content Team (2013, July 24). 5 components of an EFFECTIVE pay-for-performance Program. Retrieved from <https://hrdailyadvisor.blr.com/2013/07/24/5-components-of-an-effective-pay-for-performance-program/>

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Last post **February 14 at 2:21 PM** by Julissa Acosta

Discussion 6

Grant Carter posted Feb 11, 2021 11:08 PM [★ Subscribe](#)

Good Evening Everyone,

I hope all of you are continuing to stay safe during this time.

Money, money, money and more money. It is well known that people are motivated by money. Thus any pay-for-performance plan will drive people to work harder. "Pay-for-performance plans are ideal for self-starters who are motivated by the opportunity to do more to drive income levels. With more motivated employees working harder, the company also benefits." (Lindenberger 2018) There is a good chance that employees who are motivated by money will work harder. If they do that than the company stands to see a major rise in productivity. This is why this incentivized plan is good for both sides. The employer and employee both stand to benefit greatly. The one thing that is needed to make them successful is a clear plan. I work for a company that decided to implement a pay-for-performance plan but the one mistake they made was not informing us about all the details of the plan. If you are going to introduce this plan than every single detail needs to be be addressed. That eliminates the angry emails and discussions that potentially could happen.

Lindenberger Group (2018). Why Should You Consider Moving To a Pay for Performance Compensation Model? Retrieved From

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Last post **February 14 at 3:27 PM** by Rachel Pisacane

Pay-for-performance

Haley Garber posted Feb 11, 2021 2:07 PM [☆ Subscribe](#)

Pay-for-performance plans are becoming very popular nowadays in the workplace environment. "Pay-for-Performance is a compensation structure in which employees are compensated based on how their performance is assessed. Benefits of having Pay-for-Performance. Cornerstone enables pay-for-performance by unifying compensation data with performance data" (Pay-for-performance, 2020). There are two types of pay-for-performance plans which are merit pay increases and variable pay programs. These types of plans are used simply because money talks. Not many people admit that they are motivated by money, but I believe we all are naturally. Pay-for-performance plans leads to more work and better work from an employee, and they should be paid for their good work they bring to a company. Workplaces may use one method, or both, in order to to incentivize employee performance and drive your desired outcomes (Harrison, C., 2019). These types of plans will motivate employees to complete their work as best as they can and may even keep some employees around longer. When people are able to utilize their experience and skills towards a project by using a pay-for-performance plan, many people will be rewarded greatly by their success. "A successful pay for performance plan requires consistent engagement with the employees to let them know that their performance has a direct impact on the compensation they will be receiving. In other words, the communication and education to them needs to be clear and effective" (Truskey, S., 2020). When employees know what is expected of them, it will make them more comfortable doing the job, and will make them confident that they will be paid correctly once their job is complete.

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Last post **February 13 at 8:43 AM** by Deborah Guenther-Alexiou

6-1 Discussion: Discussion 6

Heather Dobkowski posted Feb 11, 2021 6:36 PM [☆ Subscribe](#)

The pay for performance system has become a popular option. The system's most significant attribute is motivation, motivating people to join a company, stay, and perform well (Koss, 2008). They have become very popular as they set expectations, have measurable outcomes, and have a rewarding aspect (Ryan, 2016). To be successful, they should be evident on the expectations and metric in which the employee is expected to perform. Updated and exact job descriptions need to be provided, market research to compete in the market, and financial analysis should be conducted to ensure the company can support the compensation system(Koss, 2008). The merit increase is getting replaced by the pay for

performance, which, when done appropriately, can help alleviate the sense of entitlement (Miller, 2016).

From my experience, it can be tremendous and exhausting to experience. I found it's successful when my manager was clear on the expectations and what was being measured precisely. Back when I was a bartender, it was measured by sales, and bonuses compensated us. It was clear and concise. In another position I had in an office, the job description was very vague, so when I would meet with the manager, I felt I did a great job, but then it seemed like out of nowhere, I wasn't doing as well as I thought. It was confusing and demoralizing. So for me, I need communication, clear expectation, and clear metrics.

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Last post **February 13 at 8:18 AM** by Deborah Guenther-Alexiou

Week 6

Jacob Sharp posted Feb 11, 2021 6:26 PM  [Subscribe](#)

Hello,

Pay for performance plans have become one of the more prominent ways to conduct business when signing employees up to work for their company in many industries. There are a couple of reasons why, one of them is that if the employee is lazy, it is not hurting the companies line and profit, they take non of the risk in having a underperforming employee, however it can also be said on the other side, if the employee is going beyond their sales figures, this not only helps the company brand but also helps the company make a profit. In order for the pay-for-performance contract to work things that must be includes in the package would be:

Initial and on-going training and feedback.

Effective communication

Realistic performance measures

Evaluations being conducted

While I would never sign a pay-for-performance contract, I can understand people that take action quickly and are good sales people and people person.

Thank You

Jacob

Miller, S. (11 April 2018). Study: Pay for performance pays off. Retrieved February 11, 2021, from <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/paysoff.aspx>.

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Last post **February 13 at 6:58 PM** by Megan Koors

Discussion 6

Julissa Acosta posted Feb 11, 2021 12:56 PM  [Subscribe](#)

Hi all,

Pay for performance is compensation based on the delivery of employee performance. It is a pay system that focuses on providing additional incentives, pay or bonuses to staff who have excelled at their tasks and responsibilities with the organization. It is aimed to motivate employees deliver better results, invest more effort and loyalty to the company, increase job security, and ultimately aligns employee performance with the organizational goals and strategic planning.

Organizations may opt to implement a pay for performance type of pay because they can attempt to align the organizational goals, plans and growth to those of the employee and ensure an excellent result. All while attracting, retaining and motivating staff who excel at their performance because of the incentives provided.

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Mathis, R. L. (2017). Human Resources Management 15th Edition. Cengage Learning. Retrieved from: <https://mbsdirect.vitalsource.com/#/books/9781337520164/cfi/6/48!/4/212/4@0:67.1>

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Last post **February 12 at 6:41 AM** by Deborah Guenther-Alexiou

Dulak Discussion 6-1

Justin Dulak posted Feb 8, 2021 5:58 AM  [Subscribe](#)

Before delving into what makes pay-for-performance plans either popular or successful, it would be prudent to first establish a definition for the term, so that a sense of scope can also

be created. Pay-for-performance compensation models “away from systematic entitlements...and instead signals a more mature and fair approach to employee salaries” by attaching an employee’s pay to some aspect of performance (Sprig HR, 2020). The precise system used to ascertain what is to be paid in these models can, and should, vary with the position. Whereas a car sales representative could be fairly rewarded for achieving an individual target, someone whose job entails making more discrete contributions would be more fairly tied to a team incentive.

With that understanding in place, it is possible to look at why pay-for-performance plans have become so common. And make no mistake, they are common, with “more than three-quarters of high-performance organizations [tying] pay to performance to at least a moderate extent, [and] less than two-thirds of lower-performers do[ing] the same” (Miller, 2011). Thus it can be said that the pay-for-performance compensation models are one of the few things spanning the chasm between high- and low-performing organizations.

The main reason why so many companies utilize pay-for-performance is simple: they view attaching compensation to performance as the best means to incentivize their employees. Sticking within that same report from SHRM, “nearly half of high-performing organizations indicated that recognizing and rewarding top performers was the main driver of their pay-for-performance strategy,” and the runner-up reason was “increasing the likelihood of achieving corporate goals” (Miller, 2011). While clearly distinct in precise focus, both of these reasons boil down to increasing pay correspondingly with accomplishments.

Finally, what goes into making a successful pay-for-performance program? Consistency and transparency, of course, so employees feel their rewards are determined fairly. Most importantly, though, the incentive devised for the position needs to be one “that encourage[s] employees to work harder, more productively, and smarter,” one that “drive[s] profitability while also inspiring better performance” (Linderberger Group, 2018). If the incentive offered for a position is unattainable or otherwise not tailored to the job’s responsibilities, employees will sense that disconnect and fail to be driven by the reward.

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Last post **February 9 at 2:04 PM**
by Autumn Dunaway

Discussion 6-1: Discussion 6

Keith Raymond posted Feb 12, 2021 11:57 AM [★ Subscribe](#)

Pay-for-performance strategies are becoming more popular amongst companies in hopes to attract / maintain talent and to hopefully save the company money overtime. In hopes to be successful in this approach, companies utilize different strategies such as targeting high performers. This method pays top performers higher pay while other employees receive standard pay / increases (Mathis, 2017). This can help motivate and keep top performers happy within the company in hopes to motivate other employees to step up their work.

Tying to previous chapters, this may be linked to the generational changes as Millennials and Generation Z tend to seek out higher pay for qualifications and are not shy about changing companies when compared to the Baby Boomer / Generation X timeframe.

Mathis, R. L., Jackson, J. H., Valentine, S., & Meglich, P. A. (2017). Human resource management (15th ed.). Boston, MA: Cengage Learning.

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Last post **February 14 at 11:48 PM** by Amanda Blandford

Kimberly Fullmer - Discussion 6 - Module 6

Kimberly Fullmer posted Feb 11, 2021 4:52 PM [☆ Subscribe](#)

There are several different reasons why employers may choose a pay-for-performance model over traditional methods of compensation, but it seems to me that an increase in productivity is the greatest benefit. Even though traditional compensation methods offer more "consistency and perception of fairness". (Shimko, 2000) "Merit pay, or extra compensation for superior performance, is a widely used model because of the belief that pay can motivate job performance and increase practice effectiveness. Research suggests that pay can do this when it's linked to actual performance." (Shimko, 2000) However, linking the pay to actual performance can be more difficult than it would seem, and keeping up with a pay-for -performance model could prove even more difficult than implementing one.

Some of the elements that are required when implementing a successful pay-for-performance compensation model include:

- *Evaluation forms
- *An administrative manual or handbook for managers
- *Initial and on-going training
- *Effective communication channels
- *On-going coaching and feedback.

"The evaluation form should clearly show the rating options for each category or goal and overall ratings. The form should clearly define what constitutes each performance or rating level."

The administrative manual or managers handbook should "be something managers can reference to ensure they're conducting the evaluations correctly. The guidebook should provide the rules for ongoing administration and effectiveness."

Both the initial and on-going training needs to " be consistent from start to finish and should begin when the plan is first introduced, then reviewed when the plan is changed, and when employees are promoted into managerial positions. HR must also monitor how well managers are using the program and may need to hold refresher training sessions to remind managers of the process."

We have gone over how important effective communication is throughout this and other courses, however when compensation is the topic of discussion, excellent communication is imperative.

"Communication needs to occur both from top management to managers and from managers to staff. Communications should be both written and verbal. HR has a very important role in the process, acting as liaison, interpreter, and problem-solver." (Team H, 2013)

The final component, "On-going coaching and feedback", is another vital role for the success of a pay-for-performance compensation program. "Pay-for-performance programs can't be based solely on annual performance evaluations. Continual conversations are needed to support the program and to support employee development throughout the year. Effectiveness of the program is also based on ongoing coaching and feedback." (Team H, 2013)

Pay for performance is an incredibly powerful tool to turbo charge productivity and reduce costs. However, any program must be well thought out and vetted to make sure the above factors are taken into consideration.

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Last post **February 13 at 12:29 PM** by Tavera Lee

Discussion 6

Megan Koors posted Feb 11, 2021 7:34 PM [★ Subscribe](#)

Hello everyone,

Pay-for-performance plans have increased over the years and research has shown that organizations with this type of philosophy are more than twice as likely to have above average and/or excellent employee engagement (Harrison, 2019). This also leads to employees becoming more motivated, both the employee participating in the pay-for-performance and the ones who are not. It motivates the employees participating to widen their skills to better their performances which then increases their performance pay. It motivates the employees who are not participating to start increasing their quality and quantity of work to then start receiving the pay-for-performance. These plans, when successful, have been able to reduce an organizations turnover rate because the employees have become invested in their work and the organization.

To have a successful pay-for-performance plan there needs to be 5 components:

1. Evaluations forms
 2. Administrative manual/handbook for manager
 3. Initial and on-going training
 4. Effective communication channels
 5. On-going coaching and feedback
- (HRdailyadvisor. 2013)

The forms can be conformed to meet specific group standards and task within the organization. The evaluation forms also need to be clear about the ratings as well as be able to explain the ratings given. The manual/handbook for managers is where the rules and guidelines are spelled out and it also can be something to refer to if questions arise. The training is extremely important because it is on-going, for new-hires, promotions to manager, the plan is changed, as well has review training. Effective communication channels is vital if the managers are not communicating between the employees and upper management there is no clear line of communication. However, when the lines of communication are open the flow of operations is smooth and effective. The feedback and on-going coaching needs to be year-round and not just on an annual basis. The conversation is needed to support the program and the employee development throughout the year (HRdailyadvisor. 2013).

~ Megan Koors

Reference

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Last post **February 13 at 4:05 PM** by Megan Koors

Week Six- Pay-for-Performance Plans

Noelle Fatello posted Feb 11, 2021 8:17 PM [☆ Subscribe](#)

Hi Everyone,

The pay-for-performance plans have become more popular because they benefit both the employer and the employee. This benefits employers because their employees work harder in order to get better compensation. Pay-for-performance is great for top performers because their hard work gets paid off and they will be given substantial pay raises. This plan gives employees incentives to do their best and rewards hard work. Higher performance ratings are tied to higher compensation. Rewarding employees like this will greatly help with employee retention and help attract future employees.

In order for pay-for performance plans to be successful it's essential to have a good frame for assessing performance to be able to fairly tie compensation to performance.

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Mathis, R. & Jackson, J. (2011). Human resource management 13th edition. Mason, OH: Thomson Publishers.

Thank you,

Noelle

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Last post **February 13 at 8:34 AM** by Deborah Guenther-Alexiou

6-1 Discussion (PB): Discussion 6

Patricia Bertulli posted Feb 11, 2021 7:16 PM [★ Subscribe](#)

Hi Class,

In our books I found several performance-focused organizational cultures. 1) Entitlement approach: adequate performance and stability dominate the organization. In this case rewards vary little from one person to another and have little to do with differences in individual performance and are primarily a "bureaucratic exercise." 2) Performance-driven organizational culture: this focuses on the results and contributions made by the employees. Performance evaluation link results to employee contribution and development. Figure 10-2 below shows the components of a successful performance-focused culture where the pay is dependent upon performance (Mathis et al., 2017).

FIGURE 10-2 Components of a Performance-Focused Culture



3) Pay-for-performance approach presents several challenges for organizations, such as: a) when used in organizations that have an entitlement philosophy, employees believe it creates inequity, especially if some employees are getting bonuses and others are not; they also believe it prevents teamwork. b) It is also mentioned that some companies feel they are doing enough about low performers, and failure to deal with poor performers is unfair to those employees that work hard. c) Employees who are not taking care of their work can also become combative over their poor performance; therefore, managers should address performance issues with a communication record that documents problems and holds the employee accountable (Mathis et al., 2017). It is evident that despite these challenges more and more companies are moving towards pay-for-performance plans.

For pay-for-performance plans to be successful, you need to develop components. I found some that I feel would be beneficial to making the plan successful. 1) Evaluation forms: these can be different by department, or by title, but they should include clear information such as: ratings for each category such as: Ratings are 1-10, 1-4 and what each means (1=outstanding or over and above, etc.), it should clearly define the different categories (meets expectations, needs improvement, outstanding, etc.). 2) Administrative manual or handbook for managers: this should be a manual to ensure managers are conducting the evaluations correctly and fairly. 3) Initial and on-going training: Effective pay-for-performance plans require constant and ongoing training from HR at key points, such as: a) when the plan is first introduced, b) when and every time the plan changes, c) when employees are promoted, d) and HR should monitor how well they are using the program and provide refresher training to them. 4) Effective communication channels: communication should occur from top management to managers and from managers to staff, it should be both written and verbal, and HR should be involved working as a liaison, problem-solver, and interpreter. 5) On-going coaching and feedback: pay-for-performance plans should not just be about the annual performance evaluation. Continual conversations are needed and should be conducted throughout the year (at my company we had monthly calls with our managers to discuss). On-going coaching as well as feedback should be happening throughout the performance period to ensure the employee is on track (avoiding blind-siding them at the end of the year). (Team, 2013).

The company I worked for uses one of these plans, I forget how many categories we started with, but we ended with 4, 1=above and beyond, 2 = above expectations and 3 =meet expectations, 4=needs improvement (if you were in 4 and we had a lay-off, you were gone). I have seen similar ones at my husband's company, their scale was 1-7.

Have a great week!

Pat

Reference:

Mathis, R. L., Jackson, J. H., Valentine, S. R., & Meglich, P. A. (2017). Human Resource Management - 15th Edition. Retrieved February 11, 2011

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Last post **February 14 at 4:01 PM** by Valerie Carroll

6-1 Discussion: Discussion 6

Paula Rojas posted Feb 11, 2021 8:06 PM [★ Subscribe](#)

Good Evening,

Pay for performance plans have become more popular because "Companies are moving away from an entitlement mentality in response to workers looking for rewards tied to their contributions rather than their loyalty and tenure". In my opinion pay for performance plans give employees something to look forward. If they know they are going to be praised for doing a good job they will want to go above and beyond and do whatever it takes to receive the praise or pay raise. Some of the elements needed to make this plan successful are communicating the pay plan in a way that everyone understands, the performance measures need to be realistic, the plans need to be updated and coincide with the company's vision and mission, make sure the plan shows that depending on how their performance is that is how they will be paid, also make sure that the pay for performance is allocated separately from the base pay.

<https://mbsdirect.vitalsource.com/#/books/9781337520164/cfi/6/50!/4/68/2@0:100>

Paula

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Last post **February 14 at 11:14 PM** by Keith Raymond

6-1 Discussion

Rachel Pisacane posted Feb 11, 2021 10:34 PM [★ Subscribe](#)

Pay-for-performance plans have certainly become more popular as they provide an incentive for higher performance levels. A pay-for-performance sets aside the originally fixed compensation and created a varied pay based on an employee's performance. In theory, this pushes employees to perform at optimal levels to achieve the highest compensation. The first step in making a pay-for-performance plan successful is to implement this plan in the appropriate industry. Performance is measured by many different factors. While a service-based industry might find immense success with this type of plan, an industry like retail will not find as much success with this type of plan, as it can be difficult to measure what higher performers look like. Another important factor in the success of a pay-for-performance plan is a well, thought out, plan that appeals to its employees. "Some employees prefer cash over non-

cash incentives, while non-cash incentives can motivate some workers to perform better than cash rewards do. Organizations must make a variety of important compensation decisions to ensure that the variable pay offered will motivate a workforce with diverse needs” (Mathis, Jackson, Valentine, & Meglich, 2017). With this idea, it is crucial that the organization clearly displays what they measure as “high performing” according to the needs of the business. Without this, employees may interpret their own sense of what is top-performing and become frustrated if they are not recognized for their efforts. Lastly, I feel it is imperative that what is viewed as higher-performing should be attainable and measurable and should be rewarded appropriately. If the plan does not follow through with its employees, it is extremely likely the employees will lose all faith and interest in the plan immediately. In closing, a pay-for-performance plan can be extremely beneficial to a business in the right industry, as long as the employer takes the necessary steps to set the standards, create goals that are measurable and attainable, and continuously follow through with reward.

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Mathis, R. L., Jackson, J. H., Valentine, S., & Meglich, P. A. (2017). *Human resource management*. Boston, MA: Cengage Learning. Retrieved February 10, 2021, from <https://mbsdirect.vitalsource.com/#/books/9781337520164/cfi/6/22!/4/218/2@0:0>

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Last post **February 14 at 12:57 PM** by Paula Rojas

pay for performance

Scarlett Rogers posted Feb 13, 2021 1:48 PM  [Subscribe](#)

Pay-for-performance is when an employer pays based on how well they work. There are also many pros and cons to this system. Pros include increased productivity, reduce lost time, encourage teamwork, and reinforces positive culture. Employees can also triple their income with this system while increasing morale. However, there are cons. If the system is poorly designed the idea could backfire on the employer, it's harder to implement without a dedicated team, and lastly, to start this program there is a lot of time and effort put in to start it.

There are three pillars of the pay-for-performance, communication, accountability, and data-driven standards. Communication: employees need to know what their standards are and what their pay is being based on. Consistent communication of how they are performing can increase the productivity of the employees.

Accountability: The pay-for-performance must be worth it to the employee. If it's hard to understand or constantly changing then an employee might find other ways to get paid. Data-driven standard: PFP cannot be based on how you like someone. There need to be tangible results and benchmarks. If there isn't you could lose the teamwork and culture an employer might work hard to build.

<https://www.easymetrics.com/solutions/pay-for-performance/>

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Last post **February 20 at 4:17 PM** by Justin Dulak

6-1 Discussion S.G.

Shani Gomez posted Feb 11, 2021 9:40 PM  [Subscribe](#)

"Pay-for-performance philosophy- assumes that compensation decisions reflect performance differences"... The "trend is toward greater use of pay-for-performance systems." This is due to share holders being able to review and vote on managements pay. (Mathis, et al., 2017. p. 414).

To me the reason for using pay-for-performance plans is common sense. If I am paying someone I want them to do their job and do it well. As I have mentioned several times I have worked for Federal and State employers for years and both have entitlement raises. If any of you are familiar with this type of pay you know there are people who will put forth minimal effort because they know they will receive a raise no matter their productivity level. This is one of my pet peeves. A survey conducted by Kelly Services found that many Americans welcomed the idea of pay-for-performance plans. In fact they say they would be more productive if offered the choice (Miller, 2010). I think all businesses should resort to this type of pay. You get paid for the effort you put in.

Like most reward plans there are ways in which they can fail. According to Truskey, in order to have a successful pay-for-performance plan you must consistently engage with your employees and ensure they have a crystal clear understanding of the impact the employees performance has on their compensatory reward. You must also make sure the plan is" easy to use, has an automated workflow, real time visibility to improve decision making, clear communication of goals and objectives, integration with other databases and software suites" (July 14).

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Last post **February 16 at 6:23 PM** by Shani Gomez

Discussion 6

Tavara Lee posted Feb 10, 2021 2:08 PM [★ Subscribe](#)

Hello Class

Variable pay-for-performance is a motivation technique that primarily uses fiscal incentives to motivate the employees to work harder. Pay for performance environments are not always successful, as sometimes team members will begin to compete with other employees instead of solely with themselves. This is why in order for a pay for performance structure to work, the institution needs to have clear guidelines set in place, clear goals and metrics, and, in my opinion, should focus on customer service scores, and not sales. This would ensure that my employees are still thinking first about our clients, and not their own numbers or metrics that will impact their pay. I think a down side to this methodology is that it can also create stress for the employees who do not know what they will make any given pay period.

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Last post **February 14 at 4:34 PM** by Heather Dobkowski

Discussion 6: Pay for Performance

Valerie Carroll posted Feb 11, 2021 9:38 PM [★ Subscribe](#)

Hello,

Pay-for-performance programs have become increasingly popular because many people in the U.S., but certainly not all, find financial incentives to be an effective motivator. Individual incentives, such as sales bonuses or trips for top performers, can challenge employees to work hard in an effort to gain these rewards. Team or company incentives can help align efforts to company goals and great a sense of 'we're all in the together' as they collaborate to reach a bonus (Mathis, Jackson, Valentine, & Meglich, 2017).

The company I work for is non-profit, so while we certainly can't offer large financial incentives, we have a couple of great small-scale programs that still work well to incentivize performance. If as an organization we are meeting our deliverables for our contracts, we all get a 'profit sharing' bonus in the form of a 401k contribution. If we are successful with obtaining new contracts, there's a small staff bonus at the end of the year. On an individual level, we have a 'High-Five' program, where employees are recognized by individuals for helping on a project, going the extra mile, or being good support. These high-five tags can be given by anyone, regardless of their level on the org chart, and when enough are earned, they can be exchanged for gift cards. It's a fun way to recognize individual contributions.

While there is not a one size fits all approach to an incentive plan, in order for a pay-for-performance plan to be successful, the incentives need to appeal to the majority of the employees. For example, with travel restrictions a problem right now, winning a trip to Mexico is not the drive it was two years ago. Additionally, employees need to understand how the program works. If it too complicated many employees will disregard the program. It is also important to monitor the success of the program, seek feedback from employees, ask employees for their point of view on the program during exit interview, and always keep senior management looped into the success, or lack thereof, of the program (SHRM, 2018).

-Valerie

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Last post **February 15 at 1:59 PM** by Deborah Guenther-Alexiou

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