



Deborah Millhouse
President,
CEO Inc.

How Could I Help Our Top Execs Make the Connection Between Suitable Rewards and Employee Performance?

Q: I am currently trying to revamp our organization's performance management process to a more formal one that is aligned with company strategy and goals. I am basically starting from scratch with job descriptions, new evaluations and performance measures. My question is, how do I get the executives to see the importance of the connection between rewards and performance? Currently, they do not want to commit to traditional merit increases that would be tied to the performance review, but would rather provide a cost-of-living increase and

then provide a bonus at the end of the year. The issue is that when they did this last year, people were very disgruntled with the fact that they didn't get raises and I was frustrated because the reward that was received wasn't tied to any performance measurement—it was truly discretionary.

A: There is much academic research, as well as many workplace studies, that shows a connection between rewards and performance—when performance expectations are clearly defined upfront and the rewards have a direct relationship to them.

To get your organization's leadership to see that connection, you need to design and build an effective system for managing people's performance.

The keys are as follows:

- Define goals that your reward program will support.
- Determine the desired employee performance that will help reach those goals.
- Identify how performance will be measured.
- Determine appropriate rewards.
- Communicate rewards and how they relate to performance.
- Keep good records—contributions, problems, progress.
- Develop and implement a coaching and improvement plan.

A successful system obviously must identify goals to be reached, as well as the performance needed to achieve them. Yet companies frequently make the mistake of rewarding behaviors that either fail to further business goals or actually sabotage them.

For example, if teamwork is a goal, rewarding employees who improve their productivity at the expense of a co-worker does not help the company as a whole.

Properly measuring performance indicates areas in which improvements are made, and helps your top executives see a clearer connection between rewards and employee achievement. Performance measures in a rewards program have to be linked to your overall business strategy, and may include such variables as improved financial performance along with improved customer service and fewer errors.

Match the reward to the benefit the company derives from the employee's performance. In other words, performance that contributes to goals with higher monetary value to the organization should be rewarded with more money.

Clear communication of expected performance and the reward for that performance is critical, as is the consistent delivery of the stated reward for performance. Reinforce the message in meetings and at other opportunities during the year. When employees fall short of expected performance, immediately implement your coaching and improvement plan to make it easier for them to succeed in the future.

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