Pay for performance

Running Head: Pay for Performance Pay for Performance [Institute's Pay for Performance Measuring the effectiveness of any planor program involving the process of evaluating that whether or not that plan or program has been able to achieve the goals and targets, which it was intended to achieve. In most cases, companies implement pay for performance systems because they want to improve the baseline profitability and financial situation of the company (Gerhart & Rynes, 2003). However, the same does not take place directly but pay for performance have a direct relationship with employee motivation, employee satisfaction and their on job performance which later goes on to translate into financial results. Therefore, effectiveness of pay for performance can be measured with surveys aims at findings about employee satisfaction and motivation levels (Gomez-Mejia, 2010). Furthermore, their on job performances and achievement of their goals may also help in knowing that whether or not certain pay for performance program is effective. Lastly, financial numbers and ratios, such as revenues, sales, expenses, profitability, operating income, profit margins, return on investment and others remain as major tool to measure their effectiveness. If any pay for performance plan is motivating employees but not adding to the financial success of the company then it is better for the company to revisit the plan and the processes (Schuler & Jackson, 2007). There are many advantages of pay for performance programs for the employees and that is why many companies opt for it. First, by paying employees for their efforts and performances, employers motivate them to improve their performances in order to earn more (Gerhart & Rynes, 2003). Despite the fact that money is not the only motivator, it is biggest motivator, which means that employees are highly likely to work harder and bring more profits to the company to earn more. Second, by implementing pay for performance programs, attracting and retaining the key talent and top performers became less difficult (Schuler & Jackson, 2007). Quite understandably, employees that are not performing would come in to the spot light and mostly likely would leave the organization. On the other hand, the top performers would stick to the company since they are earning more (Gerhart & Rynes, 2003). Third, it is fair and equitable for the company to pay more to the employees, which go an extra mile to help the company in the achievement of its objectives. Employees become discontent with the company when they know that even if they try to stand out of the crowd with their better performances, they would not receive any desirable rewards from the same (Gomez-Mejia, 2010). Amongst the many disadvantages of pay for performance, first one would be the fact that the entire system is very vague. Experts, researchers, and authors have still not been able to develop a consensus on the definitions of performance and ways to measure performance. Performance appraisals, which are used to measure performances in most organization is, without any doubts, one of the most taunted aspects of human resource management (Gerhart & Rynes, 2003). Furthermore, it becomes difficult for the organization to differentiate between the results achieved by the employee and the contribution of situational factors such as economic boom, team contribution, new technology, leadership factors and others (Schuler & Jackson, 2007). Second, one of the biggest differences between employees and employers is the fact that employers know the long-term objectives or mission and vision of the company. Companies know that it is important that employees must also look at the long term and strategic objectives of the organization; however, with pay for performance, when employees are being paid for monthly, quarterly, or annual results, they lose sight of the long-term objectives and may even comprise the long-term objectives (Gomez-Mejia, 2010).

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