



Question:

Why is employee performance management important?

Answered by the HR Experts

Performance management matters because it creates clear, documented expectations that both managers and their direct reports can act on. Effective performance management tells employees exactly where they stand, what they're doing well, and what they need to improve. It gives employees a fair chance to grow, helps you make defensible decisions about raises and promotions, and creates a written record you'll be glad to have if there's a need to reassign, demote, or terminate an employee.

Managers weigh a variety of criteria when making decisions about hiring, raises, bonuses, demotions, and terminations. While these criteria may include tenure, potential, and demeanor, job *performance* is the most critical. When your decisions tie clearly and specifically to job performance, employees are more likely to accept them, your reward system carries more motivational weight, and your risk is reduced. When the sales rep who consistently beats their targets is promoted, the team sees a clear line between results and reward.

The reverse is also true. When decisions appear to rest on factors not related to performance—like being golfing buddies with the boss—employees will think their hard work doesn't matter. As a result, morale falls, employee relations suffer, and exposure to discrimination and wrongful discharge claims increases.

Because job performance drives productivity, competitiveness, and profitability, how you measure, monitor, and reward it is crucial. Effective performance management isn't just a once-a-year activity. It's an ongoing process of defining clear performance goals, monitoring actual performance continuously, giving regular feedback on how employees are doing, and applying consequences consistently.

This Q&A does not constitute legal advice and does not address state or local law.

