A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT

Harvard Business Review

# HOW EMPLOYEE ALIGNMENT BOOSTS THE BOTTOM LINE



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# Alignment on Shared Vision Is Key to High Performance

There is power in linking individual employee goals to company-wide strategic priorities. As this research illustrates, aligning employees with company strategy has a direct impact on an organization's operational and business success. Workers agree—70 percent say alignment is the greatest hurdle to achieving company strategy.

**Alignment is a strong motivator at work.** Studies show that progress toward a meaningful goal is the top motivator for employees, yet 70 percent of U.S. employees remain disengaged at work. Only 17 percent of employees strongly agree their company has open communication. Employees don't know what to prioritize, and they are unclear about how their individual work makes a big difference to the mission of the organization. Once organizations align individuals to long-term goals, they'll experience heightened retention and better execution.

**Goal achievement is paramount to employee success and satisfaction.** Employees who feel a connection to the company's mission—through goal setting and achievement—take delivering on business outcomes to the next level. They feel personally invested and responsible and it impacts the way they work. Bersin by Deloitte found organizations that make it easy for employees to set clear goals are four times more likely to rank in the top 25 percent of business outcomes.

**Organizations are experiencing a correlation between aligned employees and business results.** Higher-performing employees report a formal linkage between corporate and individual goals, and companies with aligned, high-performing employees are 2.2 times more likely to be top performers compared with the competition. Instilling a company's employees with a shared understanding of its long-term goals and strategy requires a commitment from the organization's leader, regular guidance and feedback on progress toward goal achievement, and access to technologies that enable workers to pursue this shared vision.

While the data shows the value of alignment at work, we're hearing the same feedback from enterprise organizations across the globe. The Hackett Group found two-thirds of workers use technology to record goals, but there's still a lack of follow-through, feedback and alignment on those goals. Technology solves the puzzle by smoothing out the employee-manager conversation and helping organizations stay aligned on why individual goals matter. And once we all understand how and why our work matters, it's easy to find the motivation it takes to achieve organizational excellence.

Sincerely,

Kris Duggan
CEO and Co-Founder, BetterWorks

# HOW EMPLOYEE ALIGNMENT BOOSTS THE BOTTOM LINE

Clear visibility among corporate, employees' and supervisors' goals leads to sharply improved financial results.

It's more important than ever for managers to keep their employees in line with overall company strategy. In a fiercely competitive environment, businesses need their hyper-connected workers to focus their collective brainpower on reaching key milestones, generating a steady stream of insights and ideas along the way.

Employee alignment is distinct from employee engagement. Even workers who view themselves as highly engaged—satisfied with their roles, committed to the organization and industry, energized by the environment—may suffer from myopia, centered on achieving narrow objectives. Do they have a clear grasp of how their actions help the company achieve its strategic priorities? What incentive is there for them to change their behavior?

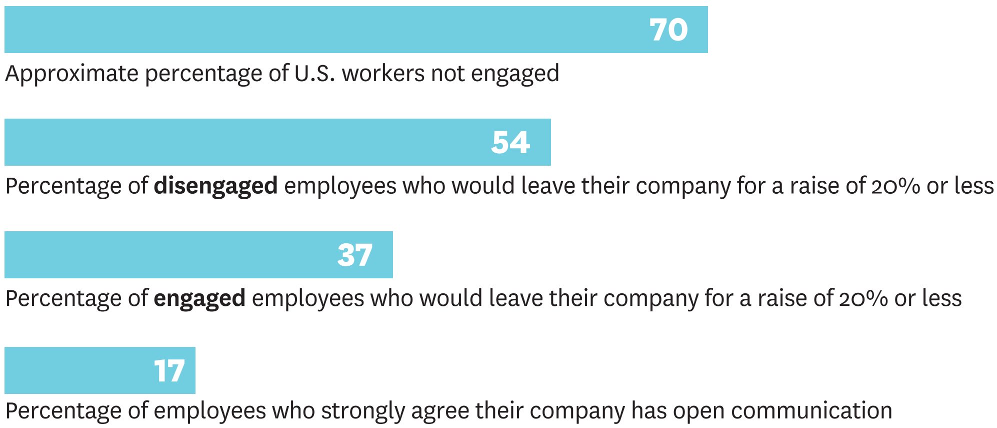
"What we've just started to see emerge is a linkage of alignment issues to real-time recognition," says Scott Olsen, principal and leader of the U.S. People and Organization practice at PricewaterhouseCoopers. "We see companies devoting a portion of the incentive pool to awarding employees on the spot, rather than waiting for the annual performance cycle. It really drives home the point that the employee did something that mattered."

Without sufficient clarity about the specific outcomes they should help the company attain, employees can't fully invest in their work. By Gallup's estimate, only 32 percent of U.S. employees could be categorized as engaged in 2015, up half a percentage point over the year before. And it is hardly a coincidence that surveys by Gallup and others have found that most U.S. employees don't believe that their organizations communicate transparently. figure 1

"Engagement surveys are not necessarily measuring alignment," says John Boudreau, professor of management at the University of Southern California's Marshall School of Business, where he also serves as research director of the Center for Effective Organizations. "Alignment means precise calibration between employee goals and company strategy. What are the elements in an employee's job where improving from good to great performance makes the largest pivotal difference to the mission of this organization?"

FIGURE 1

## THE MAGNITUDE OF THE EMPLOYEE ENGAGEMENT PROBLEM

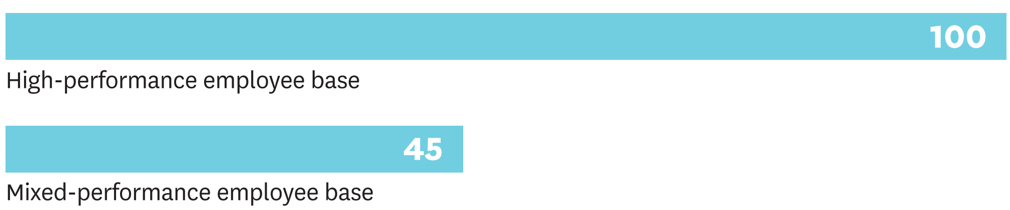



**SOURCE** "STATE OF THE AMERICAN WORKPLACE," GALLUP INC. 2013

FIGURE 2

## THE POWER OF LINKING EMPLOYEE PERFORMANCE TO STRATEGIC GOALS

Percentage of organizations considered in the top tier of their industry, by performance level of employees




**SOURCE** PERFORMANCE MANAGEMENT STUDY, THE HACKETT GROUP, 2013

**70%**
**of U.S. workers are not engaged**

The rewards for doing so can be dramatic: heightened retention, better execution and, overall, a sharper and more distinct competitive edge. In a study of nearly 100 respondents from large companies, The Hackett Group, a provider of benchmarking and other tools for best-practice implementation, found that all companies with higher-performing employees report a formal linkage between corporate and individual goals. What's more, such companies were 2.2 times more likely to be top performers than were their peers whose employees produced mixed performances. figure 2

Such an adjustment is hardly a one-and-done event. Value propositions must be defined—and refined—with increasing frequency, with careful attention paid to maintaining the cohesiveness of the new corporate message even as it wends its way through the organization. "The fidelity of the message is reduced as it is transferred from one source to another," warns Boudreau.

However, even employees who receive the information intact—whether it's about targeting new customer segments or expanding product offerings—still need to know how they should refocus their day-to-day efforts.

Here's what it takes to do it right, according to various surveys and experts:

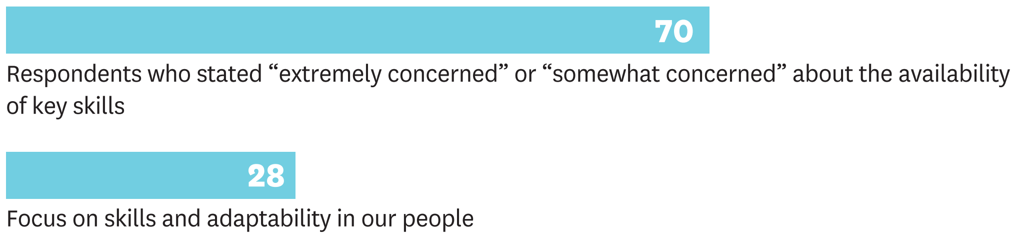
- employees need easily accessible guidance about which activities they should optimize to best align their work with the company's strategic goals;
- insights on how they can stay focused on organizational aims, especially as those priorities shift;
- access to technologies that enable workers to pursue a shared vision, with clearly defined responsibilities to avoid duplication of effort; and
- an understanding of the key performance indicators used to hold them accountable, measuring their impact on the company's progress toward realizing its stated vision.

The mission of instilling a company's employees with a shared understanding of its long-term strategic path—and the short-term steps to push it in the right direction—requires leaders committed to promoting the strategy-sharing message across the organization, continuously soliciting feedback.

Most organizations will need to acquire technology to devise visible metrics and measure variables that are deemed critical for achieving alignment. "The data in and of itself is useful," says Olsen. "But you also need to make the investment in skills it takes to understand it."

**FIGURE 3**

**TOP THREATS TO GROWTH: A GAP BETWEEN 'NEED' AND 'HAVE'**




**SOURCE** PWC'S 19TH ANNUAL GLOBAL CEO SURVEY, 2016

A proliferation of technological advances, ranging from the cloud to intensifying data-analysis capabilities, enables executives and employees to set and share visible goals, checking in regularly about headway. "The challenge with any organization is getting everybody's head around the construct and putting it in place in such a way that there's a line of sight for all employees to the strategic vision," says Randall Russell, former vice president and director of research at The Palladium Group, the strategy consulting firm (formerly the Balanced Scorecard Collaborative). "How do you get somebody's attention and motivate them to a new level of performance so the company can achieve a new financial outcome? It's not going to happen all of a sudden."

Employees who feel a connection to the company's mission will make sure the business delivers on its commitments to its customers. According to research conducted by Bersin by Deloitte, organizations that make it easy for employees to set clear goals are four times more likely to rank in the top 25 percent of business outcomes; those that have employees revise or review their goals quarterly or more frequently were three-and-a-half times more likely to score in the top 25 percent of business outcomes.

"Getting there means setting measurable goals, quantifying the impact of those goals on the overall organization and having candid conversations around the attainment of those goals," says Harry Osle, principal and global HR solutions practice leader at The Hackett Group.

Employees tend to be more productive when they know their contribution matters in the grander scheme. As is true of any long—and winding—journey, it's important for travelers to follow a clearly articulated, stabilizing set of goals, such as developing leadership skills. In a survey of 490 financial services executives, part of PricewaterhouseCooper's 2016 Annual Global CEO survey, 70 percent say they view limited availability of skills as a threat to growth. Yet only 28 percent are changing their focus on the skills and adaptability of their employees. figure 3

# 100%

**of companies with higher-performing employees have a formal linkage between corporate and individual goals**

## EVIDENCE-BASED MANAGEMENT

As CEOs know, employees didn't always have to think about how their contributions fit into the company's direction. Rather than leaning on their own values or plugging into the company's mission, they relied on one well-worn rationale to explain their actions: this is how we've always done it.

To the extent any strategy existed, it wasn't shared. Various departments operated according to their own aspirations: workers in manufacturing worked to improve process efficiency and product quality, while their colleagues in marketing tested customer-retention techniques. When the marketing folks detected customer interest in a new feature, they shared it with the engineers—only to be told that they should have done so earlier, before supplier relationships had been locked in. "The stovepipe organization made for a very slow-moving, less agile business," says Russell.

These days, though, companies need to adapt quickly or risk watching their cherished goals sink from their reach, submerged under waves of mixed signals and shifting blame.

"The goal now is to manage based on a series of measures, to become more evidence-based in terms of the management approach," says Russell, who is also co-founder of the Alliance for Municipal Performance, which advises municipalities on using the Balanced Scorecard, a strategy implementation tool. "It implies a certain level of commitment from the management team to share more up front, to being willing to consider a new level of openness to align human capital with strategy."

However, the benefits of organization-wide alignment don't come easily. The process starts when management commits to confronting hard questions:

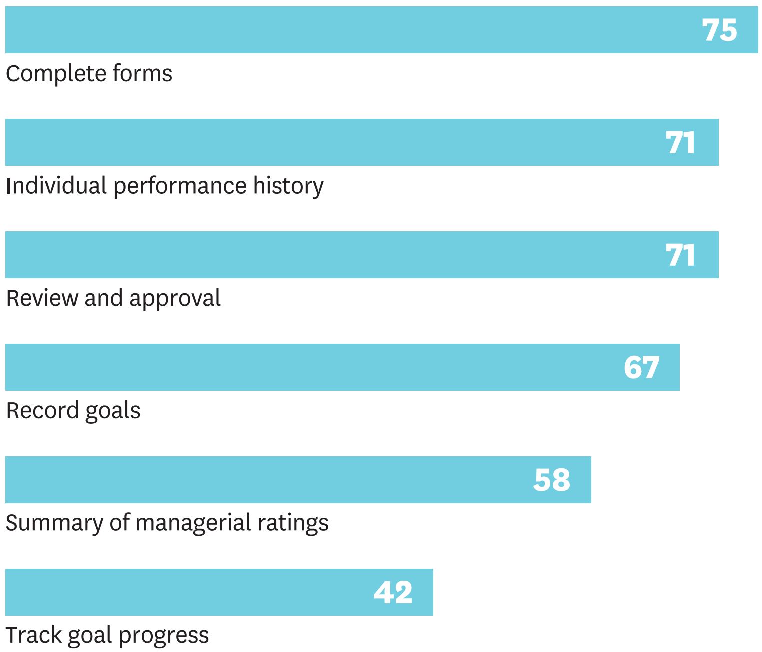
- What should our strategy be?
- How do we align specific positions and jobs with that plan in a way that will be beneficial to them as well as to the organization?
- What human capital characteristics does the company now possess, and what capabilities are necessary for the business to meet the new standard?

"Organizations tend to live in the here and now, as opposed to taking the long view," says Scott Leuchter, principal in charge, Global People & HR Transformation Practice at The Hackett Group. "What they need to go through is a thoughtful process, with careful consideration as to what matters and how they are going to act on that."

FIGURE 4

## HOW PERFORMANCE MANAGEMENT PERFORMS

Current use of technology in performance management




**SOURCE** "PERFORMANCE MANAGEMENT STUDY," THE HACKETT GROUP, 2013

**42%**

**of companies measure employee progress toward their goals**

While CEOs may extol the benefits of adding robots and drones to the workforce—so much for sick days and paid vacation—carbon-based workers remain paramount. “People are what drive an organization, and the better-performing organizations understand that,” adds Osle. “An army is only as good as individual troops heading the right way, with the same objective.”

## WHAT’S IN IT FOR THEM

Indeed, studies have shown that progress toward a meaningful goal is the top motivator for employees.

If the company’s aim is to double revenue in the coming year, then the metrics used to measure progress will vary according to position, ranging from boosting average deal size to increasing the “win” rate. Employees need visibility into how those goals are set—whether by historical data, for instance, or industry benchmarks. By communicating frequently about progress, managers may learn that, for example, a new product is sufficiently complex to increase deal size more than expected, although it may appeal to fewer prospective customers, reducing the win rate. The interactions require give and take on both sides.

For top managers, the biggest challenge to implementing such a system may be their own lack of follow-up. In The Hackett Group study, two-thirds of respondents say they use technology to record goals. But a significant portion of survey-takers lack follow through. Only 42 percent—by far the lowest percentage of respondents—who rated six different dimensions of performance management on their application of technology track progress toward goals. figure 4

## CONCLUSION

Once goals are set, management is responsible for making sure there’s a way to measure, and update, employee performance against those targets. Companies need to apply the same vigilance to making sure the employee goals don’t fall into misalignment. “Measures can wear out in terms of usefulness, which means they have to change,” warns Russell. “But over time what shouldn’t change is management’s credibility and seriousness about performance monitoring. Ultimately, management and employees will learn their way to a much more aligned approach.”

## NOTES

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