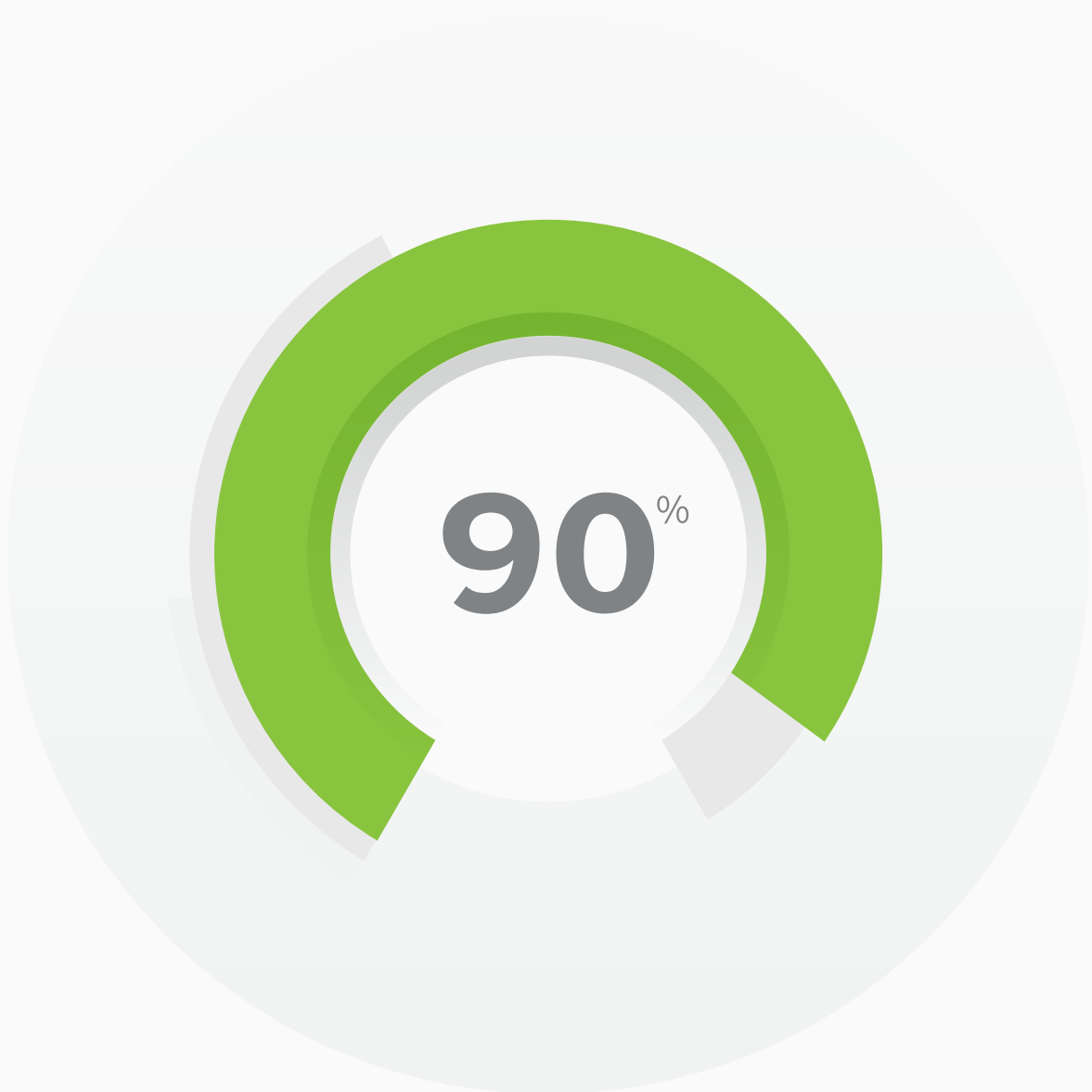


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# How Goals are Driving a New Approach to Performance Management

Aligning Employees in the New Work Environment



# Renewed Focus on Operational Excellence

## 58%

of companies believe their performance management process is weak in driving engagement and high performance.

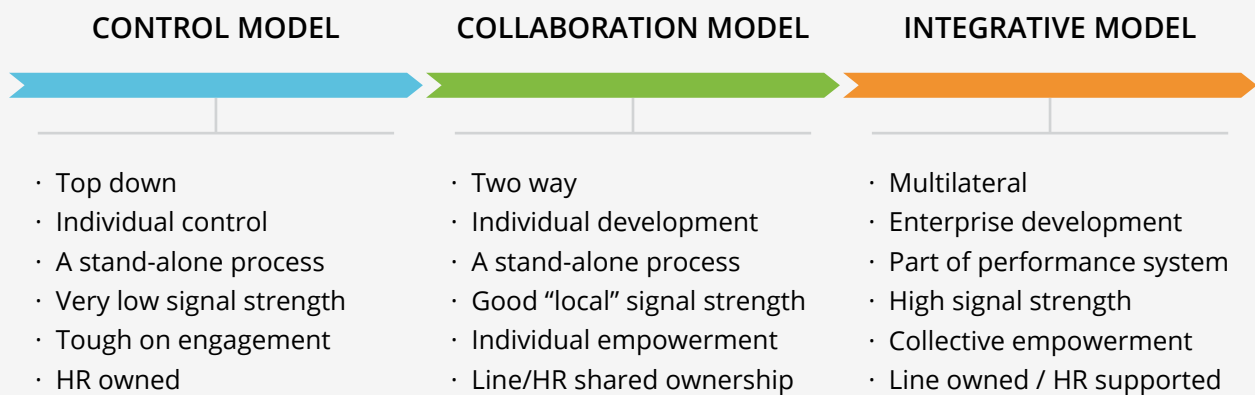
Managing performance is a continuous effort. Every year, your organization invests significant time capturing executive objectives, cascading goals down through middle managers to individuals, and facilitating reviews. Yet the annual process has become increasingly frustrating for you, human resources colleagues, executives, and co-workers.

Consider the following:

- The Institute for Corporate Productivity acknowledges “The time and money spent on performance management is not always offset by improved business results.”<sup>1</sup>
- Forrester reports 58 percent of companies believe their performance management process is weak in driving engagement and high performance.<sup>2</sup>
- Bersin by Deloitte says even the cascading process is broken: “About two-thirds of respondents reported goals are not being consistently communicated throughout their organizations.”<sup>3</sup>

## THE EVOLUTION OF PERFORMANCE MANAGEMENT

From controlling to collaborating to integrating



Source: The Conference Board, 2013

Performance management must evolve because the nature of organizations and work has changed. An expanding global marketplace has made it nearly impossible for employees to work in silos and still be successful. Because rapid innovation from collaborative teams has become a requirement for competitive advantage, considering how you and your HR team will evolve performance management in your organization from controlling to integrating is imperative.

## A Closer Look at the New Work Environment



In the last decade, new organizational models with greater geographical distribution, more matrixed structures, and increased diversity, as well as accelerated technology innovation have made the way we work more interconnected than ever. “Sixty-seven percent of employees report an increase in work requiring active collaboration,”<sup>4</sup> according to CEB. In the same study, general managers and senior executives reported needing a 20 percent improvement in employee performance.

Because all employees now have to be effective enterprise contributors, companies that rely on traditional performance management to evaluate individual performance will continue to find their performance management processes falling short of expectations. Your business cannot afford to be among those hindering organizational performance and subverting goal achievement and alignment as a result of focusing on individuals, rather than the enterprise as a whole.

*“After years of trying to build top-down, hierarchical, forced rankings to evaluate people, the world is shifting toward a feedback-centric, agile, strengths-based approach,”* writes Josh Bersin, Principal and Founder of Bersin by Deloitte. Data in the firm’s recent trends report shows that companies that modernize their performance management process see 20-30 percent higher engagement and dramatic improvements in retention. And performance goes up too.<sup>5</sup>

# Preparing for Evolution

The following steps are critical to evolving performance management and introducing enterprise goals to your organization:

- Acknowledge emerging trends in the new world of work
- Reexamine traditional performance management and address issues perpetuated by the 12-month cycle
- Effectively communicate the value of setting, tracking, and managing strategic goals

## STEP 1: ACKNOWLEDGE NEW WORK TRENDS

The first significant step in evolving performance management and introducing enterprise goals is to acknowledge the shift taking place in the new world of work. Recognition of these changes will allow you to reframe performance process and system discussions, helping colleagues understand the benefits of emerging trends including the following:

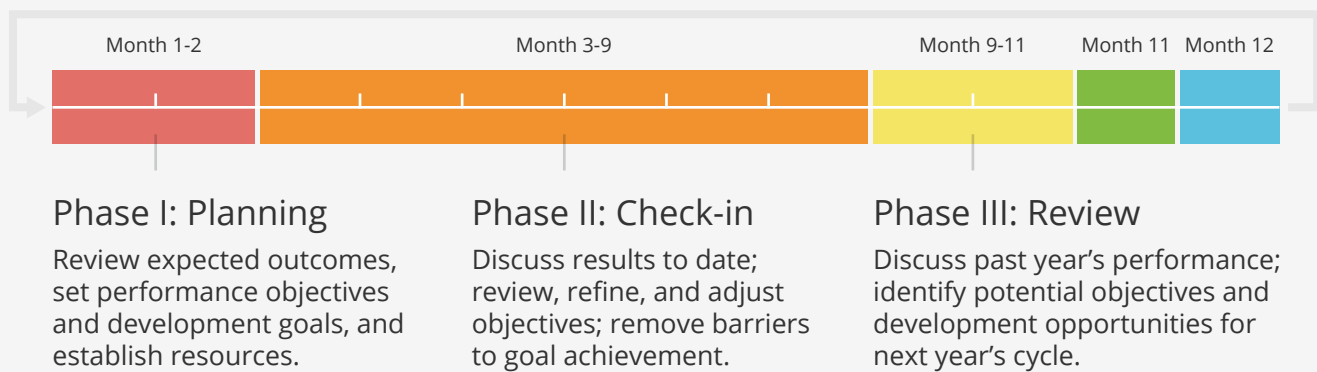
### PERFORMANCE MANAGEMENT IN THE NEW WORLD OF WORK

Traditional approach	Emerging Trends
Hierarchical	Networked
Direct	Coach
Top-Down	Bottom-Up
Process-Focused	Outcome-Focused
Autocratic	Democratic
Measures	Improves
External Rewards	Intrinsic Rewards
Fixed Organization	Matrix Organization
Annual Cycle Feedback	Just-in-Time Feedback
Weakness-Based	Strength-Based

By defining processes to support the new world of work, including refining performance reviews, enhancing development programs, introducing enterprise-wide goal management, and revisiting pay for performance, you can help refocus performance management on enterprise contributions and meet new employee demands—especially from Millennials—for increased openness, greater transparency, and more frequent feedback (e.g., weekly, bi-weekly, or quarterly instead of annually).

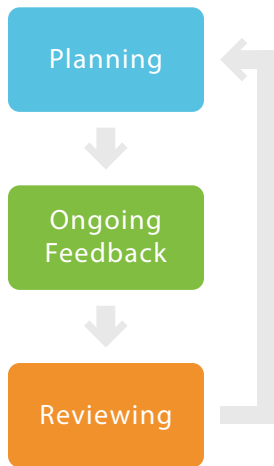
## STEP 2: RETHINK TRADITIONAL APPROACHES AND ADDRESS ISSUES

The second critical step in evolving performance management and introducing enterprise goals in your organization is to reexamine the traditional annual performance management cycle, designed to evaluate individual rather than team performance:



### *Traditional Annual Performance Management Cycle*

This is also the time to address issues associated with disconnection, power, and control perpetuated by the current, 12-month linear performance management cycle from a goal-setting perspective. Many these challenges can be overcome with a purpose-built enterprise goals platform for continuously setting, tracking, managing, and scoring goals that improves alignment and accountability while giving employees permission to stretch without fear of punishment for failing.



Focusing on goals establishes a business culture of innovation and collaboration because you are measuring on-going operations, not a single point in time. Talent Strategy Group and Mercer Consulting agree that for organizations to drive better performance, goal setting should be done frequently, and focus on a few, but high-quality and impactful goals.

An enterprise goals platform enables all employees to visualize both the inputs and outputs influencing behaviors. The following table illustrates goals that a company might establish for a sales representative. In contrast to a quota goal of \$50M per year that would have been set in a traditional performance management system, goals management software enables the sales professional to set and track multiple goals that effectively demonstrate how he or she will achieve the primary goal of closing \$10M per quarter (or \$50M per year):

more than  
**50%**

of companies set goals annually and **80%** of workers don't update goals during the year

## Q1 GOALS

(Created in January; agreed upon with manager in late January; scored in early April)

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Deliver 50 face-to-face appointments in the quarter

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Help build the company's healthcare vertical by contributing to sales collateral messaging and developing two existing sales references with the customer success team in this area

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Make progress with the following top strategic accounts:  
Tyco, P&G, Philips

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Drive 50% of new sales via upsell bookings, \$500k in this case

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Close \$10M in new sales by the end of March

Because researchers found that financial incentives can potentially accelerate negative consequences,<sup>6</sup> organizations may consider helping individuals make better decisions by including pairing goals, for example tracking a quantitative goal and an equally important quality goal:

Quantity Goal	Quality Goal	Unintended Consequence Prevention
3 new features	Fewer than 5 bugs found per feature during quality assurance testing	Developers will not sacrifice quality for quantity. They will write cleaner code from the beginning of a project.
\$50M in Q1 sales	\$10M in Q1 maintenance contracts	Sales professionals will stay closer to customers, increasing customer success and satisfaction rates.
10 new appointments	1 new customer	The quality of initial appointments will increase because making a sale is a requirement.

### STEP 3 - COMMUNICATE THE BENEFITS OF STRATEGIC GOAL MANAGEMENT

The third critical step in evolving performance management in your organization is to effectively communicate the value and impact of more strategic goal setting, tracking, and management to everyone. When you operationalize goal setting, your organization can more efficiently manage business performance and achieve the following benefits:

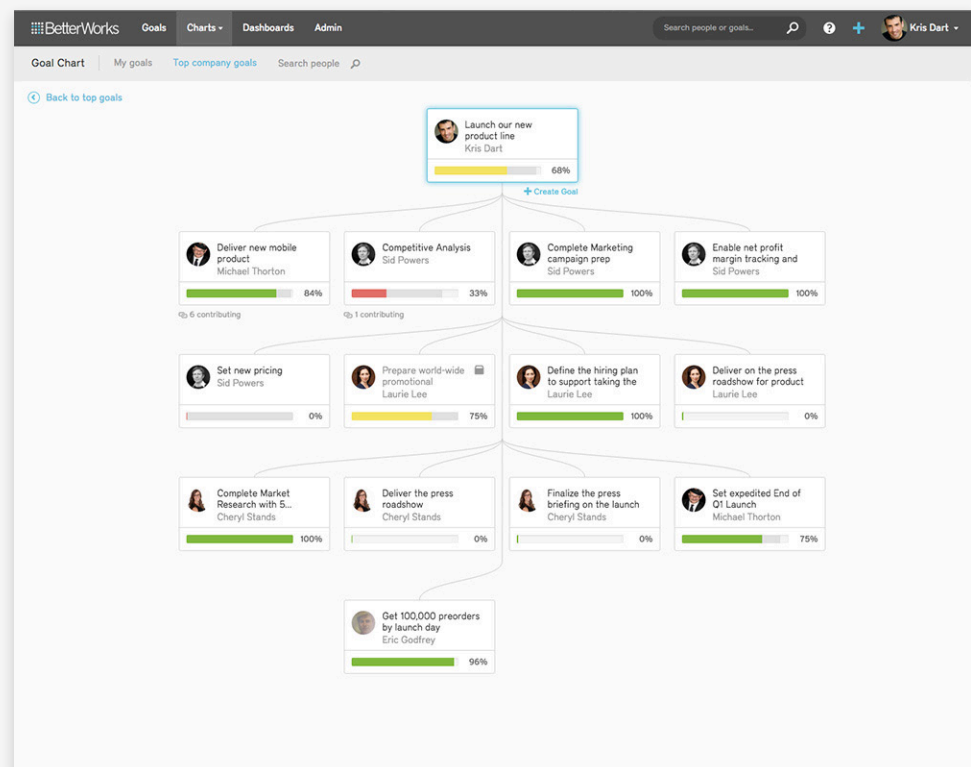
- **Smarter planning with increased employee engagement, motivation, and clarity of purpose**

Your organization can spend more time deciding what activities should be accomplished, ensuring quarterly goals match the

strategic vision. At the same time, you can ensure you are enabling all employees to make progress on tasks associated with meaningful work. With an enterprise goals platform, you now have a gauge for how your organization is tracking to your business plan, and full transparency into where employees and teams are on track and/or need assistance.

- **Increased visibility across silos**

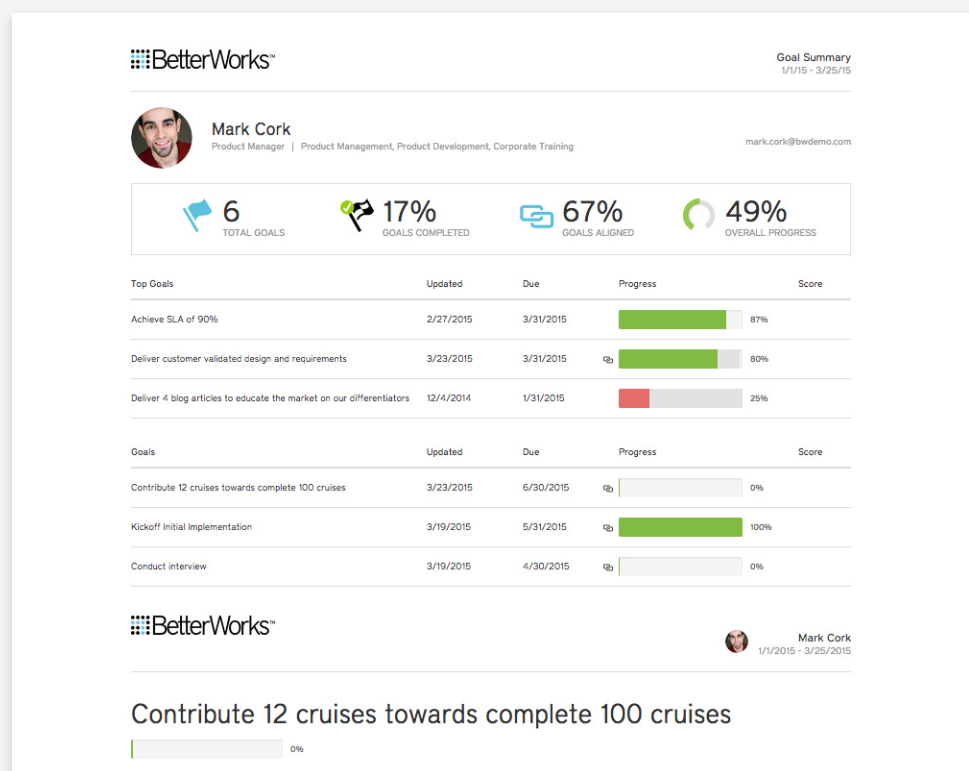
An enterprise goals platform brings transparency to the performance management process. Instead of goals being discussed twice a year—during goal setting in January and performance reviews in December—goal platforms provide on-going and increased visibility into goal progress (success and failure), bottom up, top down and across teams, creating a more open culture that encourages collaborative problem solving and promotes faster decision making.



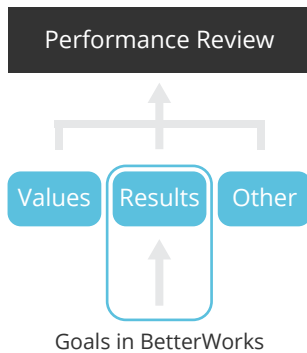


- **More informed discussions**

When you deploy an enterprise goals platform, you now have a view of continuous goal progress that can be used to inform performance management processes. Rather than enforcing a one-to-one relationship between performance and merit, goal details can be used during more frequent check-ins, changing the nature of performance-related discussions from fear-based to be more attuned with brain-friendly feedback promoted by neuroscience—encouraging employees through motivation, collaboration, engagement and coaching.



A goals platform contributes to the full understanding you have of every employee. Details can be used in a variety of conversations, including informing performance reviews where other factors are considered such as corporate values and professional development tracked in your performance management system.



Goal setting, development discussions, and performance evaluations are most effective when optimized for their purposes and time frames remain consistent throughout the year. Goals can be used to inform development discussions (typically semi-annual conversation about what individuals do well and what they need to do better); performance reviews (typically annual conversations to assess an individual's performance, evaluating changes in compensation and position); and goal evaluations (typically monthly or quarterly conversations involving setting, agreeing upon, scoring, and reviewing goals).

Although goals will sometimes overlap with compensation most times they will not. For example, in the earlier example, the sales quota goal of \$10M would be directly compensated while the other goals—delivering 50 appointments, building the healthcare vertical, etc.—would not be linked directly to the sales professionals' compensation discussion.

# 50%

High agility orgs are 50% more likely to be able to capitalize on changing market demands

- **Increased innovation at less personal risk**

The use of a goals platform helps encourage more aspirational thinking while focusing on team alignment and operational excellence above individual contributions. Stretch goals—goals designed to change the world or disrupt an industry—can come from any level in the organization. And they can be side-by-side in the same system as operational goals (such as growing revenues, hiring employees, driving operational excellence). With a goals platform, you can encourage a culture of risk taking and achievement by accepting 60-80 percent goal achievement every quarter rather than 100 percent. This will encourage employees to score more honestly and foster greater innovation by supporting workers as they push limits. In contrast, using goals as a foundation to stack rank employee performance decreases collaboration and hinders stretch thinking.

- **Improved intrinsic motivation**

By de-emphasizing rewards as part of goal performance, your organization can increase self motivation and decrease the likelihood that employees will focus too narrowly on some goals while neglecting other non-goal areas.

Research shows adding compensation to reinforce behaviors serves as an accelerant for potential unintended consequences including unethical behavior. Compensation reinforcement can also change the motivation to achieve goals from intrinsic (internal motivation) to extrinsic (external motivation), which can impact long-term motivation.<sup>8</sup>

# Choose An Effective Enterprise Goals Solution

The category of enterprise goal software is already differentiated by Goal Science™ thinking, which engages, empowers, and cross-functionally aligns workers to set, track and manage goals and become operationally excellent. As your business evaluates enterprise goals platforms, consider the benefits offered by solutions with built-in features supporting the five key pillars of Goal Science:



## Connected

Goals are aligned vertically, cross-functionally, and with your company's mission.



## Supported

Employees regularly engage with peers' goals by providing relevant praise and feedback.



## Adaptable

Individuals refine goals and focus goals as priorities shift to get the right work done.



## Progress-Based

Employees update goals frequently so small wins are continually captured.



## Aspirational

Individuals remain motivated and challenged through meaningful stretch goals.

# Take the Next Step

“Organizations have a great opportunity to transform their use of performance management as a business management tool that aligns decision making differentially across various roles, reflects the unique aspects of the business model and culture, and considers the risk profile of the industry,” says Chris Collins of the Cornell Center for Advanced HR Studies.<sup>9</sup>

Because evolving existing performance management is such a critical business contribution, it’s important that the undertaking isn’t overwhelming. The following table illustrates some of the ways that other organizations have started:

Number of employees	Engagement point
0-1,000	Implementing goals platform for the entire organization
1,000-10,000	Implementing goals platform first for executives, VPs, directors and their managers; then rolling out to individual contributors
10,000+	Implementing goals platform first as a themed approach to goal setting, for example initially encouraging bottom-up goal setting around innovation across the whole company

# Drive Alignment and Operational Excellence

Data fuels decisions. With more accurate information, your enterprise can improve its execution and operation. That's why evolving your existing performance management processes and systems and introducing enterprise goal management will be the most important contribution you and your HR team will make to your business this year.

Now is the time for you and your HR team to take the lead in helping your organization rethink performance and goal management to drive productivity and growth in the new work environment. In the Guide to Performance Management Software 2015, Bersin by Deloitte experts explain "goal-setting and revising, managing and coaching, development planning, and rewarding and recognizing are the ongoing activities that comprise effective performance management."

Moreover, "Performance management is not something that high-impact organizations 'do,' but is instead a way that work gets done."<sup>10</sup> The 10 predictions the firm writes about for 2015 cover many topics... but "overall the big trend is this: almost everything we've done traditionally in HR has to be adjusted (or re-engineered). The younger, more mobile, more agile workforce and workplace we now live in demands new approaches."<sup>10</sup>

By breaking out goal management from performance management, you shift your culture to focus on the entire enterprise and create what you need for today's business success, which is the openness, transparency, alignment and collective thinking to drive innovation.

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## About BetterWorks

BetterWorks began with the simple, but deeply held goal of helping people feel like they are winning at work. Our enterprise goals platform, based on Goal Science™ thinking, engages, empowers and cross-functionally aligns workers. BetterWorks drives high performing companies to become operationally excellent, and provide powerful insights about how work gets done.

For more information visit [www.BetterWorks.com](http://www.BetterWorks.com)



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