GOALS AND OUTCOMES:
Linking Individual Performance to Organizational Goals

by

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Organizations that do a better job of harnessing individual potential are likely to be more competitive than their peers in the 21st Century. Goal management is an important tool for organizations that aim to better manage individual efforts in a way that can be as strategic as it is effective. Goals can help to focus an organization and its employees on the most important and pressing organizational priorities.

Goals are broad purposes described in the form of desired outcomes. Organizational goals direct the execution of business plans. Good goals focus time, attention, efforts and resources on organizational ends, and ideally, they do so in a manner that is the most efficient and effective way possible. Yet the challenge for organizations is to ensure that each individual employee knows and fully appreciates what must be done each day for the organization to meet its goals.

“A mere 7% of employees today fully understand their company’s business strategies and what’s expected of them in order to help achieve company goals.”

--A Strategy Focused Organization

By developing a goal management process, organizations intentionally focus their employees and resources on producing better outcomes.

CREATING LINKAGES

The best way to ensure that individual efforts have their maximum impact on the bottom line is to link them to organizational goals. Such connections should be made deliberately. A fitting analogy to describe the relationship between the interconnected goals of individuals, their department and the organization’s goals is that of a staircase. Individual goals are part of a sequence of activities that starts at the top of an organization and proceeds downward in an orderly fashion. Each successive level is connected with the previous level and the one that follows. When orchestrated strategically, goal setting becomes an effective means of achieving organizational ends. Individual goals are the final step in the organizational planning process and the place where business plans are finally executed. The graphic below describes the relationship between an organization’s mission, vision and plans—desired outcomes—and individual goals:
The process of linking individual goals to business outcomes can be designed in such a way that virtually guarantees business success. By using a rational and linear approach, the process is engineered to ensure efficiency, effectiveness, and a line-of-sight connection between intentions and outputs. Using its mission as a starting point, a business defines a statement of intent, or vision. A strategy to achieve this vision follows. Business plans are then developed to execute the strategy, and divisions and departments drive their operations by working the part of the plan that pertains to their area's function. Once each division or department establishes its goals, the activities necessary to complete its responsibilities are assigned to individual team members. Individual team members are then free to establish their goals within the context of the organization’s strategic objectives. The sum total of the collective efforts of individuals, departments, and divisions create the success for which the organization aims.

The linking process starts at the top and moves down the organizational structure to the individual. Individual goals and activities are then reported back up the organizational structure. The reporting structure gives executives a method of tracking and monitoring the execution of business plans. In this model, everyone’s efforts are harnessed and directed toward the most important organizational outcomes. Individuals then know the importance of their efforts and how what they do fits in with the work of others and the larger organization. If individual goals were made in isolation, tremendous effort might be spent doing work that is not most important or most pressing. This is why organization-centric goals are indispensible.
CONTEMPORARY GOAL MANAGEMENT

There is a mound of management literature written about individual goal setting, management by objectives (MBO) and related approaches to goal management. No matter the framework, the common aim is to obtain better results and increased productivity. As the current wisdom on managing goals has evolved over time, a summary of the state-of-the-art considerations for defining and managing goals is summarized in the chart below:

<table>
<thead>
<tr>
<th>NEW</th>
<th>OLD</th>
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<tbody>
<tr>
<td>Organization-centric</td>
<td>People-Centric</td>
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<tr>
<td>Strategy Focused</td>
<td>Professional Development Focused</td>
</tr>
<tr>
<td>Outcome-oriented</td>
<td>Activity-oriented</td>
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<tr>
<td>Connected</td>
<td>Separate</td>
</tr>
<tr>
<td>Common</td>
<td>Specific</td>
</tr>
<tr>
<td>Shared</td>
<td>Individual</td>
</tr>
<tr>
<td>Integrated System</td>
<td>Stand-alone</td>
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Traditional goal setting activities involved individuals seeking approval from their manager for their self-defined goals as a part of their performance review. The goals were often activity-oriented describing the things the individual would attempt to do over the coming year. Traditional goal setting emphasizes self-improvement and professional development activities, such as gaining new skills or attending conferences and workshops. The problem inherent in this approach has been that the individual would set well-intentioned goals from a benign, but selfish point of view in isolation of how these goals affected others or their department’s goals.

If the purpose of an organization is to produce outcomes through the collective output of people, it would seem obvious that organization-centered goal setting would be the only way of doing business. The contemporary approach to goal setting is that goals are derived to help the organization achieve certain defined results—organization-centric instead of individual-centric goals. Organizational goals establish priorities, direct efforts, and communicate desired outcomes. They help to ensure that everybody in the boat is rowing in the same direction.

As discussed earlier, goals that are derived from the business plan serve a strategic purpose by ensuring individual efforts are connected to desired outcomes—Strategy-focused. Good goals are outcome-oriented, describing a desired end-state, instead of planned activities. Start with the end in mind by defining accomplishments, not stating ‘will do’s’. Documenting what individuals will do over the year is more akin to action plans. Goals should not be too specific however; yet they should be both measurable and tangible and should describe a desired outcome.
Well-defined organization-centered goals create a framework for people to come together to build something together. When working together best, individuals might share the same goals as others. Shared goals require teamwork. Since each team member now becomes a part of a solution, they are interdependent and will, therefore, share their successes. Their work is then connected to others—their manager, coworkers, team members, and the organization. This interconnection can be in the form of common goals that apply to everyone in an area, yet each person having a different part to play in the goal being achieved. The goal setting process should be integrated with other organizational systems to ensure that it is institutionalized. When integrated with the performance management system, goals ensure that individuals are held accountable for areas of focus, and that managers have reasons to track and monitor efforts and intervene when necessary. Goals drive action plans. While there have been considerable advances in the conventional wisdom about defining, tracking and managing goals recently, one of the most important advances has been the development of computer systems to automate this process. Instead of the old paper-intensive process that made goals hard to track, share, or communicate across an organization, automation makes it easy to share goals and report the progress of the efforts to achieve them.

Automation offers numerous advantages and one of the most useful is the function that allows manager’s visibility of the progress being made at multiple levels. Modern computer software allows leaders to see the status of individual, departmental and division goals at any time, making it easier to manage goals and their interconnections across an organization. This type of software also has reporting capability yielding status reports on the progress toward goals. Software also makes it easier to communicate goal management information across an organization as well.

**BYPRODUCTS OF A GOOD GOAL MANAGEMENT PROCESS**

Aside from the inherent value of generating better results, there are several great byproducts of having a good goal management system in an organization. Some of these advantages that goals also produce are as follows:

- Creates Meaning
- Directs Organizational Change
- Fosters Engagement
- Produces a Unifying Effect
- Establishes Priorities
- Recognizes Accomplishments

In addition to more efficiently and effectively executing organizational outcomes, having clearly defined and communicated goals assist individuals in knowing that what they are doing is important and valuable. Good goals, therefore, help to show that a person’s work is meaningful. When employees know that their work is meaningful, they know how it is connected to the work of others, which results in a more engaged employee.

There is often too much to be done, not enough time to do it, and too many competing challenges. Good organizationally-defined goals help departments and individuals prioritize what to do first. Similarly, if an organization needs an impetus to make big sweeping changes, to make broad improvements, or to change directions in a small or a big way, clearly stated and communicated organizational goals give everyone in the organization the right signals and target to move toward. Good goals can also have a rallying effect if everyone knows that they share a large, but common, challenge. This rallying effect can help to unify different divisions, departments and individuals to achieve their common purpose—the clearly defined organizational goal.
Lastly, accomplishing goals can create the occasion to pause and recognize individual and departmental contributions. The attainment of goals is often worthy of recognition and celebration as it shows how everyone’s efforts came to fruition. This reminds everyone of the value of working together.

EXAMPLES OF CLEAR CONNECTIONS BETWEEN PLANS AND GOALS

The process of linking individual goals to organizational outcomes starts with clearly defined organizational objectives. From this starting point, each successive activity is easier to define and accomplish. Here are three examples of how connections can be made between individual goals and organizational outcomes:

<table>
<thead>
<tr>
<th>CASCADING GOAL EXAMPLES</th>
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<tr>
<td></td>
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<tr>
<td><strong>SALES</strong></td>
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<tr>
<td><strong>NON-PROFIT</strong></td>
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<tr>
<td><strong>MANUFACTURING</strong></td>
</tr>
<tr>
<td>Company Business Plan</td>
</tr>
<tr>
<td>Gain 4% greater market share</td>
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<tr>
<td>Division Goal</td>
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<tr>
<td>Increase customers by 12%</td>
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<tr>
<td>Department Goal</td>
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<tr>
<td>Open 62 new accounts</td>
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<tr>
<td>Individual Goal</td>
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<tr>
<td>Open 15 new accounts</td>
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<tr>
<td>Coworker Goal</td>
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<tr>
<td>Open 15 new accounts</td>
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<tr>
<td>Coworker #2</td>
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<tr>
<td>Reduce Customer Turnover by 5%</td>
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Organizational goals can be considered plans in action. Organizational goals are statements of the organization’s desires and intents clearly communicated in a way as to rally everyone one around a common purpose. A few words of caution: goals must be clear and easily understood.

William Occam, a 16th century philosopher, is credited with a concept called *Occam’s razor.* It claims that “the simpler an explanation, the more likely it is true.” It describes a phenomenon that tries to break down a concept to its lowest common denominator, to ensure it is clear and easily understood. If an organizational goal is so complicated that it is not understood or is too complex to describe, it will be a poor tool to galvanize the efforts and actions of an entire company. The more difficult to explain, the more difficult a plan will be to execute.
Simplexity is an emerging theory that proposes a possible complementary relationship between complexity and simplicity. It further argues that complexity tends to increase as system elements specialize and diversify to solve specific challenges. In lay person’s terms, things get more detailed the closer you get to actually performing work where the nuance of each task makes a difference.

The two terms together help describe the unique relationship between individual efforts and organizational outcomes. The organization starts with a big vision—broad and clearly defined. But in order for this lofty vision to come to life, it is broken down into its basic elements which are divided, reduced and distributed to departments and functions. Then at the lowest level of an organizations goals, individual duties and responsibilities are assigned. More and more detail is prevalent at the lowest level as individuals perform each task to meet specific challenges. Individual efforts are the building blocks to organizational outcomes—good goal management is first top-down to establish direction, set priorities and define outcomes.

INDIVIDUAL GOALS

Organizational goals do not just happen. They are orchestrated at the top of the organization and executed at the individual level. That is, the work or any organization is completed by individuals in their day-to-day efforts. However, their efforts should be guided by a structure that provides clear direction and support from managers. Individual goals that are centered upon and derived from organizational objectives create a foundation for success. Some experts call this relationship a line-of-sight connection wherein individual goals are tied in a clear, linear and obvious way to the goals of their department and company. This clear linkage is also a communication tool because individuals know how what they do fits with the work of others and that it is important since their efforts are interwoven with others in their department.

Much has been written about the best way to manage individual goals. A quick primer on the subject is provided here. The most important factor to remember is that individual goals must be framed in the context of a business plan otherwise efforts might be expended unnecessarily or in the wrong direction. Here are many of the common techniques used to track, measure and manage goals:

- SMART
- Key Performance Indicators
- Metrics
- Balanced Scorecard
- MBO
SMART goals, as described by the One-Minute Manager is one of the most popular, easiest to use and arguably most useful frameworks for managing individual goals. Goals should be Specific, Measurable, Attainable, Relevant and Timely. Key Performance Indicators (KPI’s) are financial and non-financial factors that affect an organization’s ability to achieve its objectives. These indicators provide a tracking mechanism that allows leaders to monitor the most important variables that affect productivity and outcomes. A non-profit organization might track the amount of gifts per month or number of new volunteers each quarter as lynchpin-type indicators of its marketing campaign’s success. Likewise, KPI’s can be used by individuals as well to show that their activity and efforts are on track. A salesman might document the number of leads, sales and return patronage she gets from clients by product to ensure she meets her annual goals.

Management By Objectives (MBO) is the classic performance management framework that is used to track individual outcomes. It attempts to state clearly what is to be done, and then to determine and measure whether an individual achieves this aim. While simplistic, it is better used as a basic management technique to track action steps than as a strategic management tool.

Using metrics to manage and track individual and organizational activities and outcomes is an attempt to quantify work in such a way as to have a dashboard of indicators that will provide good data for decision-making. Broadly defined, Metrics is an umbrella term than can easily be used to describe KPIs, MBO’s or any statistical or data-driven tracking methodology. The Balanced Scorecard approached attempts to track and evaluate work using quantitative and qualitative factors and any other factors that cannot necessarily be reduced to quantitative or financial terms. An example of this approach might be a manager’s evaluation including the amount of revenue generated by his team, the amount of turnover his department experiences each year, as well as comments from his clients who respond to a customer service survey. Like Metrics, the Balanced Scorecard can also be used as an umbrella term that describes any tracking system that uses both numerical and intangible factors in an intentional way of describing all the factors that might be useful in gauging success.

There are a number of ways of tracking individual goals. However, the best system is the one that marries up well with the mission, goals and strategy of the organization. This connection ensures that the measure and the method are managed in an integrated fashion in order to give senior leaders real-time purview over operational matters.

NINETY-DAY ACTION PLANS – A RECOMMENDATION

Successful organizations plan well into the future and it is not uncommon to have five-year strategic plans or biennial goals. Meanwhile, many individuals find it difficult to simultaneously think about what they are doing each day and the goals they established for the year. One useful technique for managing the work of individuals is to have them develop 90-day action plans derived from the goals they set for the year. Thinking about what I must do today to meet my objectives for next month makes goal management more tangible and real. This useful technique deduces annual plans down to manageable bite-sized chunks.
When the timeframe is short enough, it is easier to translate goals into action plans and reduce them down to a good to do list or milestones. Using this approach you can better manage your goals over a period of time in the same way individual goals are connected to departmental and organizational goals. Furthermore, these sub-goals or milestones can then be tracked in periodic performance conversations, progress reviews, semi-annual performance reviews, or regular meetings.

THE SEVEN “Cs” – A QUALITY CHECKLIST FOR ORGANIZATIONAL GOALS

Just as the famous S.M.A.R.T acronym serves as a guide to better define individual goals, the Seven “Cs” checklist serves a similar purpose for organizational goals. The Seven Cs framework offers a series of criteria by which organizations can evaluate whether their goals are likely to be implemented successfully. The seven criteria are as follows:

1. Clear
2. Connected
3. Communicated
4. (Organization) Centric
5. Countable
6. Coordinated, and
7. Closed Loop

First, clear goals ensure that they are easily understood and are actionable. Goals must be defined, documented, and unmistakable so that they are operational for all employees. Good organizational goals are also connected to its mission and strategy; this ensures they are meaningful. Regardless of how well defined and clear goals are, if they are not properly communicated they lose their intended impact. Every employee must know what the organization’s mission, vision, strategy and goals are to optimize their collective efforts. Organization-Centric goals describes the linking of goals from the top of the organization down to the lowest level, like a staircase. This process ensures that each link in the chain is tightly bound to the next and that the whole organization is working together in a way that supports itself. This has been proven much more effective than linking an employee’s individual goals to their manager or peers (people-centric goal alignment).

The fifth item in the checklist is about quality assurance; it demands that goals be tracked and measured either quantitatively or qualitatively. While countable implies numbers, consider it a measure of accountability. By having a defined standard by which the goal is evaluated, a metric, measure or standard can be used to test whether the goal is successful. Coordinated, the sixth criteria, prescribes the need to have goals that are shared across boundaries, individuals or departments. When individuals or departments are required to work together for either to be successful, then they are more likely to work together in a way that is mutually beneficial, instead of competing when one might win at the expense of the other. Shared goals and common goals both promote teamwork.

The final item on the checklist is to close the loop. Not only must goals be organization-centric and tied to the organization’s business plans, but individual efforts must be reported back to the top so that leaders know that their business plans are being carried out in the way that was intended. While this process may sound like a complicated endeavor—reporting the progress of dozens or hundreds of individual activities back up to senior management—modern computer software makes this multifaceted process easy and routine. Each successive level of the organization can track their respective activities, and
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their predetermined linkages are automatically aggregated and put into a reportable form for each successive level above them to view with computer software. Using the Seven “C’s” framework as a checklist can aid organizations in defining, monitoring, and managing goals more efficiently and effectively.

SUMMARY

When properly managed, goals are strategic tools used by organizations to gain the maximum output from the collective contributions of all individuals in an organization. Goals direct time, attention, effort, and resources in the best direction. Goals also have numerous advantages in helping individuals understand how their efforts are connected to others and the goals of the organization as to make them feel more valued and appreciated. Employees are therefore likely to be more engaged in their work when it is perceived to be more meaningful.

Some organizations allow individuals and their managers to establish goals for themselves as part of the performance management process. However, these goals are often made in a vacuum. This might be a well-intentioned process that generates worthy goals that help the employee grow professionally. Yet, if the professional development is focused in a direction that is not the most important or pressing for the organization at a particular point in time, the development might miss its mark, or at least it will miss the opportunity to optimize these efforts.

Organization-centered goals epitomize what organizations are all about—individuals coming together to produce outcomes that they could not produce alone. Goals help organizations work together better, smarter, and easier. Good goals establish priorities and help individuals focus on what is most important. The best technique to make this happen is to establish clear connections at each successive level of the organization and to link individual efforts to the organization’s goals like a staircase which connects each step to the one before and after it. The current wisdom on goal management is that goals should be organization-centric with a clear line-of-sight connection between the work produced by individuals and the aims of the company.
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BIOGRAPHY

Chris Lee is a human resources practitioner, lecturer, researcher, and author. His background includes having served as the chief human resources officer for three different colleges or universities and a state college system.

Formerly a question writer and member of the Exam Review Panel for the PHR and SPHR examinations administered by the Human Resources Certification Institute (HRCI), he is now a member of its board of directors. His areas of expertise are employment, training, and performance management—or, in his words, “finding, developing, and managing talent in organizations.” He is the author of numerous human resources related articles and two books. Most recently he has published Performance Conversations: An Alternative to Appraisals and is developing a software program based upon the performance conversations® approach.

He has presented at conferences in the US, Canada and Australia on HR related topics. He holds a master’s degree in HR Management, a doctor of philosophy degree in HR Development, and he is also certified as a Senior Professional in Human Resources.

Halogen eAppraisal™

Halogen Software offers a powerful, simple and affordable automated employee performance management tool that fully supports the advanced practices of organizational goal alignment presented by Dr. Lee and other experts in this area. Halogen eAppraisal includes the distinctive feature of “On-Target Goal Management”. This is a strategic workforce alignment tool links organizational objectives with departmental and employee goals - and brings accountability to the entire performance review process.

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