A PRACTICAL APPROACH TO ALIGNING AND MANAGING EMPLOYEE GOALS

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A Knowledge Infusion White Paper

June 2006
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Executive Summary

Organizations today realize that, in order to maximize workforce productivity and drive greater results, they must effectively align their people with overall business strategy. Workforce alignment—the specific process of tying employee goals to the overall organizational strategy—drives many business benefits, including:

- Higher employee engagement
- Quicker execution of organizational strategy
- Effective deployment of people across the enterprise
- More focused, consistent business initiatives
- A foundation to link pay with performance

While multiple workforce alignment models exist, the organization-centric model (versus people-centric) has emerged as a best practice for leading organizations. This approach naturally extends business planning processes to employee goal management, so that individual performance is tied directly to organizational strategy. By delivering continuous “line of sight” up through the highest level of organizational objectives, workforce alignment becomes part of employees’ and managers’ day-to-day activity versus an annual event.

Workforce alignment is a priority for many organizations. However, it is particularly critical for growing mid-market enterprises in which employees are stretched in their daily responsibilities. Integrated goal management, performance management and development planning solutions deliver sophisticated yet practical tools to help organizations implement workforce alignment processes today. Careful consideration should be given to selecting technology that supports these activities without distracting employees from the work at hand.

Produced by Knowledge Infusion, the consulting authority on HCM technology, this paper is targeted at HR leaders seeking to align their workforce with organizational strategy for better business results. It defines workforce alignment and the associated benefits, reviews existing alignment models and provides a step-by-step process for getting started.

At the end of the day, workforce alignment and goal management should be a business tool, not an HR administrative tool. In order to achieve this, workforce alignment must naturally extend the business planning process. The tool should be designed and implemented as a means to execute the business plan.
**Introducing Workforce Alignment**

For several years now, organizations have been grappling with how to align their most critical enterprise resource—the workforce—with business objectives. Thus far, most organizations have tasked their human resources (HR) department with building a workforce alignment strategy.

While introducing alignment processes requires advanced planning and coordination across multiple business units, it is a best practice that any organization can, and should, begin implementing today.

**What is Workforce Alignment?**

By definition, “alignment” is the continuous process of mobilizing enterprise resources to achieve company objectives. Therefore, “workforce alignment” is the specific process of tying employee goals to the overall organizational strategy.

When successful, not only is the entire workforce on the same page in terms of direction, but accomplishing the company or departmental business plan becomes much more realistic.

Workforce alignment is achieved by setting enterprise-level objectives and coordinating departmental and individual goals to meet those objectives—also called “cascading goals.” This ongoing (versus one-time) process ensures that every employee has a clear understanding of the organization’s strategy and how their individual goals and efforts link to business success.

Specifically, workforce alignment is supported by integrated goal management and performance review systems. Combining these two processes into a seamless function saves managers valuable time while further engaging employees with the business.

**The Business Benefits**

Knowledge Infusion research shows that when employees understand how their contributions impact company success, both individual and company performance increases. In addition to driving higher employee engagement, workforce alignment:

- Helps organizations quickly move from strategy planning to strategy execution;
- Enables management to more effectively deploy resources across projects;
- Exposes duplicate and/or redundant business initiatives; and
- Provides the foundation to link reward systems with individual and team performance.

Furthermore, workforce alignment empowers employees and creates ownership in the organization’s success, resulting in more satisfied employees and increased retention rates—particularly of high performers. After all, retaining top talent is a real concern in today’s tight job market and will continue to be an issue for the next several years with the growing retirement population.

The correlation is clear: organizations that align the workforce with organizational strategy have a much higher probability of successfully executing their business plans.
To achieve success, it is important to learn from early adopters, most who did not fully recognize the potential of alignment. It's also critical to understand the two distinct alignment models.

**A Historical Look Back—People-Centric Alignment**

During the economic downturn of the early 2000s, organizations rapidly shifted from growth-mode into preservation-mode. Business leaders quickly focused on identifying mission-critical tactics to meet near-term financial targets. During this time, many organizations looked to their performance management process to focus employee work activities around these mission critical objectives.

Specifically, some organizations invoked the practice of linking individual goals to their manager’s goals (people-centric alignment). This was an early form of making higher-level objectives more operational. However, rarely did it achieve the intended results, remaining more of an administrative—and time-consuming—goal-setting process than a valuable business management tool.

That's because the people-centric model is a top-down approach whereby goals are set first by the CEO of the company. Subsequently, each management level establishes performance goals that are linked to the CEO’s plan. This process repeats itself (cascades) through the entire management hierarchy, until each contributor defines goals that are linked to his or supervisor’s goals. Some organizations extend this concept further by allowing employees to then link their goals to people in other parts of the organization, creating even more complexity.

Results have shown that, for organizations with more than a few hundred people, this model poses multiple limitations with alignment taking longer to achieve. It also requires that employees wait for a supervisor to complete his or her goals before they can structure their own personal plans. This can happen for a myriad of reasons, from budgeting concerns, to manpower issues, or even a lack of comprehensive overall plan. Regardless, delays in setting individual goals leads to a loss of valuable work time, which can dampen—rather than strengthen—employee engagement.

Another problem with the people-centric model is workforce mobility. In any organization, employee transition (e.g. new hires, terminations, transfers, promotions, etc.) can occur rather frequently. In addition to yielding higher administrative efforts, this creates a ripple effect that forces organizations to continuously re-establish goal plans and linkages between people.

**The New Model—Organization-Centric Alignment**

In an organization-centric model, organizations gain an advantage over the people-centric model. This model parallels the business planning and budgeting processes that many organizations already employ and reduces administrative burden. Here objectives are defined first for the company and then are broken down across the organizational hierarchy, with goals cascading down three or four levels, which, in general, sufficiently describe objectives in a way that most employees understand.
This then leads employees to create goals that are linked to overall organizational objectives. With organization-centric models, it is easier to track and communicate progress and results back to the employees, as financial accounting measurement systems are established around an organization (e.g., business unit or department). In this model, success is geared towards the organization, not individuals that are at risk of leaving or changing roles within the company.

Furthermore, an organization-centric model better enables organizations to quickly adjust to changing business priorities. Because an organization’s people and opportunities are constantly changing, organization-centric alignment helps the process keep pace, versus becoming stagnant and ineffective.

An organization-centric model also does not restrict people and teams from working on common goals. In fact, any number of individual goals can align with a single organizational objective. This actually provides greater visibility into how the overall workforce will achieve that objective.

In summary, it is far more difficult to cascade objectives across people, due to the fact that they move around more frequently. It makes more sense to align individuals with department or organizational objectives, which not only change less often, but are more easily measured.

### Comparison Chart of People Centric vs. Organizational Centric Alignment Model

<table>
<thead>
<tr>
<th>Business Issue</th>
<th>People-Centric</th>
<th>Organization-Centric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy to Build and Demonstrate to Users</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Reflects Existing Business Planning Process</td>
<td>Sometimes</td>
<td>Yes</td>
</tr>
<tr>
<td>Aligns with Existing Accounting / Measurement Systems</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Provides More Structured Alignment Reporting</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Scales as Company Grows: Time / Change</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Avoids Stifling Employee Creativity and Initiative</td>
<td>Rarely</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Supporting Tools and Technology

It’s not enough to simply get the workforce to understand the business plan. Organizations need the ability to manage towards objectives on an ongoing basis, using real-time information from both financial management and performance management systems.

Common tools such as reports and spreadsheets provide visibility into the organization’s progress towards their objectives, helping management steer towards the intended results. With automated goal management systems, managers can be more proactive in identifying misaligned or incomplete goals, as well as the higher-level impact on the organization, so that there are no “surprises” come evaluation time.

Some organizations leverage automatic system reminders set at intervals best suited to the particular employee and/or specific goal. This rather simple tool keeps goals and objectives at the top of employees’ minds.

Goal management systems can also facilitate better, more frequent communication of status between employees and managers. Not only does this help the manager track an employee's progress on a regular basis, it also helps monitor their overall team performance and take action where necessary.

Continuous “line of sight” up through the highest level of organizational objectives is important, so that workforce alignment is not just a once-a-year process, but rather a part of employees’ and managers’ day-to-day activity.

Careful consideration should be given to selecting a technology solution that supports these activities without distracting employees from the work at hand. Any new business tool should compliment the existing process, not drive it—particularly when rolled out to the entire workforce.

It makes more sense to align individuals with department or organizational objectives, which not only change less often, but are more easily measured.
GETTING STARTED WITH WORKFORCE ALIGNMENT

Initially, the thought of aligning the entire organization may seem daunting. But it’s important to remember that most organizations do not need to start from scratch, as they often have good tools and processes upon which to build.

Though it may not be standardized across the company, most organizations employ some form of business planning and operational budgeting. Additionally, goal setting and periodic reviews are not foreign concepts to most employees and managers.

The bottom line is that successful workforce alignment is achievable today. Regardless of industry, company size, or business complexity, currently available technology solutions enable organizations to seamlessly and cost-effectively integrate processes that drive successful workforce alignment across the enterprise.

Below are eight key steps to help HR leaders begin implementing a workforce alignment initiative:

(Note: An example illustrated at the end of this section is referenced throughout these steps.)

Step 1: Meet with Business Leaders

• Discuss the company’s major fiscal year strategy (“Level 1: Company Strategy” in the customer example).
• Identify the top 4-8 organizational objectives that support that strategy (“Level 2: Company Objective” in the customer example)
• Educate business leaders on how alignment can connect employees directly to organizational objectives
• Outline how business leaders can gain better insight into how organizational objectives are connected across managers and employees

Step 2: Build Cascading Organizational Objectives

• Map organizational objectives across organizational hierarchy. That is, what are the objectives of each business unit or department, and how do they relate to company strategy? (“Level 3: HR Objective” in the customer example.)
• Validate how organizational objectives roll up and link to overall company strategy.

Step 3: Capture & Cascade Goals in Performance Management System

• Identify roles and responsibilities for capturing business unit and lower level initiatives into the performance management system.
• When entering organizational objectives and lower level initiatives into the performance management system, be careful to articulate objectives in a way that employees and managers understand their meaning and purpose, further enabling them to set targeted employee goals aimed at organizational success
• Update organizational objectives as changes occur throughout year (versus an annual event).

Step 4: Evangelize the Organization’s Strategy and Objectives

• Prior to allowing system access, announce fiscal year strategy, objectives and initiatives to employees (e.g. use business unit “all-hands” meetings at beginning of fiscal year).
• Educate how reward systems are tied to meeting organizational objectives
Step 5: Build Aligned Employee Goal Plans

- Develop manager skills for setting SMART (specific, measurable, achievable, results-oriented, and time-sensitive) employee performance goals

- Once employees have set individual goals linked to organizational objectives, provide a process for employees to develop required competencies to achieve their individual goals, thereby further ensuring organizational success

- Define a process that facilitates goal setting within specified timeframe (e.g. require goals to be set within 45 days of the new fiscal year).

- Identify employees with missing goals and take action

- Provide alignment insights and measures to executives that highlight key goal alignment trends, such as how many goals are aligned with each initiative or strategy, as well as how employees are executing towards expected progress for each initiative

Step 6: Communicate Progress

- Update the workforce on how the organization is proceeding towards objectives; public companies often provide updates after earnings announcements.

- Keep management aware of employee goal progress; if using an employee performance management system, leverage system workflows to automatically notify employees and manager of goal progress and/or due-dates

Step 7: Coach, Develop and Re-Align

- Work with business leaders to understand aggregated analysis of goal progress. That is, what is the status of goal completion for specific initiatives?

- Re-align and/or re-communicate objectives where necessary

Step 8: Close the Loop (Pay for Performance)

- Ensure the performance review process provides manager tools to clearly differentiate performance, enabling a clear distinction between performance categories (e.g., top performers, medium performers and bottom performers).

- Clearly demonstrate the relationship between organizational success, funding of reward pools (e.g., bonus) and distribution to employees based on performance.
**Additional Thoughts**

At the end of the day, workforce alignment and goal management should be a business tool, not an HR administrative tool. In order to achieve this, workforce alignment must naturally extend the business planning process. The tool should be designed and implemented as a means to execute the business plan.

Workforce alignment often requires breaking down business unit objectives into smaller, more understandable objectives. That is, cascading objectives down one or two more levels under the line of business (e.g. division or department).

The ultimate outcome is to make organizational objectives clear and understandable. In many cases, this means communicating the tactics required to achieve objectives, such as projects or initiatives. No matter how many levels of cascading are employed, every organizational objective should be traceable to the company strategy.

**Customer Example:**

Following is an example of how one high-growth organization (mortgage industry) leveraged workforce alignment to compete against the proliferation of online job postings (e.g. monster.com, hotjobs.com, careerbuilder.com, etc.), and therefore keep employees from leaving the company.

Note: This particular activity occurs during the critical Step 3 mentioned above. While many organizations have their business plans in place, the challenge is systematically connecting individual goals to the plan.

**The bottom line is that workforce alignment is achievable today. Currently available technology solutions enable organizations to seamlessly and cost-effectively integrate processes that drive successful workforce alignment across the enterprise.**

**Level 1: Company Strategy:**

We will be recognized by current and potential employees, and by our customers, as having the most competent, motivated and high performing workforce in the industry.

**Level 2: Company Objective #1:**

Continue to develop long-term compensation structures to remain competitive in a changing marketplace while enabling a pay for performance culture to attract and retain top talent.

**Level 3: HR Objective:**

Increase retention of top and mid-level performers by 7%

**Level 4: HRIS Initiative:**

Introduce a career planning portal that allows employees to identify all company career opportunities and career paths, while providing for developmental planning to move into the desired career path.

**Employee Goal:**

Conduct employee focus groups to develop functional requirements for a robust, self-directed career planning system
Conclusion

Workforce alignment has emerged as an essential HCM initiative for executing organizational strategy and driving better business results, particularly for growing mid-market enterprises with limited or stretched resources.

An organization-centric (versus people-centric) model, ensures that every employee has a clear understanding of the organization’s strategy and how their individual goals tie directly to business success.

Organizations can begin achieving the business benefits of workforce alignment today by leveraging integrated technology solutions and industry best practices that simply extend existing operations. Automating the employee goal setting and management processes is the quickest path to success.

About Knowledge Infusion

Knowledge Infusion is the consulting authority on Human Capital Management (HCM) technology. Formed in 2005 to meet a growing market need, the firm provides strategic management consulting services to help organizations drive true business value from HCM technology via its integrated Strategy-Plan-Action methodology. Working collaboratively with clients, Knowledge Infusion assists in forming and executing decisions that allow organizations to maximize the value of current and future technology assets in supporting human resource and talent management strategy.

The Knowledge Infusion consulting team is composed of industry leaders from product vendor, market analyst and consulting firm backgrounds, respected for their trusted advisor approach to assisting clients. Additionally, Knowledge Infusion thought leadership and concentrated focus on HCM technology enables access and close coordination with industry analysts and HCM product vendors that provides further capability in supporting clients. For more information, please visit: www.knowledge-infusion.com.