Low Hanging Fruit: Aligning Employee Goals with Company Strategic Goals

By Jeff Hunt, Founder and CEO of GoalSpan

Three statistics reveal a startling disconnect in HR management.

- 66% of low-performing organizations do not compensate and reward their employees based on their performance. (1)
- 66% of organizations do not create employee goals which are aligned to the organization's vision. (2)
- Only 7% of employees really understand how their own work supports their company's business strategies. (3)

Each statistic indicates missed HR opportunities. These opportunities are low hanging fruit in most organizations. To harvest this fruit requires attitudinal and business process shifts rather than significant spending on IT infrastructure. This white paper shows how harvesting this fruit can reap substantial benefits for organizations.

Benefits of Aligning Employee Goals with Business Strategies

Aligning employee goals with business strategies is an often promoted concept, but the statistics indicate it is rarely implemented. Those companies that do implement experience substantial benefits.

Reduced Operating Costs

A study published by Workforce Intelligence identified a "strong correlation between a company's financial performance and an effective goal setting process." (4) Such a process enables coordinated employee actions in a uniform direction, rather than contradictory efforts that waste resources. Moreover, employees who see how their work increases their company's success, find ways to amplify that success by working more efficiently. (5) These companies clearly understand the premise in Jim Collins' and Jerry Porras' famous quotation.

[Put in a quotation box somewhere on page: "Building a visionary company requires one percent vision and 99 percent alignment" ~ Jim Collins and Jerry Porras, Built to Last.

Improved Management

By creating employee goals so their achievement furthers company strategies, managers are better able to

- See which employees are responsible for reaching specific company goals

- Measure how work is progressing
- Discover duplicative work efforts (5)

This information enables managers and employees to more clearly see and talk about what is and isn't working well in achieving goals. This leads to increased employee engagement, which results in improved profitability. Companies with high-engagement levels enjoy an operating margin that is 17.5% higher than those with low-engagement. (6)

Reduced Employee Turnover

When employees clearly understand what is expected of them, see how their activities impact company success, own the results of their work, and know they are being rewarded for their actions, turnover rates go down and productivity rates go up. (7)

Reduced turnover rates generate significant company cost savings. Long-term employees individually embody significant pools of assets within the company. Companies have invested hiring, training, and sometimes retention costs while employees have gained expert knowledge of their jobs and company. Their replacement can cost up to an estimated 213% of the employee's wages. (8)

Harvesting the Fruit

Since few companies invest the time and effort necessary to align goals and strategies, companies that follow the steps below gain a very cost-effective strategic advantage over their competitors.

1. **Leaders identify business vision and strategic goals** – Once the organization's vision has been cast, create high-level strategic goals and strategies to realize the vision.
2. **Business stakeholders and HR cascade strategic goals into employee goals –** Business stakeholders work with HR to ensure the goals and strategies at each company level are directly tied to and support the goals and strategies above them. (9)
3. **Managers manage employee goals** – In many organizations, managers often think employees value good wages most. In reality, employees primarily value full appreciation for work done. (10) In other words, employees most want feedback. This requires managers and employees to document performance throughout the year, not solely rely on memory when preparing reviews. The latter almost always leads to
    - Lack of knowledge about the employee's actual performance levels
    - A less relevant performance review
    - Decreased morale and increased frustration about the review process
    - Missing or less relevant growth and development goals

Implementing the steps above ensures your company harvests the fruit which the opening statistics reveal most companies leave laden on the low branches.

Put text in a box somewhere on page: For information on how to cost-effectively reap the harvest's benefits, contact GoalSpan.

Sources

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About GoalSpan

GoalSpan bridges the strategy to execution gap with powerful, easily utilized tools for goal planning, goal management, performance journaling, electronic acknowledgements, surveys and employee reviews. Our employee performance management solutions improve employee engagement, accountability, efficiency, compliance, productivity and retention, dramatically improving the bottom lines for small to medium sized businesses.

GoalSpan is based out of the San Francisco Bay Area. For more information about our company and our solutions, please email us at info@goalspan.com, call us at (800) 350-9574 or visit us at www.goalspan.com.