

**HR** *INSIDER SERIES*

# Driving Success:

## The Incredible Power of Company-Wide Goal Alignment.

For Small & Midsized Businesses

**SuccessFactors**   
People Performance

If your company is like many other small and mid-sized businesses, your employees represent both your organization's biggest line item expense, and your most valuable asset. This means your company's productivity—and ultimately, its profitability—depend on making sure all of your workers perform up to their full potential.

The need to effectively leverage the skills of employees is even more critical for small and mid-sized firms since most simply cannot compete with large companies when it comes to technology, physical infrastructure, or financial resources. To survive in today's marketplace, small to mid-sized businesses like yours must find ways to be smarter, more productive, and more cohesive than their larger competitors.

How can this be accomplished? Studies show a dramatic increase in both worker and business performance when an organization effectively sets and closely ties individual employee goals to the company's overall strategy. Yet amazingly, 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.

### WHAT YOU'LL LEARN IN THIS eGUIDE

This eGuide will reveal how you can put the incredible power of goal alignment to work at your organization. You'll learn:

- ▶ THE SHORT- AND LONG-TERM BUSINESS BENEFITS OF COMPANY-WIDE GOAL ALIGNMENT
- ▶ HOW TO EFFECTIVELY SET "SMART" GOALS
- ▶ HOW AUTOMATED SOLUTIONS CAN HELP GET YOUR EMPLOYEES WORKING ON THE TASKS THAT WILL ACCELERATE YOUR BUSINESS TOWARD EVEN GREATER SUCCESS

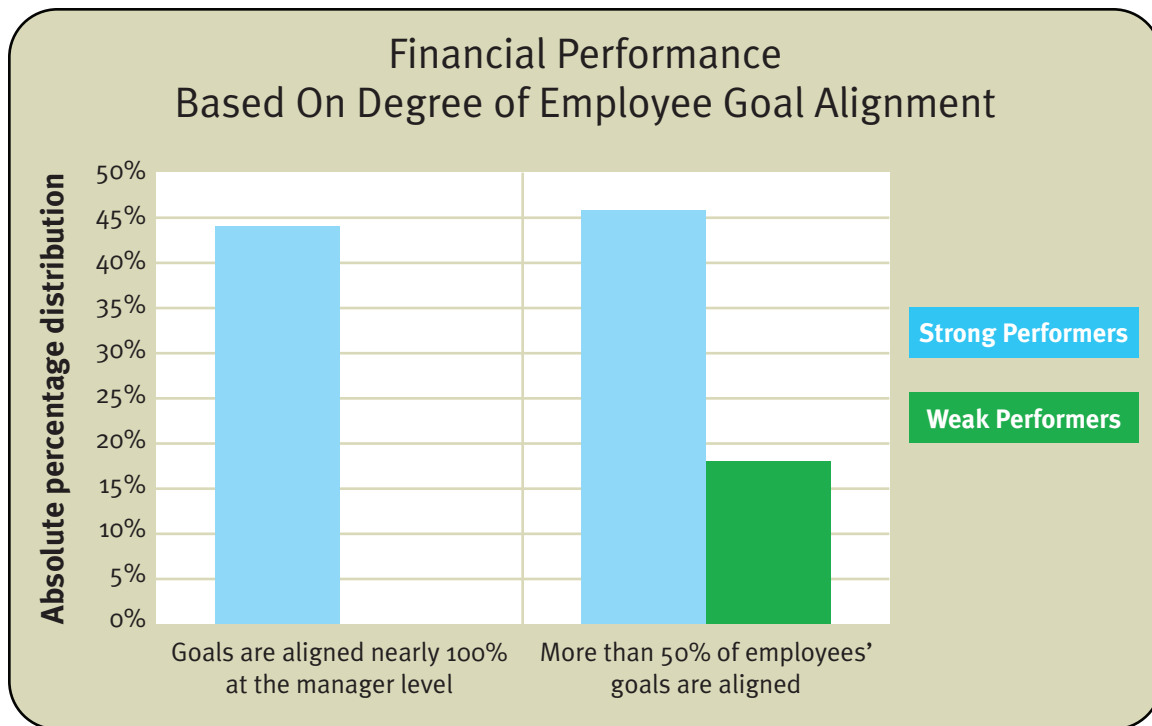
***“A MERE 7% OF EMPLOYEES TODAY FULLY UNDERSTAND THEIR COMPANY'S BUSINESS STRATEGIES AND WHAT'S EXPECTED OF THEM IN ORDER TO HELP ACHIEVE COMPANY GOALS.”***

Robert S. Kaplan and David P. Norton, “The Strategy-Focused Organization,”  
Harvard Business School Press, 2001

## THE COLD, HARD FACTS: A BUSINESS CASE FOR GOAL ALIGNMENT

In a recent study,\* researchers found a strong correlation between a company’s financial performance and an effective goal setting process. As the following chart illustrates, companies that more closely aligned goals across their organization enjoyed much higher levels of financial success.

The study also found that employees in the weakest-performing companies did not clearly understand the connection between their individual efforts and the overall goals of their employers. These same people also reported feeling confused as to their roles at the company, which naturally resulted in unfocused—and therefore less productive—work activity.



*Among strong-performing companies, 44% had complete goal alignment at the managerial level. 0% of weak performers did.*

These findings underscore the critical importance of effectively setting and closely aligning employee and business goals to drive the success of your company. In addition to feeling fairly compensated for their efforts, your employees must clearly understand how their work connects to and serves both the short- and long-term goals of your business.

\*“How Smart HCM Drives Financial Performance,” Workforce Intelligence Institute & SuccessFactors, 2006.

## THE TOP THREE BUSINESS BENEFITS OF CLEARLY SETTING AND ALIGNING GOALS ACROSS YOUR COMPANY:

### 1. Increased Operating Margins

Employees who clearly understand their individual goals—and how they relate to those of your company—naturally become more engaged with their work. Once employees see how they can make a direct contribution to your company’s success, they begin to focus on finding ways to work smarter and more efficiently. This boost in employee productivity will naturally lead to increased operating margins and profitability for your company.

To achieve these results, your company must put a performance management process in place that:

- ▶ INCREASES EMPLOYEE ENGAGEMENT WITH “SMART” GOALS
- ▶ PROVIDES VISIBILITY UP, DOWN AND ACROSS REPORTING LEVELS
- ▶ CREATES SHARED ACCOUNTABILITY BETWEEN EMPLOYEES BY “CASCADING” GOALS FROM ONE EMPLOYEE TO ANOTHER WHEN RELEVANT
- ▶ COMMUNICATES EXPECTATIONS CLEARLY DURING EVERY PHASE OF GOAL COMPLETION

### 2. Quicker Execution of Company Strategy

Tighter goal alignment and goal visibility allows for quicker execution of company strategy by enabling your management team to more effectively allocate labor resources across various projects. By exposing redundant business initiatives, it also increases overall efficiency by ensuring employees are not duplicating the efforts of others. Plus, goal alignment strengthens the leadership at your company by allowing managers to:

- ▶ UNDERSTAND MORE CLEARLY ALL RESPONSIBILITIES ASSOCIATED WITH SPECIFIC GOALS
- ▶ ELIMINATE REDUNDANCIES ACROSS JOB TITLES
- ▶ FOCUS THEIR STAFFS ON YOUR COMPANY’S MOST PERTINENT GOALS

### 3. Reduced Employee Turnover

The business value of having employees engaged in their work cannot be overestimated. As proof, a recent Gallup poll showed that companies with large numbers of dissatisfied workers experience greater absenteeism and lower productivity—as well as a 51% higher employee turnover rate.\* Fortunately, clear goal alignment can remedy this situation by helping to create greater employee ownership in your company’s ultimate success. Goal alignment also lets you establish a true pay-for-performance culture at your company by providing the foundation for closely linking reward systems with both individual and team performance.

***“A RECENT GALLUP POLL SHOWED THAT COMPANIES WITH LARGE NUMBERS OF DISSATISFIED WORKERS EXPERIENCE GREATER ABSENTEEISM AND LOWER PRODUCTIVITY—AS WELL AS A 51% HIGHER EMPLOYEE TURNOVER RATE.”***

\* *Managers Lose Talent When They Neglect to Coach Their Staffs*, Wall Street Journal, March 19, 2007.

## SETTING EFFECTIVE GOALS FOR YOUR EMPLOYEES AND YOUR COMPANY

To be effective, goals must serve both the needs of your company and those of your employees. For your company, goals must contribute directly to your short- and long-term business strategies. For your employees, goals must be clear, objective, and understandable or they will quickly become disengaged.

To achieve “goal alignment” at your organization, you must first clearly communicate strategic business objectives across your entire company. Interdepartmental goal visibility can also help speed the process of alignment. By allowing managers to access and see the goals of other departments, your company can greatly reduce goal redundancies and conflicts throughout your organization. Additionally, many employee objectives are not entirely under the control of one individual. Enabling and even mandating that individuals assign some goals to two or more people increases engagement and shared accountability throughout the organization. Goal sharing also helps departmental heads find ways to better support each other, as well as identify areas where they may be inadvertently working against each other.

Once company-wide goals have been established, managers can then set goals for their individual departments which clearly support your overall business strategies. Major job functions and responsibilities can serve as a general framework when writing employee goals. Managers must remember to communicate to staff members not only what is expected of them, but how each task is to be completed. For example, a customer service rep might be given the goal to boost customer retention (the “what”) by improving customer service (the “how”). To be most effective, goals should also pass the S.M.A.R.T. test and be specific, measurable, attainable, relevant and timely. This provides clarity up front to employees who will ultimately be evaluated against these goals.

## S.M.A.R.T. GOALS: INTELLIGENT BY DESIGN

S.M.A.R.T. goals have been found to be a very effective method of motivating employees to perform at peak levels. To qualify as S.M.A.R.T., a goal must be:

**SPECIFIC.** Specific goals let people know exactly what's expected of them with no room for misinterpretation. Specific goals should be able to answer the following:

- ▶ WHO IS RESPONSIBLE?
- ▶ WHEN MUST THIS BE DONE?
- ▶ WHAT IS TO BE ACCOMPLISHED?
- ▶ WHICH REQUIREMENTS/CONSTRAINTS ARE INVOLVED?
- ▶ WHERE IS THIS TO BE COMPLETED?
- ▶ WHY IS THIS IMPORTANT OR BENEFICIAL?

**MEASURABLE.** When setting goals, you must also set specific criteria for measuring progress against those goals. This gives your employees a way to stay on track, aim for target dates, and reach milestones that will serve as ongoing motivation.

**ATTAINABLE.** Setting overly lofty goals that are truly unattainable serve to demotivate—rather than motivate—your employees. By setting ambitious, yet realistic, goals, you will inspire your employees to fully leverage their talents and all available opportunities in order to achieve them.

**RELEVANT.** Employees must be able to see how a specific goal is relevant to them and the work they perform every day. Plus by keeping goals relevant, you will help employees better understand their connection to your company's objectives and the strategic importance of their individual goals.

**TIMELY.** To be most effective, goals must be structured around a specific timeframe to provide a sense of urgency. This serves to motivate individuals to begin working on their goals as soon as possible.

## LEVERAGING TECHNOLOGY TO ACHIEVE GOAL ALIGNMENT

As you've already learned, goal alignment is a powerful management tool that not only clarifies job roles for individual employees, but one that also demonstrates to workers their ongoing value to your organization. When you engage employees with their work through goal alignment, they become more committed to your company and achieve higher levels of job performance.

However, fully engaging employees in this manner only becomes possible when individual workers understand—and accept—your corporate vision and goals. To accomplish this sometimes difficult task, company managers need tools that can help them communicate and align goals across your organization with greater clarity and efficiency.

Fortunately, a new breed of web-based, automated performance management system that includes goal alignment is now available to companies of all sizes. And today, small and mid-sized businesses are increasingly using these automated systems to increase productivity—and improve their bottom lines.

## THE SEVEN TOP REASONS TO AUTOMATE YOUR PERFORMANCE MANAGEMENT SYSTEM

By automating the process of creating, cascading, monitoring, and measuring performance against goals, your company will enjoy a wealth of benefits. Here are the seven top reasons to implement such a system at your company:

- 1** Establish a more effective and efficient goal-setting process
- 2** Speed completion of corporate goals exponentially
- 3** Boost employee cooperation company-wide with shared goals
- 4** Accelerate performance improvements with clear, continuous feedback
- 5** Gain powerful insights by using collected data more effectively
- 6** Improve the quality and relevance of feedback with real-time coaching
- 7** Improve your company's bottom line

### 1. ESTABLISH A MORE EFFECTIVE AND EFFICIENT GOAL-SETTING PROCESS.

Often the task of setting company-wide goals can be even more difficult than actually accomplishing them. By deploying an automated performance management system, your company can significantly streamline its entire goal-setting process.

For instance, the best performance management solutions include technology to help managers set goals that are specific, measurable, attainable, relevant and time based—or S.M.A.R.T. for short. Many automated systems also offer role-based goal libraries, developed in conjunction with organizational development experts, which include lists of appropriate goals for specific job titles. These goals can then be easily customized for your particular needs. Finally, performance management systems can help keep the goal-setting process on schedule by sending automatic reminders to managers and reporting their progress back to you.

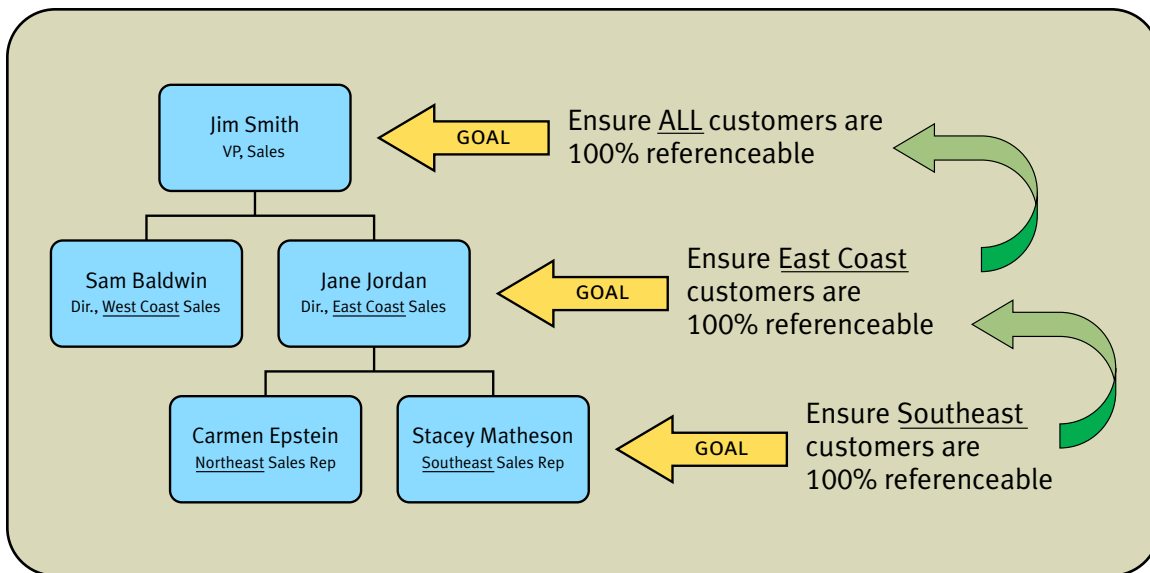
### 2. EXPONENTIALLY SPEED COMPLETION OF COMPANY GOALS.

By providing everyone at your company with the same vision of success, automated performance management solutions that include goal alignment help your organization achieve its corporate goals quicker. These systems increase goal visibility and boost shared accountability, allowing both your employees and managers to:

- ▶ UNDERSTAND HOW THEIR INDIVIDUAL GOALS MATCH UP WITH YOUR COMPANY'S BUSINESS OBJECTIVES
- ▶ ACHIEVE MORE—IN LESS TIME—BY PROVIDING GREATER VISIBILITY INTO BOTH INDIVIDUAL AND COMPANY-WIDE GOALS

### 3. BOOST EMPLOYEE COOPERATION COMPANY-WIDE WITH CASCADING GOALS.

No employee is an island when it comes to accomplishing your company-wide goals—most can be achieved only through the combined efforts of many people. By cascading and aligning goals across multiple employees, you can create a corporate atmosphere of shared responsibility that will drive the success of your company. An automated performance management solution can greatly simplify the task of establishing these shared goals and help keep your entire organization working together toward the same objectives.



*With an automated solution, goals can be easily aligned and cascaded for shared accountability.*

## 4. ACCELERATE PERFORMANCE IMPROVEMENTS BY TYING REVIEWS DIRECTLY TO GOAL PERFORMANCE.

If you want to improve worker performance, you must provide employees with clear and consistent feedback. Most managers rely heavily on memory to evaluate employees. This leads to a disproportionate consideration of recent actions and performance. An automated goal management solution that pulls performance data on each goal directly into the performance review allows for more accurate and fair employee evaluations.

Additionally, leading automated performance management systems include writing and goal-setting tools to help managers communicate their thoughts more effectively so they can easily provide meaningful, concise goals and reviews.

2006 Goal Plan for David Zamora Switch Plan: 2006 Goal Plan

Use this worksheet to add or update the goals. To quickly add a new goal, click the Add goal button. If you would like guidance [click here for help](#).

**Employee Hierarchy**

John Baker (jbaker) Find user:   [Advanced search](#)

**David Zamora**

- Martin Clements
- Gina Walker
- Ernest White
- Julie Wilson
- Jennifer Woodard

**Display Options**

Aligned Up
  Aligned Down
  Alerts
  Last Modified
  Goal Description
  Start Date
  Due Date
  Status

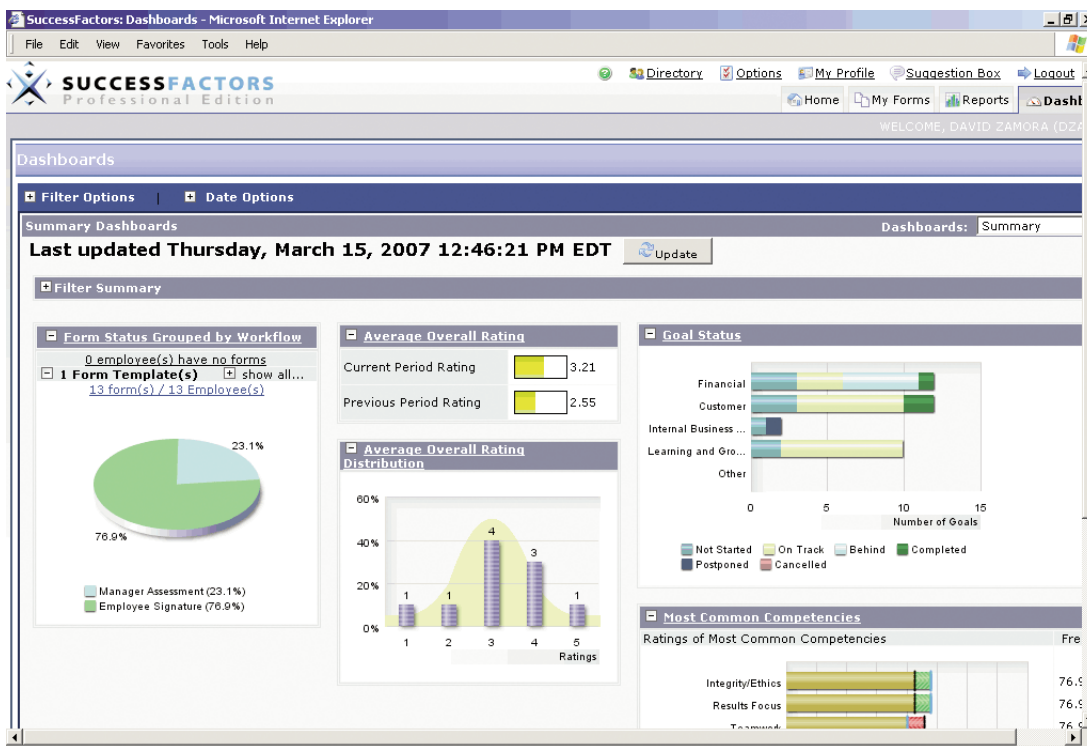
Displaying 1-4 of 4 Goals

#	Goal Name*	Start Date	Due Date	Status	Action
<input type="checkbox"/>	<a href="#">1.1 Increase Services Revenue per Account</a>	01/01/2006	12/31/2006	On Track	<input type="button" value="Action"/>
<input type="checkbox"/>	<a href="#">1.2 Increase Referencability of Customer in my Territory</a>	01/01/2006	12/31/2006	On Track	<input type="button" value="Action"/>
<input type="checkbox"/>	<a href="#">1.3 Develop Consistent Process for Lead Management</a>	01/01/2006	12/31/2006	Postponed	<input type="button" value="Action"/>
<input type="checkbox"/>	<a href="#">1.4 Attend Key Financial Services Industry Conferences</a>	01/01/2006	12/31/2006	Completed	<input type="button" value="Action"/>

Automated systems like SuccessFactors let managers more easily stay in touch with employees, allowing them to immediately reinforce progress or to coach workers to get their performance and deadlines back on track.

## 5. GAIN POWERFUL INSIGHT BY USING COLLECTED DATA MORE EFFECTIVELY.

With most paper-based systems, employee goal plans and reviews usually get filed away somewhere, never to be seen again. But an automated solution collects feedback and other valuable information and stores it conveniently online where can be utilized by authorized personnel. Who has and has not set their goals? Which teams are behind their milestones and need extra attention? By making this important data available company-wide, managers can always find the information they need to make the best business decisions possible.



*The SuccessFactors automated performance management solution features an easy-to-use dashboard that puts powerful company-wide goal information within immediate reach.*

Leading automated systems allow you to:

- ▶ TRACK YOUR COMPANY'S OVERALL PROGRESS AGAINST ITS GOALS
- ▶ IDENTIFY KEY STRENGTHS AND WEAKNESSES, ORGANIZATIONAL SKILLS, TOTAL-REWARDS DRIVERS, AND OTHER EMPLOYEE PERFORMANCE TRENDS
- ▶ DETERMINE COMPETENCY GAPS AND PINPOINT ANY MISSING ORGANIZATIONAL SKILLS
- ▶ CLOSELY MONITOR ANY RISE (OR FALL) IN EMPLOYEE RATINGS
- ▶ ASSESS EMPLOYEE RATING DISTRIBUTIONS ACROSS THE COMPANY, SO YOU CAN APPROPRIATELY REWARD YOUR BEST PERFORMERS

## 6. IMPROVE THE QUALITY OF EMPLOYEE FEEDBACK WITH REAL-TIME COACHING.

Many automated solutions include integrated coaching tools that offer professional advice on promoting individual employee achievement. Managers receive specific suggestions for coaching employees on office communications, interpersonal skills, and other competencies. These tools not only make it easier for managers to deliver actionable feedback, but also improve its quality and relevance. The end result? Employees have a clearer understanding of what they need to do to be successful at their jobs.

## 7. IMPROVE YOUR COMPANY'S BOTTOM LINE.

Automating your performance management process can provide huge returns for your company, generating thousands of dollars annually through increased employee productivity, improved retention, and compensation optimization. The following tool will help you estimate the typical bottom-line savings your organization can expect to realize each year.

[YOUR ANNUAL COMPENSATION BUDGET]	x 3.0%
+ [YOUR ANNUAL OPERATING MARGIN]	x 2.4%
+ [YOUR ANNUAL COST OF EMPLOYEE RETENTION]	x 1.0%
<hr/>	
[YOUR ANNUAL BOTTOM-LINE SAVINGS]	

Automation can bring about dramatic cost savings by impacting the three cost figures in the above formula in the following ways:

### Increased Operating Margins via Improved Productivity

- ▶ ALIGN EMPLOYEES TO CORPORATE GOALS
- ▶ INCREASE DAILY ENGAGEMENT
- ▶ IMPROVE PERFORMANCE ACCOUNTABILITY
- ▶ MORE EFFICIENT REVIEW PROCESS

### Cost Savings via Better Compensation Planning

- ▶ REWARD TOP PERFORMERS
- ▶ REMOVE “BLANKET” BONUS PLANS
- ▶ REAL-TIME VIEW OF BUDGET ALLOCATIONS

### Cost Savings via Higher Retention

- ▶ CREATE MEANINGFUL FEEDBACK
- ▶ UNDERSTAND DEVELOPMENT NEEDS
- ▶ PROVIDE FAIR COMPENSATION ADJUSTMENTS

**“COMPANIES THAT INCREASE EMPLOYEE ENGAGEMENT SEE IMPROVEMENT IN OPERATING MARGINS.”**

Towers Perrin  
*New Realities in Today's Workforce*

## TIPS FOR SELECTING AN AUTOMATED PERFORMANCE REVIEW SYSTEM

Not all automated performance management solutions are created equal. Some consist of little more than a collection of electronic review forms, while others offer a robust set of best-of-breed goal management tools. Today's best automated solutions provide:

- ▶ **GOAL ALIGNMENT, TRACKING AND CASCADING CAPABILITIES**
- ▶ **AUTOMATED GOAL MANAGEMENT AND PERFORMANCE REVIEW REMINDERS**
- ▶ **COACHING TOOLS TO ASSIST MANAGERS WHEN THEY NEED IT MOST**
- ▶ **EASY-TO-ACCESS DASHBOARDS TO DELIVER COMPANY-WIDE OR INDIVIDUAL REPORTS**
- ▶ **INSTANT FORM ROUTING AND OTHER PAPERLESS ONLINE PROCESSES**
- ▶ **WRITING ASSISTANTS TO HELP MANAGERS COMPLETE APPRAISAL FORMS**
- ▶ **LEGAL SCAN WIZARDS TO ENSURE LEGALITY OF REVIEW LANGUAGE**

Be sure to choose a solution that's easy to implement so that you can be up and running in short order. In general, a web-based solution, rather than packaged software, is typically easier and cheaper to deploy because it eliminates most costly hardware and IT requirements. Finally, you should look for a credible, experienced vendor, one who intimately understands performance review best practices and can help you establish them at your workplace.

### GIVE YOUR ENTIRE COMPANY THE SAME VISION OF SUCCESS WITH THE SUCCESSFACTORS PERFORMANCE MANAGEMENT SOLUTION

Because everyone in your organization wears a lot of hats, knowing who's doing what can sometimes be difficult. Now with SuccessFactors, you can provide your people with the means to easily align goals to the overall mission of your company.

SuccessFactors performance management solution for small and mid-sized businesses unites employees at your company and targets them towards the same objectives. Each employee receives clear direction that links their individual goals with those of your organization. You can cover more ground, faster, with the same resources—achieving the success that moves markets. No matter how fast you're changing, let SuccessFactors help focus your workforce.

#### Key features of SuccessFactors' performance management solution include:

- ▶ **STREAMLINED GOAL PLANNING.** Establish S.M.A.R.T. goals, increase goal visibility and align employees across the company
- ▶ **ONLINE PERFORMANCE REVIEWS.** Reduce paperwork by 90% and significantly increase employee participation and feedback quality
- ▶ **ANONYMOUS 360 REVIEWS.** Request and collect anonymous online feedback from anyone in the organization at any time
- ▶ **STRONGER COMPENSATION PLANNING.** Create a true pay-for-performance culture to motivate and reward employees
- ▶ **ROBUST REPORTING & ANALYTICS.** Get a real-time, graphical representation of the performance of your company with a powerful, customizable dashboard

Unlike traditional applications, SuccessFactors web-based solution requires no additional software or time-consuming installation to implement. Your managers and employees simply log in to the system from any web-enabled computer to access forms, goals, and other pertinent review information 24/7. Plus SuccessFactors is more affordable than you may think—with no special hardware to buy, no IT support required and no expensive upgrades to purchase. It's all included in your subscription price.

To learn more about SuccessFactors solutions for small and mid-sized businesses—and to see why over 1.8 million users in more than 600 companies put their trust in SuccessFactors performance and talent management solutions—visit us today at [www.SuccessFactors.com](http://www.SuccessFactors.com).

## About SuccessFactors

SuccessFactors delivers easy-to-use technology that helps businesses of all sizes align, develop and motivate employees. With a suite that includes solutions for goal alignment, performance management, compensation, succession planning, learning, recruiting, and workforce analytics, SuccessFactors offers the most innovative HR technology available today. Visit [www.successfactors.com](http://www.successfactors.com) to learn more.

## The HR Insider Series

This ongoing set of guides is designed to provide HR professionals in small to mid-sized businesses with insights and solutions that can be applied in everyday efforts. Contributing authors include HR experts, as well as leading companies that have improved business results by using the latest HR technologies.

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