

SMART GOALS : A PERFORMANCE MULTIPLIER

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Abstract

Accountability of employees is most vital to the growth of an organization. This paper illustrates, with the help of a Case Study, how Goal setting helps an organization to drive performance.

Before the AGM- 2005

Board of Directors found it difficult to face the stake holders, more so the investors. The CEO felt that the company could have done better. Managers at all levels murmured that their subordinates performance during the year has been inadequate. Employees, in general, stated that they had put in their best & had often to work beyond their capacities. "Something has surely gone wrong and someone must analyze it", said Bobby, the CEO.

Diagnosing the Problem

A study revealed the following problem areas in the organization:

- ▲ The CEO had not defined any specific objectives to be achieved during the year.
- ▲ Nothing was quantified as the corporate goals, nor any measures were laid down to monitor performance.
- ▲ No Head of the department knew exactly their deliverables for the year & no one was formally reviewing any progress.
- ▲ Everyone was working hard , but no supervisor in any department was tracking daily/ weekly output from his/ her subordinates. Every one was over busy with routine activities & no one could specify what could not be achieved during the month.
- ▲ There was an all pervading sense of complaisance amongst the employees that their output was far more than their immediate competitor.

Management Initiatives

On advice from the Consultant, the management decided in favor of laying down SMART goals for the company: a set of objectives which were Specific, Measurable, Achievable, Reviewable & Trackable. While they were not immediately prepared to introduce the Balance Score Card (BSC) approach, which the Consultant had recommended, the management decided in favor of the following mechanism to launch their improvement initiatives:

Mandatory Goals for all Managers & Supervisors at all levels

Two goals as under were made mandatory for all employees & the weights allocated to these goals were 20 % each:

- ▲ Performance Appraisals for all subordinates (direct reports) to be completed by the respective Managers within 15 days of the closing period (i.e, by 15th January) every year. Performance monitoring will be goal - based. (Manager HR to track completion of the Goal setting process for the year 2006 & give status reports to the CEO by 01st February 2006).
- ▲ All employees will undergo skills/ competency development training for a minimum period of 6 working days during the year 2006. (Training needs for their direct reports to be identified by the respective Managers & communicated to the Manager Training by 31st January. Status report on this to be generated by the Manager Training & discussed with CEO).

Corporate Objectives

All functional Heads / Heads of departments will align their departmental goals to the following objectives of the company for the current year :

- ▲ Revenue to double every four years: increase during the current year to be 20%.
- ▲ Current year's profits after tax (PAT) to increase by 2% over the previous year.
- ▲ Recoverable outstanding to be reduced from existing 42% to 25% of revenue during the current year.
- ▲ Inventory carrying costs to be cut by 1% during the year.
- ▲ 'Employee to Company Turn-over' ratio to improve by 5% over the previous year.
- ▲ PCMM level 4 certification to be acquired by end of the next year (2007).

Top-down Approach

- ▲ Allocation of individual goals, which are aligned to the organizational Objectives, shall commence with the setting of goals for the direct reports of the CEO (CEO to complete this action within a week).
- ▲ Key Result Areas (KRAs), linked with individual Job Description, to be considered as the base component of an employee's responsibility. KRAs for the department for 2006 will be identified first. For each KRA, specific goals will be allocated by the Managers to each of their subordinates.
- ▲ Each individual to have 5 to 7 KRAs -based goals which are to be specific, measurable, achievable & trackable. These will be jointly discussed between the Manager & his subordinates (direct reports) at all levels.
- ▲ Goal Sheets for each employee to be signed off by 31st January 2006. This will include the weights to be allocated to each goal & the linkage with one or more of the six Corporate Objectives discussed above.
- ▲ All employees shall also identify one self-development goal in consultation with their respective Managers.
- ▲ Unfinished goals will be transferred by the Manager to another employee who replaces the individual making an exit from the company. This will be kept in view throughout the year as a matter of policy.

Problems experienced while launching the initiative

- ▲ Goals setting process was started immediately as the corporate objectives were laid down.
- ▲ It took only three days to finish the process for direct reports of the MD.
- ▲ For the remaining 486 employees, it became a herculean task for the Managers at various levels to study the Job Descriptions, identify vital KRAs for each Job Position, apportion their own corporate goals to the subordinates and allocate weights & measures.
- ▲ Managing so many goal sheets & reviewing the status of each goal as per the periodicity for its completion surfaced as a major stumbling block.
- ▲ The date for completion of the Goal Setting activity (31st Jan 2006) was over, but the Manager HR found it difficult to capture the exact status.
- ▲ After visiting various departments, it could be approximated that goal sheets in respect of merely 30 % of employees had been signed off.
- ▲ It took another ten days to compile the department wise status after the instructions were issued to submit the signed off goal sheets to HR.
- ▲ Some departments overlooked the need to retain duplicate Goal sheets for the employees to recapitulate their targets & for the Managers to track performance.
- ▲ Some signed off goal sheets were misplaced by the HR.
- ▲ There was chaos all around with each blaming the other. The CEO was unhappy & the Head HR was feeling helpless.
- ▲ The initiative could not be launched fully till 30th April despite another trial to complete the goal setting process.

Search for a Solution

- ▲ Someone who had recently joined the company proposed having a look at the 'EmpXtrack: Goal Setting & Tracking module', a software seen by him in his previous organization.
- ▲ Head HR found that it could meet all their requirements & would help them in completing the Goal Setting process for all employees within a month.
- ▲ The system was an obvious choice and was installed within a week.

- ▲ All goal sheets became accessible to the Managers & their direct reports at all times. Manager HR found this to be a useful tool to monitor status of the goal setting process & expedite the defaulters.
- ▲ Right upto the CEO, alignment to the corporate objectives was viewable.

(For more information visit : <http://www.empxtrack.com>)