The Big Switch: Moving from Administrative to Operational Use of Goals

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There's a big difference between using goals for personnel administration and compensation versus using goals operationally to support business strategy execution.

Administrative use of goals focuses on justifying compensation decisions for individual employees, while operational goals focus on driving corporate strategy. By default, a lot of businesses end up only using goals for personnel administration and, consequently, employees and managers think about goals primarily in relation to how they will impact compensation. When people set administrative goals at the beginning of the year, they are primarily concerned about being able to demonstrate how they achieved these goals in December when it's time for bonuses. This leads to employees setting goals based on what makes sense for them, as opposed to what makes sense for the business. Their goals may provide little support for the strategic goals of the company overall. And without support for the company's strategy, its performance will suffer.

Administrative goals may have been okay way back when…

The focus on administrative goals may have made sense when goals were implemented via paper or Excel spreadsheets and difficult to update. Back in those "dark ages" of HR technology, companies did not have the ability to effectively align administrative goals with operational goals, so HR limited goal-setting efforts solely to supporting fair compensation decisions.

Today, advances in HR technology have eliminated the tactical barriers that historically prevented companies from using goal setting to drive strategy execution. But despite these advances, many companies continue to set goals using the same personnel administration approaches of the 1980s.

It's time to focus on getting things done

Companies that want to drive greater performance are now recognizing the importance of using goals operationally to support business strategy. They understand that operational goals keep people focused on the priorities of the business and on getting things done.

The personnel administration side of goals is still there for compensation decisions, but it's not driving the goal-setting process. When people set operational goals, they don't start with salary in mind; rather, they set goals based on strategy execution.

An operational goal process also encourages – and may even require – that people update their goals throughout the year to reflect shifting business needs. Technology allows this to happen in an easy, transparent fashion as goal management solutions help companies accommodate shifts in the business and the appropriate changes in the goals of employees.

For instance, oftentimes a company's strategy may change during the year due to outside market influences or business changes such as new competitors or a corporate merger. If an employee is working a project in Q1 that is no longer relevant to the company in Q3 due to these sorts of changes, the employee can and should change his or her goals related to that project and shift their focus to other priorities.

As long as these goal changes are tracked in the company's goal management system, the employee will still get credit at the end of the year for the work done on the Q1 project, even though the company decided it's not what it ultimately needed to accomplish. After all, it's not the employee's fault the company changed its mind – the employee was simply doing what was asked of him or her.

This kind of flexibility is important as companies increasingly acknowledge that business strategies and goals are going to change throughout the course of the year. Smart companies recognize that the goals an employee sets in January are probably not going to be exactly the same as the ones he or she ends up with in December. That's why operational goal management processes and tools are designed to adapt to the rapid pace of change found in most business markets.

Moving from personnel administration to strategy execution

Setting, maintaining, and tracking goals on an ongoing basis is central to creating high performance work environments. Yet many companies make little use of operational goal management, which is one of the most powerful methods available to increase workforce productivity.

If your employees set goals in Q1 and rarely update, change, or even look at them until Q4, then it is very likely your company is only using goals as a tool for personnel administration. And it's time for a change.

Another way to look at it is to ask yourself and your employees these questions:
- How would we design our goal setting process if we knew it would have no direct impact on compensation decisions (as if there was a pay freeze)?
- What if goal setting had the sole purpose of driving strategic alignment? How would we design the goal setting process?

If the resulting process is different from the one you are currently using, then it is probably time to re-engineer your goal management approach.