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Well-understood business performance that connects with rewards creates a culture of achievement and, ultimately, leads to enduring organizational **success**.

Paving the Way to Organizational Success

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The media is filled with examples of corporate mismanagement, greed and deceit. New controls and regulations are being developed to curb abuses but, going forward, what will change? What will keep an organization focused on improving performance, growing market share and improving profit margins? The answer is simple: Focus on business performance.

Well-understood and continually improved business performance creates a level of trust and confidence held by few companies. The underlying principle is that clear and open business performance measures become something that employees can trust, causing them to be more willing to invest their talents and efforts. It also gives meaning and connection to rewards, creating a culture of achievement.

Consider the striking similarities between business and sports. Some major league stars are overpaid to under-perform; some executives are removed for under-performance and are rewarded with healthy severance packages. Having the talent doesn't mean an organization will perform at its highest potential. There is much more to achieving high performance than just providing highly lucrative compensation packages to attract and retain talent. The following elements are essential to both short- and long-term business successes:

- A business model that provides real value to customers and investors.
- An organization with the right chemistry of performance focus, collaboration and accountability.
- Common goals to drive improvements in business performance and to provide measures to track progress.
- Clear and meaningful communication implementing the business strategy and gaining employee support and trust.

In the end, business performance is critical for building confidence among investors, employees and customers. But this doesn't just happen. Organizations need to follow a process to demonstrate improved performance and business competitiveness.

Creating Common Goals

To establish goals, it is necessary to know where an organization is going and why. The organization's business strategy is the starting point for developing common goals or metrics and should articulate how to achieve the organization's competitive advantage via:

- Strong customer satisfaction
- Lower cost
- Market share or product leadership
- Improved shareholder return.

Goals should be viewed as challenging and attainable to enable the business to be at its best. When goals are attainable and well understood by employees, the level of commitment increases dramatically, along with the probability of success. Each planning cycle should be synchronized with the company's strategic vision and updated to reflect current environmental conditions.

Goals, metrics and plans should be reviewed for alignment with the strategy and the requirement for continuous improvement. Then, these performance measures, goals and commitments can be displayed on a common scorecard that is transformed from a tracking mechanism to a vehicle for employees and leaders to share common interests, solve problems and enjoy the achievement brought by progress. The process takes time to develop, but once in place, it forms the foundation for communications, problem prioritization and progress measurement.

Communication is key to employee involvement with scorecards. People soon see opportunities to learn, improve processes and support others for achieving common outcomes. Additionally, when employees receive frequent and clear communications about the business from their leaders, they become more trusting that "we're in this together," and that they aren't just working to fulfill the greedy interests of someone they don't know. Business scorecards narrow the trust gap and build a one-team environment.

This culture isn't achieved in the planning process — it's achieved in the scorekeeping process. When an employee learns more about what has been accomplished and what still needs to be done, there is more openness in sharing and using best practices. Scorekeeping measures not only communicate how the organization is performing relative to internal metrics, but can — and should — show how the organization compares to the competition. It also should show the progress on building long-term capabilities necessary to be a winner over time.

One challenge is to have targets that push all employees to be the best they can be while remaining attainable and realistic. Knowing the business reasons for change make continuous improvement understood and a top priority.

QUICK LOOK

- ➔ There is much more to achieving high performance than just providing highly lucrative compensation packages.
- ➔ Business performance is critical for building confidence among investors, employees and customers.
- ➔ When goals are attainable and well understood by employees, their level of commitment increases dramatically.

Communicating this message takes repetition and focus. When it becomes clear that the goals are of the highest importance, continuous improvement follows. This is where many sports and business practices are different: The clarity of the measures and frequent scorekeeping keep people “in the game.”

Rewarding Performance

Rewards are delivered in several ways, such as recognition awards, incentives, spot bonuses and merit increases. The more these rewards are linked to business scorecard success, the better the focus on business results. The reason is clear: *Rewards give meaning to measures*. Measures that have little to no consequences soon cease to have meaning to employees.

Recognition awards, spot bonuses and merit increases should reinforce how the goals were achieved. They can occur between the paychecks when critical contributions or critical milestones are achieved. This strengthens the connection between actions and business goals, and the business goals strengthen the connection between the business unit and the company’s strategic plan. Improving the alignment with the business strategy significantly enhances the probability of long-term business success. The more rewards are based on business performance, the more the commitment to the strategy and trust in leadership increases.

The key objective is to establish a clear line of sight between the organizational strategy and the goals that people focus on every day, then link meaningful rewards to performance. When results are achieved, payouts are made; when results are missed, everyone knows why.

Some may fear that this could lead to retention problems when organizations are in trouble, but experience has shown otherwise. When employees know that results are not achieved and the reasons are shared, trust is rein-

forced. When employees are left to jump to their own conclusions, or they hear statements that do not become reality, both confidence and commitment decline dramatically. It’s easier to reinforce trust than to rebuild it.

Reinforce Achievement, Not Entitlement

The review process is one key to effectively rewarding employees. Business metrics and goals need to be aligned with the business strategy because when employees know the goals, know how the organization is performing and have a personal stake in the outcomes, the culture focuses on achievement.

An entitlement mentality takes over when goals are unclear, feedback is infrequent or unreliable, and rewards are given without a connection to performance. There always are opportunities for entitlement to creep in and for people to take the easy way out. The review process is necessary to ensure:

- Strategic alignment
- The right goals for moving forward
- Solid, fair and challenging goals.


In many companies, the board of directors is taking more accountability for the corporation’s performance and integrity. The board needs to exercise its role for accountability without taking over the responsibilities of executive leadership. Their emphasis is on fully understanding the business strategy, performance objectives and shareholder interests. Then, the board needs to develop the process and practices that blend these three critical areas, meaning that it takes a more active role in reviewing the overall performance and approving rewards based on performance to the strategic plan.

After conducting an independent review of business performance, the decisions on bonuses and stock options can be made from a base of performance and fairness. The aforementioned

business process should provide a framework for the board to use in supporting and managing executive leadership.

The current mistrust of executives and excessive rewards can be reduced if there is solid evidence that performance and rewards are effectively linked. It is important for boards to reward results – not just hard work — and assure shareholders that compensation schemes do not exist to provide lucrative payouts to executives just because the company operates in a volatile market.

When boards conduct more independent reviews of performance and plans, a new governance process can help focus organizational performance and build trust with shareholders as well as with employees, customers and regulatory agencies.

Welcome to a new age of accountability and performance, trust and confidence, and leadership and engagement. These will likely be the defining indicators of those that succeed in these times that challenge a corporation’s fundamental integrity and character. 

ABOUT THE AUTHORS

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FOOTNOTES

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