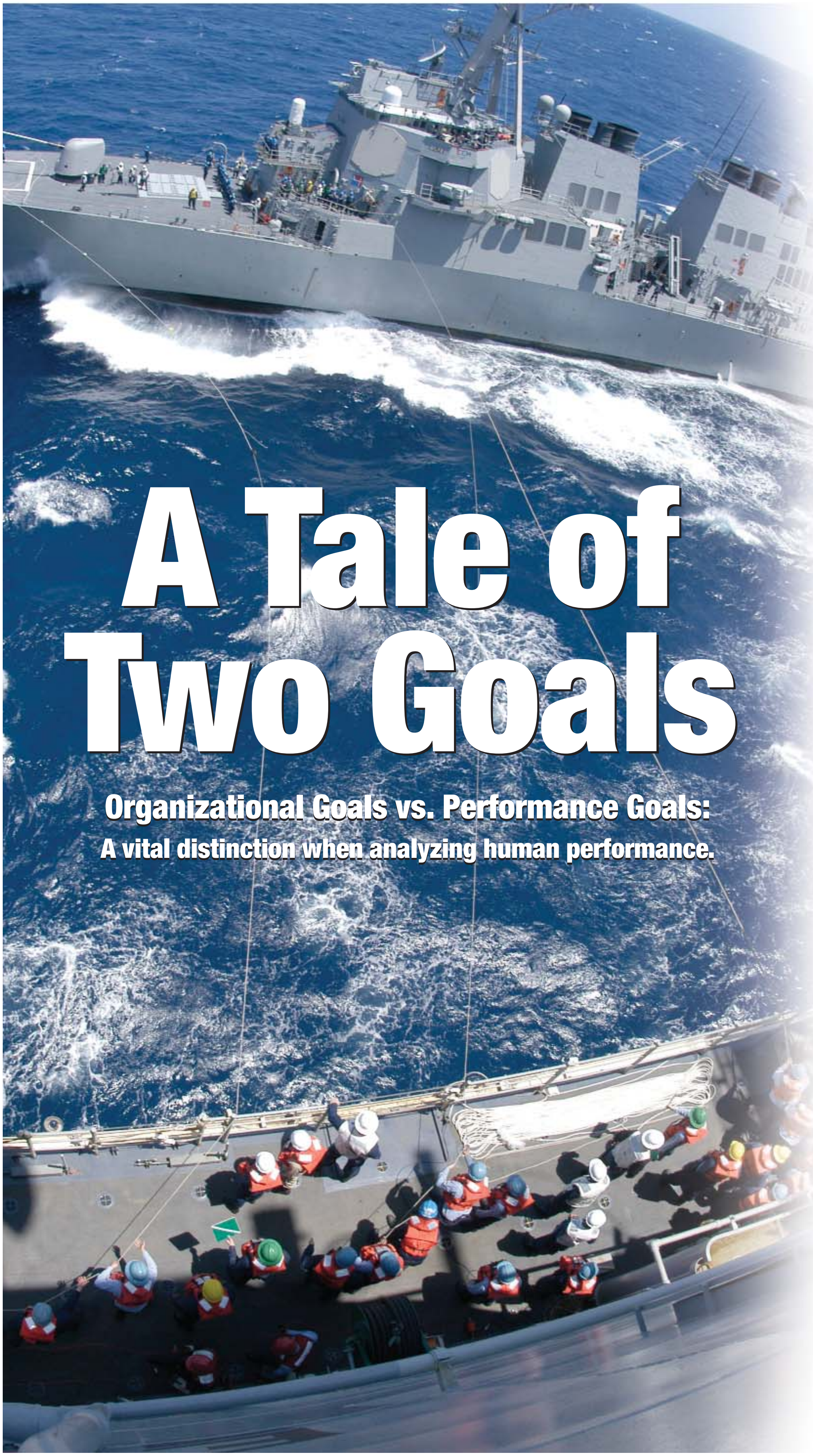

# A Tale of Two Goals

## Organizational Goals vs. Performance Goals:

### A vital distinction when analyzing human performance.

A scene from *Alice's Adventures in Wonderland* echoes one of the most pervasive problems that exists in organizations: goal disorientation.

Alice, having come to a fork in the road and met the formidable Chesire Cat, asks the cat for advice:

*"Would you tell me, please, which way I ought to go from here?"*

*"That depends a good deal on where you want to get to," said the Cat.*

*"I don't much care where," said Alice.*

*"Then it doesn't matter which way you go," said the Cat.*

Even in organizations with highly goal-oriented agendas, the pendulum often swings from one goal extreme to another. Either they're hyper-focused on achieving organizational goals, or they're hyper-focused on setting and enforcing performance goals for their employees. It's fairly rare to see an organization that has designed a comprehensive road map that connects organizational-level goals to department goals, and department goals to individual performance goals necessary to achieve an organization's mission. Many organizations fail to articulate that relationship between goals. Maybe it's because they don't understand the critical distinction between an organizational goal and a performance goal. That distinction, and its application to the real world of organizational performance, is one of the key building blocks of a successful performance consulting project.

### Goal in the real world

Without understanding what an organization wants to achieve, it's nearly impossible for that organization to be successful. Therefore, it's rare for an organization to exist without some expressed purpose (although that purpose sometimes becomes convoluted or even irrelevant over time).

Ideally, supporting each organizational goal should be several unit goals, which are really just "smaller" organizational goals, and individual goals for members of each department.

By Ethan S. Sanders

While that relationship of goals appears obvious, it often gets lost in the hubbub of business. One reason for the goal confusion is because goals are tricky: Depending on your perspective, goals have a tendency to float as you attempt to align them.

For example, the ultimate goals of the U.S. Navy are somewhat obvious (see page 58). Various large departments (called "domains") exist underneath the Navy umbrella. Each of those domains has smaller divisions supporting it. As a consultant, you could easily work with a smaller division of the Navy (for example, Squadron Z), but you still attempt to affect an organizational goal that has a clear relationship to higher-level goals.

If, however, you work with Test Wing Atlantic, it's easy to mistakenly believe that Squadron Z represents a clustering of performers, rather than a mini-organization unto itself. Seeing that relationship on a static chart is fairly easy, making the distinction in the dynamic world of performance is far more difficult.

## What makes an organizational goal?

The first litmus test when sizing up a goal is to consider whether that goal describes something that the organization—as a whole—wants to do. "Increase profits for Bill's Bean Emporium by 5 percent," for example, is clearly a goal describing the bottom line for the corporation. However, a goal could be attributable to just a division of the company. For example, the goal "increase western regions profits by 5 percent" should, in turn, increase the organization's overall profits.

A second litmus test is to consider whether the goal mentions internal performers. For example, the goal "have salespeople close 5 percent more of their sales calls" identifies salespeople specifically. By drawing attention to a particular internal group, that goal is best recognized as a performance goal. (More on that later in the article.)

If the goal mentions customers or other external stakeholder groups (for example, "increase customer satisfaction by 20 percent"), it's probably an organizational goal. Organizational goals usually concern quality, quantity, customer satisfaction, or cost-effectiveness. The fact that these goals are specific helps. Goals should provide measures of time and amount: "Increase profits for Bill's Bean Emporium by 5 percent by the end of 2005." Here's a few good organizational goals that are expressed in terms of percentages:

- Increase customer satisfaction rating by 25 percent in fiscal year 2005.
- Increase profits by 5 percent in the third quarter.
- Decrease scrap by 15 percent within six months.
- Reduce administrative costs of Voluntary Education program by 5 percent in fiscal year 2006.
- Increase Navy re-enlistment by 30 percent within five years.

Those goals could also be expressed using direct monetary values as well: "Increase profits by $10 million in the third quarter."

Articulating organizational goals is complex because you must consider whether they should be monetary in nature. Although many organizational goals are monetary (especially in for-profit companies), that's not always the case. A high-level organizational goal could state, "increase customer satisfaction by 20 percent," but it wouldn't state the value of reaching that goal. At some point, you "smell the money." You assume that satisfied customers will return for more products and recommend you to friends.

Another challenge is to understand that nonspecific and confusing goals can still refer to some nebulous result the organization is striving to achieve. Here are a few examples of nebulous goals:

- Have zero defects.
- Be the premier provider of services.
- Lead the industry in innovation.
- Be prepared.
- Develop people.

If goals aren't specific, that doesn't mean that they aren't legitimate. Linking human performance metrics to those goals, however, is extraordinarily difficult. To deal with that situation, you'll have to work with the client to craft goals into an item that can link to human performance (without belittling the goals as they are stated). The client must understand that while those goals are good guiding principles or tag lines for marketing brochures, they lack the specifics necessary to "rally the troops."

## What's in a performance goal?

Just as organizational goals must meet several criteria, so too must performance goals. The most essential element of a performance goal is that it describes something that employees have to produce (tangible outputs) to make the organizational goal come true. Remembering that the role of the human must be visible within the performance goal is essential.

How you allude to the human being within the goal, however, can vary. Because human performance improvement—HPI—involves making wholesale changes in performance (that is, increasing the performance of lots of people at once), it's counterproductive for a performance goal to name a specific person. (For example, "Mary must improve the number of widgets made by 15 percent.")

Instead, the goal should describe groups of people who play a similar role in producing outputs. Those groups are often referred to by the term "performer groups," rather than by employees' job titles. Most job titles don't accurately describe a specific outcome for which employees are responsible. Instead, they tend to include multiple types of performances or roles for which the individuals who hold those positions are responsible. Your job title might be director of training, but the performer groups that you're associated with include instructors, managers, instructional designers, or program analysts.

There's nothing special to distinguish a performer group from a job title. It's important, however, to describe which humans within the organization are accountable for the goal by using terminology that's broad enough to encompass all necessary parties.

It is possible for the job title and performer group identity to be synonymous. For example, if the only employees within the organization who are accountable for generating sales are "salespeople," and that happens to also be their title, then there's no need to make a distinction. However, you should always begin by

Photos: U.S. Navy. Charts by Taduesz Majewski thinking broadly about who plays a role in a given performance. It doesn't take long to realize that most outcomes are produced by a host of people working in concert with each other.

A performance goal must answer the question, Who has to do what, better, cheaper, faster, or safer to make the organizational goal a reality? It also must include an expression of the performance gap. The following are examples of well-constructed performance goals:

- Increase the average number of tuition assistance vouchers processed by Navy College Office clerks from 60 to 80 vouchers per clerk per month.
- Decrease data entry errors made by customer service representatives by 12 percent within three months.
- Increase the number of aircraft engine parts certified for use by supply officers by 40 percent within 60 days.
- Increase the number of HPI projects completed by performance consultants within 120 days by 30 percent.
- Increase sales leads produced by marketing executives by 20 more per month.

When crafting those goals, grammar plays an important part in ensuring that all essential elements are present. In the above examples, all outcomes (nouns) are noted in red. Notice that the outcomes are the centerpiece of the statement, and they appear early in the sentence. Green text identifies the performer groups (Navy College Office clerks, customer service representatives, and so forth). Blue text highlights the adjectives that further describe what type of output is required (tuition assistance, data entry, aircraft engine, HPI, and sales).

## Do distinctions really matter?

By now, the distinctions between organizational goals and performance goals should be more clear.

While it's not always possible to draw the distinction, you should know that well-defined goals act as guides during a performance improvement project. The following example illustrates the incredible difference that well-defined and aligned goals make.

## In the Navy

The U.S. Navy's Voluntary Education—or VOLED—program provides a number of educational opportunities for sailors to pursue during their off-duty hours. The VOLED program provides educational counseling, academic testing, and tuition assistance to interested sailors. Navy leaders view this program as a critical component in developing the workforce and in contributing to career advancement for sailors.

Last summer, the Navy's human performance center was asked to examine the program and determine how to make it more efficient. At first glance, these goals seemed perfectly reasonable; on closer inspection, however, several problems were discovered.

**Decrease VOLED failures and withdrawals by 10 percent in fiscal year 2005.** Overall, this is an organizational goal. The current failure and withdrawal rate, however, is approximately 5 percent. If you compare that to most academic institutions servicing similar student populations, a 5 percent failure isn't bad. Furthermore, reducing that number by 10 percent is small potatoes—about 750 less failures and withdrawals annually out of nearly 150,000 courses attended by Navy students who used tuition assistance.

In addition, if a sailor fails a course or withdraws due to personal reasons, he or she is required to repay the Navy for the tuition assistance. Therefore, although a reasonable organizational goal, it's questionable whether this goal is worth the effort to improve it.

**Reduce the processing time for tuition assistance paperwork by 50 percent in fiscal year 2005.** This is a performance goal in search of an organizational goal. No data is provided to suggest that failures or withdrawals are caused by a lag-time in the processing of tuition assistance vouchers. Therefore, this goal has no relationship to the first goal.

Currently, the processing time for tuition assistance vouchers is about six days. During that time, there's no ill effect on the sailor, the university, or the Navy. The voucher is merely a document to show that the money has been appropriated for payment once the semester is over. Given that most semesters are 10-12 weeks long, there are no negative consequences from the current processing times.

## Crafting the goals

To determine where to steer the project next, the human performance center's analyst team took a few steps back and asked the following questions:

- Who is the client in this project?
- What was the original request from the client?
- What is the ultimate goal?
- To what higher-level Navy goals is this linked?
- To what performer groups do these goals correlate?

After reviewing some documentation and other data, the analyst team was able to determine that the original request came from an admiral who has since retired. His desire was to reduce the administrative costs associated with the VOLED program.

Currently, 18 percent of the total budget is being spent on administrative costs, and the ultimate goal is to reduce that number significantly. That's a critical task considering that the program is expected to grow substantially in the following years. The Navy must ensure that the majority of funds end up in the proper place rather than getting consumed by infrastructure. Thus, the new organizational goal became to "reduce administrative costs in the VOLED program by 15 percent by the end of fiscal year 2005."

With that goal in mind, the project began to move forward rapidly. The next step was to look at the administrative budget to determine which outputs were consuming the most resources. The team quickly discovered that the vast majority of expenses were in the "labor and contracted services" category, which is money used to pay employees and vendors to produce counseling sessions, test results, and tuition assistance vouchers. They also discovered that of all the outputs produced in those line-item budget numbers, 50 percent was spent on counseling (compared to only 12.5 percent spent on testing, and only 10 percent spent on tuition assistance processing).

Therefore, when the analyst team

# Borderline Performance Goals

Below are examples of performance goals that would be difficult to measure and analyze for underlying root causes.

## Goal 1: Increase efficiency of the customer service department.

In Goal 1, what constitutes efficiency is unknown. You aren't told who in the customer service department you're concerned with, and, more important, you're unclear about what defines an output. The goal would be easier to affect if it were stated as below:

*"Complete 20 new auto policies per day per customer service representative."*

## Goal 2: Decrease waste in operations by 15 percent by the end of year.

In Goal 2, you aren't told what kind of waste, which performer group you're interested in, or what defines the specific output. The goal is more clearly stated as follows:

*"Decrease scrap metal on the rolling machine by 15 percent by the end of year."*

It's important to note that if you discovered that decreasing waste was an overarching goal for the organization, then you need to classify this goal as an organizational goal and start getting a better sense of all the underlying performance goals that are necessary to support this organizational goal.

## Goal 3: Process claims faster without increasing error rates.

In Goal 3, "faster" is not defined. Are you interested in claims processors, or are other performer groups involved (for example, claims adjustors)? It's questionable whether this is one performance goal or two performance goals that you need to separate and address individually. The goal implies the need to increase the speed of claims processed and the need to maintain low levels of errors. Those two goals could have different underlying factors, involve different performer groups, and be measured in different ways. It would be more productive to separate out the two goals to look something like this:

*"Close 100 percent of property damage claims within 30 days of the filing date by claims adjustors within the next six months."*

*"Maintain current 3 percent data entry error rates made by claims adjustors."*

asked, Who needs to do what better, cheaper, or faster? the answer was quite obvious. The primary performance goal was "reduce the amount of time spent on academic counseling by 50 percent by the end of fiscal year 2005." That would allow for conducting more counseling, using far fewer people.

Of course, there were quality considerations as well. The team carefully studied the benefits received from academic counseling to ensure that reducing counseling time wouldn't have an adverse effect on a sailor's education. They were able to show statistically that no correlation existed between either how much counseling a sailor received versus how likely he or she was to enroll for academic courses, or between academic counseling and the likelihood that a sailor would receive a passing grade in the course.

The graphic on page 59 demonstrates the final organizational and performance goals that were crafted and accepted by the client.

## One golden thought

If there is one golden nugget of wisdom I have learned through the years, it is this: Paul Elliott, noted HPI expert and president of Exemplary Performance, said to me, "HPI is not about solving mysteries, it is about clarifying thinking."

The value of Elliott's wisdom is apparent to me. Clients are tempted to believe that a good performance consultant will discover some underlying fact that no one in the organization has ever considered before. The likelihood of that happening is small. However, the actual way to add value to an organization is by getting all the stakeholders to consider the clarity, relevance, and criticality of the organization's goals and then to carefully link those to performance goals. While we never get to declare, "Egad! It was Colonel Mustard in the library with a candlestick," we do get to make the lives of our clients and their employees more fulfilling and productive. Not a bad way to spend your days. TD

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