



TenStep Supplemental Paper

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Cascading Goals and Rewards

Identifying the missing link in performance driven organizations

Success in the corporate world is determined by organizational performance, which in turn is determined by strategies and policies. Performance driven organizations continuously strive to excel in their overall performance. However, an inability to understand the nuances of a performance driven organization results in utter failure.

Being a performance driven organization generally means achieving performance targets at any cost. On the contrary, encouraging and involving all the stakeholders in implementing organizational strategies is of paramount importance.

Organizations failing to motivate their workforce remain unsuccessful in their endeavors. Studies reveal the following reasons for their lack of success.

- Failure to implement strategies
- Lack of awareness among employees about their organization's strategies
- Failure to link incentives to the successful implementation of strategies
- Non- alignment of budgets that allocate resources to organization's strategies

When directly linked, pay, performance and strategies are highly advantageous to organizations. Therefore, organizations need to tie the individual objectives to those of the organizations to get peak performances from employees.

Who's who of performance management

Although most organizations have realized the need to align corporate objectives with those of the employee, they are unable to understand how it could be implemented. Most performance management systems ignore the behavioral aspects of the employees that in fact are an integral part of strategy implementation. Unless behavioral aspects are fully exploited, organizations cannot hope to be performance driven. Five inseparable components rule the performance management systems.

1. *Align*: When organizations aim at aligning organizational strategies with defining mission and vision, there is clarity in its objectives.
2. *Cascade*: The next step is to allow objectives to cascade through the workforce. This ensures an understanding of the future endeavors of the organization.
3. *Reward*: Motivation helps employees deliver better performances. Linking pay to performance and the successful implementation of strategies gives good results. The focus here is on employee behavior that leads to high performance.
4. *Understand*: Information about performance, successful strategies, products, initiatives etc., helps in the betterment of the organization.



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5. *Optimize*: Performance management tools aid organizations in allocating resources for optimum levels of performance

Although the framework shows 5 components, most organizations are aware of and use only three of those – align, understand and optimize. The two most important components that concentrate on the employee behaviors, cascade and reward, are ignored.

Cascading objectives

Most organizational strategies fail because they are not implemented well. Implementation becomes difficult when employees do not fully understand the importance of their actions. Organizations should start the cascading process (setting goals for every individual in the workforce) at all levels. These individuals could be employees, partners and suppliers. The cascading process is comprised of 5 steps that, when followed conscientiously, could make the components of performance management complete.

Step 1:

Sharing objectives: The first step is to cascade the objectives throughout the organization by setting goals and specific tasks for each individual. Individuals should understand the significance of the tasks they are performing with regard to the overall corporate goals. Since change is an integral part of the business, it is to be expected that the corporate objectives will also change from time to time. To keep in sync with these changes, organizations have to adapt their strategies accordingly.

Step 2:

Aligning work and the workforce: Every strategy is a business opportunity in itself. Organizations are responsible for identifying these opportunities and assigning the workforce to exploit them.

For example, in a sales organization the primary job of the sales department is to open and close business deals. Performance driven organizations assign sales territories to the salesperson on the basis of geographical locations, territories and customers.

Step 3:

Assign production quotas: Following the alignment of work with the workforce is the setting of production quotas for employees. This involves giving each employee specific numerical targets to achieve that could be measured in terms of revenue, margins, new customers or units of production. Although considered effective primarily for sales departments, they make effective performance goals for all employees. Such quotas provide the employees with specific achievable goals that avoid ambiguity and encourage them to better their performance.

Since these quotas can be changed easily, it is possible to adapt quickly to changes in the market.

Rewarding achievements



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Most organizations expect high performance from employees but don't always get them. A possible reason could be that employees do not see a link between their performance and rewards. A reward system is practically non-existent in the performance management systems of the organizations. This discourages employees and affects their performance. To align this component effectively with the performance management system, organizations should manage both organizational and individual performances and also link their pay and performance.

Step 1:

Measuring performances: Before contemplating the linking of pay and performance, organizations must be aware of the performances of both the organization and the employees. Frequent reviews of such performances encourage accountability among employees. Measuring the performance based on common criteria augments the organization's vision, builds a performance driven culture and helps managers handle issues that arise prior to the implementation of strategies and policies.

Step 2:

Linking performance and pay: Although organizations identify competencies and measure performances based on them, they cannot hope to succeed unless the performances are linked to individual pay. Most organizations use a rigid and labor intensive system of linking pay and performance. This results in a mismatch between the organization's strategy, incentive systems and the expected performance from the employees.

With a flexible performance linked pay system, organizations can hope to respond to the demands of an ever-changing environment. This is the only short cut for improving job satisfaction, retaining top performers and also improving organizational and individual performances.

How it happens

The transformation to a performance driven organization is still a distant dream for most organizations. If organizations are able to resolve their issues, they have a much better chance of success. The primary strategies that help are as follows.

Top management's commitment: Building a risk-taking culture means being honest, accountable and willing to work towards the achievement of goals. Organizations can follow these only if their top leadership is committed to planning and implementation of the performance management systems effectively. Communicating the changes frequently to all its internal and external stakeholders is essential.

Alignment: Despite the various arguments by experts that money is not a prime motivator for employees it still remains a crucial issue. Unless employees see that their compensation is the direct result of their actions they do not perform well. Therefore prior to executing the performance management system organizations should ponder on linking pay and performance.



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Technology: Structured and effective software for organizing, assigning, measuring and monitoring performances is preferable to manual processes of these systems.

Identifying missing link

Fulfilling the desire for excellent growth requires much effort. There should be a high degree of focus on individual performance, overall organizational productivity and effective execution of performance management systems. This can be done only when organizations realize that a perfect system is that which has all the five components – *Align, cascade, reward, understand and optimize.*