SETTING GOALS THAT DRIVE STRATEGY

2,500 hours of increased productivity, 27 days fewer of absenteeism, and reducing your attrition rate by 1-2 fewer employees. These are the potential savings for a 50-person company if they use a full performance management process. How much faster could you achieve your strategy if you gained 2,500 hours of productivity (approximately one extra hour of work per employee per week)? What could your bank accomplish in the 27 fewer days of sick leave? How much experience would you retain if only five employees quit during the year instead of seven?

Unfortunately, most companies still think of performance management as a very formal and rigid activity. The C-levels set the goals in January, they are cascaded down to every employee, and then at the end of the year all employees are assessed as to if they achieve those goals. They also tend to focus a lot on the "what" is achieved, and little thought is placed on the "how" it is achieved. And to make matters even more complex, most companies end up buying some fancy software system. In the end, they are left checking boxes in a hollow process.

We need to recognize that performance management is at its best when it is nimble and focused on empowerment, as opposed to our normally rigid and top-down approach. In many ways, we need to go back to the basics when it comes to goal setting, discussing someone's performance, assessing performance, and rewarding performance. That is why we will be starting a four-part series on Performance Management Fundamentals, and how your bank can unlock the performance of your people. In this month's article we will be focusing on how your bank should be setting goals.

Fundamentals Part 1: Setting Goals

The problem that most companies (including banks) make is that they try to set strategic goals by creating an incredibly detailed multiyear plan that is then cascaded down to all employees. But the days where you could set a plan for a year, and that plan wouldn't change over 12 months, are gone. In today's environment, goals and strategies become out of date far before the yearly strategy / goal setting cycle. Instead of waiting for the yearly goal setting process, teams should be reevaluating their goals and strategy every 3-4 months.

So why do we continue to set yearly goals, when we know that half of them are going to be obsolete in just a few months? I think that setting yearly goals and strategies is a byproduct of how humans evolved. One year marked the seasons, agricultural planting / harvesting, and some of the initial industrial supply / demand cycles. One year was a great frame of reference for most of humanity's existence, especially when major changes occurred over years and even decades. But thanks to today's hectic pace of innovation, industries and the way we work can shift multiple times within a year.

The uncomfortable truth we need to recognize is that we need to be much nimbler in our strategies and goal setting. We need to stop making detailed strategic plans and expecting them to remain unchanged. Instead, we need to improve our ability to gather people around a few thematic goals, provide our people with critical data, and then empower them to figure out how to achieve those thematic goals. That is why we recommend banks adopt this four-step process:

1. Cascade the strategy & purpose of your company and ensure everyone understands it.

2. Set 1-2 Thematic goals that everyone should focus on.

3. Empower your people to propose plans on how they (and their teams) will deliver the thematic goals.

4. Conduct cross team / cross department alignment meetings to iron out the goals and to ensure everyone is aligned.

Step 1 - Cascading Your Strategy & Purpose

Now some of you might think that cascading your strategy is already common sense, and that you already share your strategy with your people. Over my career I have listened to many CEOs and senior leaders talk about their strategy. Unfortunately, most of the time those strategy presentations amounted to little more than a list of strategic goals. Listing a bunch of strategic goals isn't sharing your strategy. It's just another version of telling your people what to do.

If you have kids, or even if you just remember what it felt like to be a teenager, then you already know this simple truth. Most people don't want to be told WHAT to do. They want to see how their work ties to the larger mission of the organization. Ultimately, they want to be told WHY their role is important, and then be empowered to work on goals they set.

Now this first step is often the hardest for leaders, because most leaders don't want to give up their power. Early in my first leadership role, I personally wanted my team to execute the strategy I had laboriously created with my boss. And this is where the hypocrisy of the top-down approach comes to light. I know I wanted my team to execute the plans I had created, but at the same time, I hated when my boss didn't allow me the opportunity to create my own goals.

In order to trust that people will work towards the strategic vision of the company, they need to understand the strategic vision. So, you need to be constantly communicating the strategy and vision of your bank. And I don't mean constantly presenting your strategic goals or desired financial results. Instead, you should be talking about your Mission, Vision and high-level strategy so much that your people start thinking you are a broken record.

Step 2 - Creating a Rallying Cry

But just because you shouldn't be telling your people what to do, doesn't mean that you shouldn't be telling them what is most important. You do not have the luxury to be working on unimportant projects. Even among all the important objectives you must accomplish, there are sure to be a few critical items that you absolutely 100% need to accomplish. Maybe it is finalizing a new product for launch, or working towards a major event, but certainly you and the senior leaders in your organization need to be aligned on one item that is most important at this moment.

In order to identify your company's rallying cry, ask yourself this question, "if we accomplish only one goal during the next six months, what would it be?" Other things might also be really important (and feel critical), but if you don't deliver on X priority, then you haven't succeeded. This one priority gives clarity to your bank's leaders and employees and allows them to prioritize what goals they should work on. You don't want them spending time focused on the color of the drapes or planting a nice garden, if the garage is on fire.

We also recommend following four rules when setting your bank's Rallying Cry.

1. Focused - Don't try to create a "mega" Rallying Cry where you combine a bunch of goals into one super goal. That will just dilute the focus of your people. Instead, make sure you are focusing on one critical objective.
2. Co-Owned - A bank-wide Rallying Cry cannot be the responsibility of one or two teams. Your Rallying Cry should be something that the majority of people contribute to, or clearly support the people that are working on it.
3. Definable Success - The Rallying Cry must have a defined picture of success that people can understand. People need to be able to track progress against the definition of success and, ideally, they need to know when they have succeeded.
4. Temporary - A Rallying Cry should not last forever, nor should it be overly quick. The ideal length of a Rallying Cry goal is 4-8 months. By then, you should be prepared for the next major mountain that you will rally your bank around.

Step 3 - Empowering Your People to Set Goals

Once your leaders and employees understand the overall strategy of the bank and are properly focused on the one Rallying Cry goal, then it is time to empower them to set their own goals. But instead of doing this individually, we recommend that teams come together to discuss this as a team. We also recommend that teams use the Start/Stop/Continue approach to discussing what the team should focus on.

· Start - What does the team need to start doing in order to deliver the Rallying Cry, and ultimately drive the strategy?
· Stop - What does the team need to stop doing because it puts the Rallying Cry or strategy at risk?
· Continue - What actions does the team need to continue doing that are critical for the Rallying Cry or strategy?

As the team creates specific goals and actions for them to take, use that opportunity to recruit volunteers for each task. By having people select their own tasks, they become significantly more committed to their success. It becomes “their” goal as opposed to the thing that their boss told them to do. Of course, there are some scenarios where no one volunteers, but this is where the leader should tie it back to the Rallying Cry and strategy. The goal might not be fun to work on, but people will be willing to work on it if it is legitimately critical to the bank.

Step 4 – Align Goals Across Teams

The final step in setting your bank’s goals is to align the different teams’ goals across your bank. The goal of this step is to identify areas of risk and dependencies. For example, Team A might think that going left is the best way to achieve the Rallying Cry, while Team B is geared up to go right. Or Team A might require a deliverable from Team B to achieve the Rallying Cry, but Team B was planning to delay that deliverable. Too often organizations fail to take this step, and then they act surprised when their teams start working in counterproductive ways.

The easiest way to ensure cross team alignment is to have representatives of each team get together and share their plans. But the key item that these reps need to remember is that their plans are still open for change. The meeting is not presenting the finished product, but rather discussing how all of the different team goals support the Rallying Cry and overall strategic goals. If the reps identify areas of risk or misalignment, then it is their responsibility to go back to their teams and revise the teams’ plans to ensure alignment.

The Right Performance Management Approach Can Differentiate You From Your Competitors

The ability to translate vision and strategy into clear performance goals is what separates Premier Performing banks from the rest of the pack. Think about it… All your competitors probably have very similar financial goals as you. They want to increase their assets, increase their equity, increase their earnings, and decrease their risk. What will separate you from your competitors is your ability to convert these financial goals into specific actions, behaviors, and skills within your employees. Because in the end, the only real difference between Bank A and Bank B is the people. If Bank A has people that align their performance goals to the vision and strategy, then Bank A will be successful. Being a *Premier Performing* bank means that all of your employees are working towards your vision and your strategy.

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