Goal Setting

Aligning Objectives and Action

Overview

Having clear goals is proven to drive the performance of both individuals and organizations. The best organizations set goals from the top down in the form of "nested" goals. These goals should be SMART: Specific, Measurable, Actionable, Reasonable, and Time-Bound and should have who identified as well. The goals themselves can be set in a directive fashion or developed with the employee. Either way, they are more effective at driving performance if they are "stretch" goals.

Monitoring by managers is vital. In fact, without this step, the exercise may prove useless. Managers should expect that employees will not always reach stretch goals and should create an environment where missed goals are viewed as learning opportunities.

Goal setting efforts often fail to due to leaders overestimating their manager's ability to perform the acquired skills and due to CEO inattention. However, when done well, goal setting can become a powerful lever for competitive advantage.

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Introduction

Imagine gathering a group of 100 symphony musicians into a sold out music hall, where they are told to play their own individual favorite songs simultaneously. Then imagine a director who is told to direct the group to his own individual favorite song. Finally imagine telling the crowd they're about to hear Beethoven's Fifth.

While hardly the recipe for an encore performance, and exaggerated slightly, the result is similar to a company that does not set goals that align all departments and employees within. Everyone in the company may perform at peak levels, yet if each person is not on the same page (literally in this case), then the group may perform less than optimally, if not chaotically.

The symptoms in small and mid-size businesses can be seen everywhere: lack of follow through, a sense that little seems to be getting done, competitors improving products faster, systems lagging behind the company's growth, poor coordination of changes across departments, sales people selling the wrong products, and so on. At least the conductor can see all the musicians during the performance. CEOs do not have that luxury.

Goal Setting is the first step in any success, achievement, or transformation whether for an individual, a team, or an organization.

Every for-profit organization has one basic goal set: to create profit for it's shareholders. But what is the best way to translate that overarching goal into daily tasks and activities that people at all levels of the organization can complete? How are individual tasks set and "nested" into each other to ensure that each action taken by a company employee contributes to the ultimate goal? Just how does the person who answers the telephone contribute to the ownership's goal? Fortunately, this question can be answered through understanding and implementing the basic goal setting processes.

Why Goal Setting?

Why choose goal setting processes? It is one of the most tested and tried-and-true methods for translating large company objectives into daily tasks and keeping motivation and commitment to effectively perform those tasks high. Consider the following quote on the soundness and effectiveness of goal setting theory:

> *"Of all the major theories of work motivation, goal-setting theory has demonstrated more scientific validity to date than any other theory or approach to work motivation. Moreover, evidence indicates that Goal Setting holds the most promise as an applied motivational tool for managers. Goal-setting theory is based on the results of 393 goal difficulty studies. The core findings of the theory are based on data from 4,000 subjects in eight countries; 88 different tasks; numerous types of performance measures; laboratory and field settings; experimental and correlational design; time spans ranging from one minute to three years; studies of assigned, self-set, and participatively set goals; and data from group and organizational, as well as individual, analyses. The totality of goal-setting literature, not including the literature on Management by Objectives, now amounts to about 500 books, chapters, and articles, with new ones appearing almost daily. In summary, the evidence suggests that Goal Setting is a valid theory, if not the most valid theory, of work motivation."*

Ten years later, they discovered that those 3% with written goals and plans were worth 10 times more (monetarily) than the other 97% combined.

Mark McCormack's book, What They Don't Teach you at Harvard Business School, documents a Harvard Business School study that took place between 1979 and 1989. MBA graduates from the Class of 1979 were surveyed and asked, "Have you set clear, written goals for your future and made plans to accomplish them?" Three percent (3%) of those surveyed had written goals and plans while 97% did not. Ten years later, they discovered that those 3% with written goals and plans were worth 10 times more (monetarily) than the other 97% combined.

The evidence is clear that the process of Goal Setting, if undertaken effectively, produces success and profitability on both the individual and organizational levels. Effective Goal Setting processes substantially decrease the chances of organizational inefficiency, and therefore reduce the chance of falling behind competitors in an increasingly competitive external business environment. Everyone agrees that success, either personally or organizationally begins with Goal Setting.

So Why Isn't Everyone Goal Setting?

With goals being so widely accepted as a key to personal and organizational success, the question arises, "Why don't more organizations and people set them and set them well?" Several answers emerge. The first reason is that they don't find Goal Setting to be an important task. Perhaps a successful CEO instinctively creates and follows through on quality goals and naturally assumes others do the same. Perhaps an individual or company has achieved prior success in a friendly marketplace without having consciously set and followed through on clear goals. Because Goal Setting is done by some unconsciously, it is not always considered an important activity.

Second, some people understand conceptually that Goal Setting is important, yet they don't know how to set them properly. Some may set goals that are vague, that cannot be measured, unrealistic, or have reasonable action steps (rather than "SMART" goals).

A third barrier to Goal Setting is a fear of commitment. The mere act of setting a quality goal sets the wheels in motion for that person to be responsible for failure and success and the often uncomfortable emotions involved with each. There is often an unconscious move towards making vague goals that cannot be measured so that employees and managers cannot possibly be held accountable if they fail (or succeed in some cases).

A final reason that many don't create goals is that it is often simply hard and uncomfortable to do. Quality goals can take deep, out-of-the-box thinking, some introspection, and often a lot of time. As Henry Ford said, "Thinking is the hardest work there is, which is the probable reason why so few engage in it." While sometimes critical of human instinct, Ford may be on the right track as instinct relates to Goal Setting

Why Does Goal Setting Sometimes Fail?

Many companies (and individuals) who have developed goals in the past have become cynical about the process, observing that they failed to achieve their goals, so what was the point? The point remains. The problem is usually around the ways that the goals were set and the way that they were managed. Very often, one of the following has occurred:

- Goals are not "SMART"
- Lack of time (real or perceived)
- There are too many goals
- Goals are poorly communicated
- Goals are not coordinated
- Lack of buy-in
- Action steps are poorly defined
- Poor measuring and monitoring
- No consequences are tied to the system
- Goals are limited to financial goals
- Employees aren't empowered to follow through

SMART Goals

Specific S
Measurable M
Achievable A
Results-Oriented R
Time-Bound T

The Key Elements of the hundreds of studies on Goal Setting can be distilled into the SMART process. SMART goals are those that are specific, measurable, achievable, results-oriented, and time-bound. This is best explained by example.

> *"I will be the best project manager in the company"*

Many companies fall into the trap of creating and approving goals like the one above for employees. While the employee can be commended for wanting to get better, the employee has inadvertently, and perhaps unconsciously, avoided any type of accountability towards meeting this goal. Using the SMART technique, a manager would evaluate the aforementioned goal in the following manner:

The Key Elements of the hundreds of studies on Goal Setting Theory can be distilled into the SMART process. SMART goals are those that are specific, measurable, achievable, results-oriented, and time-sensitive. The SMART Process is used to create goals and to translate them into actionable steps (lower-level goals) that support the overall goal.

S – Specific – Goals must be specific. In the above example, what does "better" mean? Getting the projects done but having 100% turnover while doubling budgeted costs. Or does it mean staying under budget while meeting the deadline. If the employee doesn't know, this Goal Setting session is a great time to clear it up with his/her supervisor.

M – Measurable – How will the employee and the manager know if the employee is moving towards or away from the goal? How is the company going to measure "better"? Will it be in overtime? Will it be in turnover rates? On-time completion? Customer satisfaction? Rework? Costs? These can all be measured on an ongoing basis and all serve to hold the employee accountable to measured success and failure.

How is the company going to measure "better"? Will it be overtime? Turnover rates? On-time completion?

A – Achievable – Some employees and managers set themselves up for failure from the beginning by setting goals far too high. Managers must ensure that the employee's goal is reachable and within that employee's sphere of influence. In other words, the employee must be able to influence the outcome. Is the employee new to a company that is filled with seasoned project managers? This goal may be too lofty. Similarly, a software programmer should not set a goal to "Ensure the project is rolled out to the customer on time." There are many important variables in this goal the programmer has no control over. "Stretch" goals can still motivate people, but there should usually be at least a chance of meeting the goal.

R – Results-Oriented – Too often, employees get caught up in making actions their goals as opposed to results. Actions may be a part of the strategy to achieve a goal. But in the end, the company is concerned only with results. For instance, "being on time to work" would be a goal that is not results oriented. Yet this may be a strategy for the goal of "Getting the project done on time and under budget" (It is suggested that most employees use better strategies than this.)

T – Time Bound – Results must have a time constraint put on them. In the above example, by when does the employee want to be the best manager in the company? Three months? Three years? 10 years. Without a time constraint, employees have no way to determine success or failure. Time constraints also motivate employees to act sooner rather than later.

Measurement of Performance

"You Can't Improve What You Can't Measure"

Setting objectives Measures is one of the more difficult things for small and mid-size companies who may not have the IT systems of a large corporation to draw upon for data, however, tracking key measures is usually possible. There are three basic types of "hard," or objective, outcome measures can be used to index performance:

- Units of Production (amount produced, number of errors);
- Dollars (profit, costs, income, sales); or
- Time (job attendance, milestones, deadlines, dates etc.)

Monitoring Progress

The key is to keep goals challenging, but manage performance relative to the goals, rather than the goals' attainment.

A goal-setting procedure should use challenging goals to manage performance. Ideally judgments are not based on success or failure but rather on performance levels. The key is to keep the goals challenging, but manage performance relative to the goals rather than the goals' attainment. People do not succeed every time on every task. There is always room for learning and improvement without compromising the ultimate goal. The target remains the same, but people are rewarded based on progression, not whether they succeeded or failed. It is possible to reward partial success. The advantage is that people will be rewarded for undertaking very challenging goals even if they did not completely reach them. The focus is on learning and improving.

Aligning Goals: Nested Goal Setting

To this point, we have focused on individuals setting goals (and possibly their supervisors) that are meaningful to them. This does not necessarily mean that goals are meaningful to the company. And that the goals of each layer of the company support the goals of the layer above. The goals fit together with a cascading waterfall effect.

An example of nested goals might be as follows. It doesn't show all the goals that are set but shows one goal set at each level to support the goals of the level above:

This process is not without its pitfalls. Where many organizations often fall short is in creating and communicating the high level goals properly. Often the CEO brainstorms and documents goals but these goals never get effectively communicated down through the organization to those who are completing the day-to-day tasks of the business. Organizationally, this causes the allegorical "head to move in one direction while the body moves in the other".

The CEO's Role in the Goal Setting Process

Corporation-wide nested Goal Setting requires commitment from the top of the organization. The CEO must send a clear message to the rest of the organization as to the importance and urgency of the Goal Setting program. Most importantly, the CEO must ensure that executives, managers and supervisors all take the time and effort to do follow the Goal Setting process in its entirety. This includes, reviewing goals to ensure they follow the SMART format. The CEO must also ensure that managers continuously measure progress and provide feedback to employees. Many companies find that this is not for the faint of heart and requires a great deal of leadership from the top. Companies seem to always have urgent matters surface that can push long-term important activities like Goal Setting, monitoring, and reviewing to the backburner. Yet companies also find that the more time companies spend doing long-term focused Goal Setting activities, the fewer fires they have to fight in the future.

How To Write Action Steps

Some managers are perplexed to find that their goals are aligned and SMART, and their staff have bought in, but there still is a lack of progress. Very often this is because no action steps were identified or they were poorly set. Good action steps are also SMART. They break the goal down into meaningful steps that managers can follow up on. Without action steps, staff can often end up postponing what seems like to large a task, even thought they do not do it consciously. Very often, action steps will define the goals for the next level down in the organization.

The Goal Setting Process

The major findings from 393 studies on the subject over the past 26 years can be summed up in the following section. While the results may seem overwhelming at first, they boil down to some very basic recommendations.

1. It Is Not So Important How Goals are Set

It is not so important how a goal is set; what is more important is that a goal be established regardless of the method that is used. Although popular opinion suggests that the one asked to achieve the goal participate in its creation, this factor was not significantly related to the level of goal attainment or effort increase. In fact, participation in setting a goal was found to be no more effective than the use of an assigned goal.

2. Support of Management:

People who have the support of management set significantly higher goals than people who work for non-supportive managers. Support appears to be important primarily because it gives people the confidence to pursue high goals.

3. Effect of the Goal's Difficulty:

Laboratory experiments confirm that difficulty level of the goal is important. Specific, easy goals do not increase performance levels. Partial success on a hard goal can lead to much higher performance than full success on an easy goal.

4. Ability of the Individual:

Goal Setting has a stronger effect on high-ability than on lowability individuals.

5. Commitment of the Individual and Authority:

Studies have shown that people respond to goals assigned by a person with formal authority, such as a manager. Overwhelmingly, people tried to do what was asked of them in almost all research studies.

6. Commitment of the Individual and Peer Influence:

Also affecting goal commitment is peer influence, specifically peer pressure and modeling. Commitment to high goals will occur when the group norms are high and when there are peer models performing at high levels. Assigning both individual and group goals for a group task produces higher commitment to the individual goals than assigning individual goals alone.

7. Commitment of the Individual and Rewards/Incentives:

Goal commitment is high when working to attain the goals is perceived as instrumental in gaining other valued outcomes.

8. Feedback:

The positive effect of knowledge of the results of one's performance, or feedback, is a well-established, if not one of the best established, findings in the psychological literature. Together, goals and feedback lead to higher performance.

9. Specific, Delayed, and Impersonal Feedback is Best:

Specific feedback provides more information about how one is doing than vague or general feedback.

10. Task Complexity:

On simple tasks, effort induced by goals leads directly to changes in task performance. In more complex tasks, however, effort does not necessarily pay off so directly and clearer action steps or sub-goals are required. For example, setting a goal for high grades may not actually lead to higher grades unless the student uses proper study habits and an appropriate course strategy based on knowledge of the professor's aims.

In summary, a specific, challenging goal has maximum chance of being completed successfully when requested by yet authoritative management, the individual has the ability, there is commitment to the goal, there is feedback showing progress in relation to the goal, the task is simple or complex with tactics and strategies, and there are no blocks to performance.

Goal Setting Questions

What should I do if circumstances change and a goal no longer makes sense?

Goals should be flexible. Flexible and well-written Goals serve three masters--the individual, the manager, and the organization. Goals should be written to fit the situation, and they should be changed when the situation changes.

What if staff doesn't follow through on their goals or action steps?

The first step is to take the time to understand why. There may be a very good reason. Keep in mind that staff sometimes creates reasons when the real reason is that they don't know what the first step is or are simply afraid of changing what they are doing. In these cases, helping them define more clearly the first step and the nature of follow up can often help. Staff can also be reminded of why they set the goal in the first place, usually be asking them what it was they wanted to achieve.

Next Steps

The place to start the goal setting process is at the top; the CEO should answer the following questions:

- Does our senior management understand what goal setting can bring to the organization
- Does our senior management know how to set good goals?
- Does our senior management have the skills to create good action steps?
- What has kept the organization from doing this up to now?
- What resources will we need to deploy in order to implement an effective goal setting process?
- Do I understand these processes well enough and have the time and energy to lead my team through this? If not, can I afford not to? What will I do about it?
- Just what are my key goals, anyway?

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