

# Effective Management Through Goals

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Most of the theories of leadership, management, and performance can be summarized around three themes or questions.

- Do people know what to do? – Alignment
- Do they know how to do it? – Development
- Do they want to do it? – Motivation

The single most powerful tool in our leader toolkit to answer these three critical questions is **Effective Management Through Goals**. This process of setting and attaining goals has five steps. The first two, Setting Strategy and Setting Goals, help you address alignment – “do people know what to do.” The other three steps, Tracking Goal Performance, Providing Feedback to Influence Goal Performance, and Managing Consequences for Goal Performance, guide the development – “how to do it” all along the way creating the motivation and commitment to reach these goals– “do they want to do it.”

Employee survey research frequently describes leaders as being good at setting “highly aggressive stretch goals and targets;” however, consequence management and development are generally distinct weaknesses. Few companies or even individual leaders are seen as doing well at creating clear links between performance and consequences, or providing coaching to under-performers. If you want to change this for your group or organization, Effective Management Through Goals is key. What follows are some questions and answers on each of the five steps in the goal management process. These steps guide you to work better with your direct reports to set goals and track performance.

## **STEP 1: Setting Strategy**

### **Why does goal setting start with strategy?**

Your organization strategy, as articulated in the organization level goals you set under each of the key elements or critical action steps of a Vision, are what you want to align employees’ attention and performance to. In essence, every employees’ goals should align (support, impact, contribute) with some specific part of the strategy you are using to guide your company and group. Your people need to be able to “make the connection” between what they personally do and how this fits in with the larger strategy. Even if the connection is only at the level of specific cost containment, responsiveness to customers, or contributing to safety milestones, the connection can be made to the strategy. This is why the Goals feature found in ThinkWise is designed so participants can directly link their Performance goals to the Organization’s goals and all participants can view these Organization level goals.

If you do not have a well articulated Vision for what you want to achieve or an associated business strategy for people to align to, then it is premature to expend much time on goals other than employee development ones. This is because the guidance or target for the alignment that creates the most effective results is missing. Instead, you need to do more work at setting clear vision and direction for the organization, then worry about individual alignment and goals. Use the *Vision Workshop Toolkit* in ThinkWise to help you formulate this Vision and associated organization level goals.

### **How do I make the alignment explicit?**

First, when you request that employees develop and review their goals with you, make the expectation very clear that every department or individual goal should tie back to an organization level goal derived from your strategy. Second, when you meet with employees to discuss and eventually agree on the goals that are set, ask for a description of how each goal contributes to the strategy if achieved. Finally, set the expectation that your direct reports use the linking feature in ThinkWise to “make the connection,” and to allow you to examine the alignment across individuals.

## **Does this mean you and your people really have to know the strategy?**

**You bet!** If you believe the direction from the Vision and the measures you are building into your strategy are important, then you should look for every possible way to make sure every employee understands what you are trying to accomplish, why it is important, and how they can contribute. The best way to make the strategy “live” for employees is for them to connect their own performance to the words, and have leaders pay attention to that performance.

## **STEP 2: Setting Goals**

### **What is the process for setting personal goals?**

1. Review the Strategy and determine what segments you can most directly impact in a way that creates value.
2. For each element of the Strategy you decide to address, write down what you can impact and what the measure of that impact or value could be.
3. Draft a set of goals based on items 1 & 2 using the S.M.A.R.T. format described later.
4. For each goal, decide what the best timeframe for having an impact or achieving a target should be. Results or outcomes that will take a year or longer to see progress on are okay at a high level, but should be broken down into milestones that can be measured on more of a weekly to quarterly timeframe.
5. Use the Goal Creation Wizard in ThinkWise to enter your draft goal and “share” access to it with your leader by indicating that he/she is the Approver of each goal.
6. Once you have shared your draft goals, schedule a goal setting discussion with your leader.
7. Expect your supervisor to suggest edits, modifications or even additional or alternative goals. You want this goal setting process to be interactive so that in the end, both you and your leader know what you are seeking to accomplish and how it aligns to the Strategy.
8. When agreement is reached, your Approver will check each goal as Approved and it will be in ThinkWise and available for you to view and update status, % completion, and the like. Your leader will also be able to see your updates. Now is a good time to schedule follow-up progress reviews.

### **Who takes the lead on setting goals?**

Goal management is a shared activity between leaders and employees. The process is generally initiated by the leader with a formal request for goals and guidance on what targets should be focused on. The employee is responsible for developing the initial draft of goals and for playing an active and interactive role in defining the goals. The leader’s role is to provide guidance on goal feasibility, goal value, and alignment to the strategy for the group, department, business, and so forth. Ultimately, the leader is responsible for integrating the individual goals into a performance outcome consistent with the larger targets; therefore, the leader has the role of final approval of the employee’s goals. That said, the best circumstance is where there is mutual agreement on the goals.

### **How do I write good goals?**

The best format for writing effective goals uses the acronym S.M.A.R.T. for Specific, Measurable, Attainable, Relevant, and Time-based. Brief descriptions of each of these elements are provided below. See the *SMART Goal Worksheet* to help you develop these.

**Specific** – Goals need to be clear, action oriented, and easy to understand rather than vague. Goals should state specifically what it is that is going to be changed or accomplished, preferably in terms of a measure, and by when.

**Measurable** – Goals should be measurable. You need to set an objective target so it is easy to track your progress and agree on whether the goal has been met. Having the goals measurable assures the value of the goal and makes managing performance much easier and fairer.

**Attainable** – Goals need to be challenging, but yet realistic. Don't set goals so high that it is impossible to achieve. Decades of research on performance have shown that for individual goals to be effective, they have to be demanding, but not so hard as to appear unattainable. Performance and satisfaction are higher when the average probability of success is around the 70 - 80% level.

**Relevant** –A goal must be relevant to the strategy and direction of the organization. The goals you set need to be consistent with other goals you have established and fit with yours as well as your organization's short and long-term vision.

**Time-based** – Goals should have a clear start time and a planned "due date" for goal completion. Larger projects should have milestones or sub-tasks that have both clear due dates but also decision points regarding project funding, progress, and so forth.

The extent to which goals mirror the elements of the Strategy change as you move down the organization. For leaders at the top whose responsibility is for the performance of a business unit or function, their goals will be very close to the target set in the strategy. As you move down the organization to individual roles, the goals become more contributory and project completion based. **Critical Note:** In addition to their performance goals, all employees should include some kind of personal development goal, such as to use existing systems or tools better, or gain new skills and experiences. Part of steadily improving the organization is to keep everyone learning.

### **What should I avoid in writing goals?**

- Vague goals with little or no measures of impact or quality.
- Goals that are too big in scope – break them down into milestones that can be celebrated or evaluated throughout the project's lifecycle.
- Goals that the organization or your leadership are not as concerned with if they are not accomplished.

## ***STEP 3: Tracking Goal Performance***

### **Why do you want to spend time and energy tracking goals?**

1. Because the collective result of all the goal directed behavior will assure that you meet or exceed the targets you set in order to achieve your Strategy.
2. Because this is the best way to demonstrate to your people that what they do is valuable and important.
3. Because tracking goal performance gives you multiple opportunities to recognize good performance and to coach or redirect weak performance. This is key to motivating people to want to achieve the desired results.
4. Because tracking goals make performance management and assuring appropriate consequences for individual performance much easier and fairer.

### **Who does the tracking?**

In ThinkWise, participants are responsible for keeping the Status and % Completion fields current. You can track the status of the goals you Approve directly and should periodically do so. During periodic reviews or updates, expect the employee to bring more specific detail on the goals' measures to the meeting to demonstrate how things are going. Again, the more you can use measures from your organization's business systems to measure progress, the better off you are.

### **When and with whom do you share the results?**

Individuals who know their jobs and need little direct supervision should discuss goal progress with their supervisor at least four times per year. Specifically, this is done to agree on the goals for the following year; to check progress typically at the 4<sup>th</sup> and 8<sup>th</sup> month mark; and to summarize results and achievements at the end of the year.

For newer employees, employees new to their role, employees on large, critical projects, or employees with performance issues, the goal reviews will probably be more frequent and timed to whenever good data becomes available – for example quarterly or even weekly.

Part of the power of goals is that they can set the stage to celebrate success or to mobilize a team to do problem-solving. Therefore, it is wise to have a manager's group or department goals posted and progress shared with the team who is trying to make it happen. Be sure to celebrate the achievement of being on track, especially if it has taken special effort to make that happen.

## **STEP 4: Providing Feedback to Influence Goal Performance**

### **Why do "Goal Reviews?"**

- To celebrate success. This is part of addressing motivation.
- To demonstrate to people that what they are doing has meaning and is recognized. Again, this addresses creating motivation.
- To provide coaching or redirection where performance is off track. Remember, for many people, "no news (from the boss) is good news." This is goal setting's contribution to employee development - making sure employees know "how to do it."
- To assure that the goals are leading to the outcomes the department or organization needs. This is your key to creating & managing alignment.

### **What happens if priorities change?**

Then the goal(s) should change. Goals are living, breathing tools to guide success. Any aspect of the goal can be changed, or the goal completely dropped if the manager and employee agree that the expected value is not going to be there. You should expect to add goals throughout the year and even drop or modify goals as circumstances dictate. None of us have crystal balls, so the first set of goals is just a best guess, not something set in concrete.

### **What if the news is not good, do you still provide feedback?**

**YES!** – more than ever. The worst climate you can possibly create is one where problems are hidden or ignored and not actively addressed. The key is how you approach the bad news. A tried and true approach is as follows:

1. At the first sign of slipping, usually of milestones or interim numbers, sit with the employee (at least on the phone) and have a problem session. Take the approach that the problem is the numbers, not the employee him/herself. Together, put together a short-term action plan on how to get back on track.
2. Schedule more frequent coaching or review sessions until the numbers get back on track.
3. If the short-term action plan is not having the desired results you have several options:
  - a. The goal is wrong due to unanticipated market or environmental issues – **change it.**
  - b. There are barriers to performance beyond the scope of the employee to address (competitor actions, internal politics, other group or team member actions, etc.) – **get involved in removing the barrier.**
  - c. The employee does not have the ability or desire to achieve the results – **begin problem performer management** (look at the *Managing Problem Performance Toolkit* in ThinkBox).
4. When things are back on track, celebrate and return to normal review timing.

### **How often should you do Goal Reviews?**

As mentioned in the previous section, individuals who know their jobs and need little direct supervision should discuss goal progress with their supervisor at least four times per year. For newer employees, the goal reviews will probably be more frequent and timed to whenever good data becomes available – for example quarterly or even weekly.

## How do I do an effective Goal Review?

1. Schedule a block of time. Depending on the scope and complexity of the goals, the session can range from 30 minutes to 2 hours.
2. If possible, conduct the meeting face to face and minimize interruptions. This should be high quality time with the employee and a great time to address both performance and coaching.
3. Ask the employee to prepare for the session by summarizing progress to date and assembling the measures they have for goal performance.
4. In the session, ask the employee to review the goal and the progress. Get them to elaborate on "how they are getting the results" as well as what the results are. This is a great opportunity to provide coaching on process or style as well as results.
5. Your role is pretty simple and can be described by this four square:

	You Agree	You Disagree
Performance described as on track	<b>Easy</b>	<b>Difficult</b>
Performance described as <b>not</b> on track	<b>Easy</b>	<b>Easy</b>

6. If performance is not on track, initiate the coaching and problem solving process described earlier.
7. Discuss what has changed or what extra things the employee has accomplished that should be reflected as effective performance – add notes or goals as appropriate to "give credit" for extra achievement.
8. Wrap-up by doing the following:
  - a. Summarize what you understand about goal progress and follow-up actions discussed and agreed to.
  - b. Thank the employee for their work and participation in the session.
  - c. Ask the employee to briefly write up the agreements and update to the goals for the file. Set a specific due date, usually within a day or two so it does not get put off.
  - d. If necessary, make additional notes to the employee's file to accompany the write-up you receive.

## How do I prepare for my own Goal Review?

- For each goal, pull together the measurement results that apply.
- Summarize key events or actions that contributed to the latest results.
- List other, unanticipated events that should be discussed either for purpose of celebration or for problem solving and awareness by your supervisor.
- Approach the session as one of your best opportunities to make sure your leadership understand what you are accomplishing and how you are going about it.
- Prepare yourself to ask for feedback and coaching. Take the approach that you really want to constantly improve your performance.

## STEP 5: Managing Consequences for Goal Performance

### What is the role of goals in motivating employees?

One of the reasons sports are so popular and stimulate so much participation and effort is that the scoring and rules are very clear. It is easy to determine what the outcome is. For too many people, work is nothing like this. Therefore, there is little wonder that they do not approach their work with the same enthusiasm as they do sports.

- Goal setting defines many of the rules,
- Goal tracking provides the scoring "throughout the event," and
- Goal reviews are both your chance to coach, perhaps change the game plan, and celebrate great plays.

Feedback on results is a critical factor in job motivation, satisfaction and performance improvement. Goal setting and reviews makes this easy and clear to all participants.

### **What is the process if an employee is not on track to meet their goals?**

The key is to intervene early. The worst climate you can possibly create is one where problems are hidden and not actively addressed. The key is how you approach the bad news. A tried and true approach is as follows:

1. At the first sign of slipping, usually of milestones or interim numbers, sit with the employee (at least on the phone) and have a problem session. Take the approach that the problem is the numbers, not the employee him/herself. Together, put together a short-term action plan on how to get back on track.
2. Schedule more frequent coaching or review sessions until the numbers get back on track.
3. If the short-term action plan is not having the desired results you have several options:
  - a. The goal is wrong due to unanticipated market or environmental issues – **change it**.
  - b. There are barriers to performance beyond the scope of the employee to address (competitor actions, internal politics, other group or team member actions, etc.) – **get involved in removing the barrier**.
  - c. The employee does not have the ability or desire to achieve the results – **begin problem performer management**.
4. When things are back on track, celebrate and return to normal review timing.

### **Won't tracking goals make it obvious who is and is not performing?**

YES, that is a very important outcome. One of the findings in research on performance management is that many employees feel that:

- Performance is not linked to outcomes – there are no consequences for not performing or performing exceptionally.
- There is little training or coaching to help people improve.
- There is no link between performance and pay or rewards.

The only people who will be threatened by positive, affirmative goal management, like we have been describing, are poor performers. This is good. You really need them to improve, decide to depart on their own, or to set the documentation trail necessary to counsel them out of the company. This is key to continuous improvement and welcomed by the majority of the employees who are doing their part and performing well.

### **What should the link between goals and compensation be?**

In a performance based compensation program, goal performance has these outcomes:

- Annual results should *directly correlate to bonus or variable pay outcomes*. All non-base-pay compensation should be tied directly to achieving or exceeding goals. Even good performers should expect to see swings in variable pay over time as their “batting average” on goals changes from year to year.
- Base pay or annual increase treatment should be directly correlated to goal results in terms of *the percent increase experienced*. There should be variance across performers on how much of an increase they receive that can clearly be tied back to goal performance. Over time, employees with better “batting averages” on achieving their goals, and achieving goals important to the strategy, should be compensated at a significantly higher rate.
- Promotions are more influenced by qualifications and the pattern of goal achievement and value over time. However, where possible, using the celebration of a major goal achievement as the setting for promotion clearly reinforces the link between performance and success.

The better your goals are measured, the easier and more self-explanatory compensation management becomes.

## **Summary**

Once you are well on your way to having a Business Strategy that you believe in, that has a rich collection of targets and measures, then you are ready to drive for implementation and achievement. In order to achieve or even surpass these targets, you must mobilize all the talent you have in your group or organization. Effective management through goals is the most powerful way known to manage your future and the opportunities it can bring. You do this by insuring your people know what to do, know how to do it, and have a desire to succeed.