Goal Management Best Practices

SCHOONOVER ASSOCIATES, LLC. | 2015

Dr. Stephen C. Schoonover
President, Schoonover Associates, LLC

Contents

List of Figures

Executive Summary

Managing goals efficiently is a critical strategic endeavor for all organizations. In many settings, top management establishes goals, leaving managers and team members to their own devices for implementing them. This practice frequently results in suboptimal performance and sometimes in negative consequences. This paper focuses on four critical perspectives that make goal management work.

- Strategic Alignment
  - A focus on the "critical few" strategic levers for performance.
  - An approach to cascading that applies a consistent process for focusing managers' priorities (for example, do not cascade; cascade unchanged; cascade an essential aspect; create a separate supporting goal).
  - Refined interdependencies (i.e., cross-team synergies and conflicts).
- Goal Quality Orientation
  - Criteria for key goals that encompass the types of measures that most accurately define desired outcomes.
  - Criteria for key goals that include the right level of a value chain or process—beginning, middle, end (focus and coverage).
  - Criteria for key goals that are practical and easy to measure and track.
- Implementation Process Excellence
  - Personalized goals tailored to the individual.
  - Collaborative goal creation and commitment with the individual.
  - A "contract" for goal management between managers and direct reports.
  - A dynamic process of tracking, refining, and updating goals over time, rather than a static, once-and-done exercise.
- Collaborative Coaching
  - Fully communicated goals and the reasons for focusing on them.
  - A shared stake, between manager and individual, in the fulfillment of goals.
  - Open, ongoing feedback to support goal refinement and revisions in response to changing demands or strategies.

Organizations that apply these principles consistently enjoy better overall performance by more engaged, motivated, and empowered managers and employees than those that do not.

Why Is Goal Management So Important?

Focusing on what needs to get done is obviously a critical requirement for organizations, since delivering a valued product or service enables organizations to prosper. However, when people are asked to "do their best," they generally don't. The request is too vague. Studies on everyone from woodworkers to CEOs show that employees concentrate better, work longer, and do more if they set and follow defined steps to meet specific, measurable goals. Specifying not only a goal, but a path for reaching that goal directs attention, energizes and motivates individual performance, and prolongs engagement.

Yet goal setting can have unintended effects. Blindly following goals as initially set, even those that make sense at the time, can do severe damage. A consistent approach to goal setting usually works well; just not always in the ways intended. Studies suggest that goals with rewards, if not carefully calibrated, can actually short-circuit people's intrinsic enthusiasm for work—and even undermine employees' learning process. To counteract this tendency, many organizations require a separate learning goal, coupled with each performance goal, that focuses on how to achieve an objective. Often the most important goal a person can have is to reevaluate goals semi-annually or annually, to make sure they remain rational and achievable.

No matter what guiding principles and practices are put in place, goal management represents perhaps the most critical operational capability for organizational success.

Key Factors That Make Goal Management Successful

In top-performing organizations, the focus of goal management generally includes the following.

- A clear set of key performance indicators (KPIs), often supported by yearly strategic initiatives defined by top management. These serve as a starting point for defining goals that are cascaded, or passed down through the organization.
- Specific guidelines for goal cascading, including methods for outlining an appropriate number of goals, goal types, and goal criteria.
- Coaching support for focusing on the critical few, including guidelines for ensuring goals are relevant and aligned with the most important areas related to an individual's work contribution to the overall enterprise (versus a focus on normal day-to-day activities).
- Collaboration to refine goals to fit individual needs and preferences, including tailoring plans to provide individuals with a clear direction and actions they can own and realistically complete.
- Ongoing dialogue to refine and update goals and accompanying actions to fulfill them, ensuring calibration of initial plans and inevitable changes in direction and tactics for goal completion.

While these general guidelines are common in excellent organizations, the best-in-class enterprises follow a consistent set of practices that can be organized around four perspectives: strategic alignment, goal quality orientation, implementation process excellence, and collaborative coaching. This paper explores the key principles and actions successful organizations follow to make each perspective work.

Strategic Alignment: Making Sure Goals Focus on the Right Things to Do

One of the primary purposes of an effective goal management system is to motivate and focus individuals to perform to their optimal level of competence during a defined period (usually a yearly performance cycle). Ultimately the collective efforts of individuals must add up to positive organizational performance for an enterprise to succeed. Too often, however, organization strategies and goals are created and passed down to others wholesale, without a clear set of principles, without a clear understanding of the key requirements for meeting them, and without translation into meaningful, realistic targets and activities individuals can perform.

In many organizations, problems with goal management start at the top. Executives fail to articulate strategies with accompanying measures or key performance indicators that can be easily translated into goals. Some organizations overcome this problem by specifying a limited number of strategic initiatives each year or by creating a structured framework with key categories for managing performance. For example, Robert Kaplan and David Norton have created a performance measurement framework that applies both financial and strategic nonfinancial performance measures to support a more "balanced" view of organizational performance. Their four perspectives—financial, customer, internal business processes, and learning and growth, each with accompanying objectives, measures, targets, and initiatives—enable managers to follow a structured approach for translating strategy into productive action. While many organizations find orthodox application of a Balanced Scorecard challenging, the underlying principle of creating and consistently applying a structured framework to manage performance and accompanying goals is an important contribution.

No matter what method is used to define strategies, it is critical to translate them into the most important drivers for each particular work area and to transform measures of successful performance into goals that enable each individual to have a clear line of sight about his or her contribution to overall organizational performance. Goal cascading requires a clear process and guidelines at each level of the organization about what not to cascade, what to cascade unchanged, and what to add beyond the cascade. Even skillful cascading, since it drives accountability down through the organization, can cause suboptimal performance related to the potential conflicts across groups or functional areas. Best-in-class goal management systems refine their cascading process by reconciling conflicts and redundancies and leveraging goal synergies across groups through cross-functional calibration meetings.

While initial goal cascading ensures that the "look down" in organizations passes accountability to individuals effectively, it is important to remember that alignment is a reciprocal set of interactions—with transparent, fully communicated updates on business strategies and related changes in goals cascaded frequently; and with open, upward communications about problems and opportunities for improved performance that reach and are acknowledged by top management. This feedback loop is one of the most important attributes of successful goal management systems.

Goal Quality Orientation: Structuring Goals for Optimal Impact

While focusing goals on areas critical for organizational success represents a key first step, the actual content of a goal is equally important in producing impact. Goals should be defined at a level above an isolated activity or job responsibility (for example, "taking a training class" and "completing monthly reporting on time" do not constitute goals) and should focus on a critical few opportunities to contribute to the organization. In many instances, managers either set unrealistic goals (too many that are too hard to implement realistically) or replicate job accountabilities or baseline activities in goals. Both extremes cause problems. Goals are meant to be both challenging and focused. To support setting realistic but challenging goals, the content can be refined using four parameters.

- Value chain focus
- Type of measures
- Measurement practicality guidelines
- Goal structuring criteria

A value chain is a set of business processes executed in a defined sequence. An indicator is a metric whose main task is to point toward a certain situation or aspect. A leading indicator is one that mainly refers to future developments and drivers or causes. A lagging indicator mainly refers to past developments and effects or results (that is, it reflects history and outcomes of certain actions and processes).

Leading indicators mostly refer to the beginning of the value chain and reflect the drivers and/or causes of value, whereas lagging indicators mostly refer to the end of the value chain and reflect the effects of certain measures, decisions, and actions.

Organizations often focus on the wrong part of the value chain in creating goals. Leaders tend to prefer lagging indicators because they are easier to make more specific and objective and because they focus on results. Unfortunately, an exclusive focus on lagging indicators looks at historical data and ignores process and intervening variables that may be critical for success.

FIGURE 1:

Characteristics of Leading versus Lagging Indicators	
Leading Indicators	**Lagging Indicators**
Proactive	Reactive
Future-looking	Past-looking
More process-focused	More outcome-focused
More strategic	More tactical
Longer-term focus	Shorter-term focus
Future-oriented	Past-oriented
More qualitative	More quantitative
Harder to make SMART (see discussion below)	Easier to make SMART

The best goal setting approaches encompass a clear understanding of the ways core business processes interact to produce business value; identify the key levers in the value chain that increase competitive advantage; and define the elements of the value chain that can be affected by various groups and individuals. This broader understanding is an important start for the goal setting process, since it leads to a more realistic and balanced mix of measures that inform goals. In top-performing organizations, goals are balanced to produce both near-term, objective results and future capabilities aligned with strategy. Figure 2 provides examples of leading and lagging Indicators.

FIGURE 2:

Examples of Leading and Lagging Indicators		
Focus Area	**Leading Indicators**	**Lagging Indicators**
Personal Health	Exercise program completion level	Heart disease rate
Sales/Marketing	Marketing campaign implementation completion level	New product sales
Sales	Customer visits/leads	Sales revenue
Safety	Compliance with safety standards	Accident rate
Manufacturing	Preventive maintenance schedule compliance	Manufacturing line uptime
Customer Service	Customer complaint responses	Product returns
Talent Management	Key developmental experiences completed	Competency change accomplished
Coaching	Number/quality of coaching conversations	Employee retention/motivation level

Another common problem organizations encounter in designing approaches to goal management is creating goals with structures and measures that are too complex or hard to manage. It is far more effective to develop fewer, simpler goals and to focus more on goal quality and execution. Defining measures for goals that are meaningfully linked to individual, team, and organizational performance is a starting point. Figure 3 shows typical types of measures and examples of associated metrics.

FIGURE 3:

Typical Types of Measures and Associated Metrics	
Type of Measure	**Examples of Metrics**
Quality	▪ Error rate ▪ Customer/client feedback/satisfaction (interviews, surveys, etc.) ▪ Employee satisfaction ▪ Conformance to requirements or specifications ▪ Compliments or complaints ▪ Brand/product recognition
Quantity	▪ Usually expressed as the amount of work completed within a time period such as units per day, calls per hour, or shipments per quarter ▪ Skills level/acquisition ▪ Expenditures ▪ Sales achieved ▪ Services provided ▪ New products introduced ▪ New customers acquired ▪ Sales activity ▪ Market share ▪ Margins
Cost	▪ Budgetary guidelines met or exceeded ▪ Overtime costs incurred ▪ Dollars spent or saved ▪ Cost of good/material
Timeliness	▪ Schedules met ▪ Deadlines met ▪ Specific timeframes met
Efficiency	▪ Reduction in cycle time ▪ Elimination of waste ▪ Elimination of unnecessary steps

To simplify the definition of metrics and ensure they are applied more consistently, some organizations develop specified goal types and a pick list of prestructured goals or metrics for various categories to support setting higher-quality goals.

In theory, goals with very specific metrics are easier to monitor and implement. In practice, however, metrics need to be recorded in order for results to count. So, managers need to create goals while applying metrics that are easy and cost-effective to gather, easy to interpret, timely, and precise enough to drive effective decisions. At the tactical level, many organizations use “SMART” criteria to support discussion between managers and team members so as to improve the quality of negotiated goals and ensure they are documented clearly.

- Specific: excellent objectives are described in specific, discrete terms.
- Measurable: each objective includes objective criteria that can be monitored by available data (e.g., time, cost, quantity). Specific performance indicators clarify the essential attributes of each goal. Possible measures for completion include quality, quantity, cost, timeliness, and customer satisfaction.
- Achievable: objectives focus individuals on specific actions they can perform and challenge them to excel.
- Realistic: objectives consider context; they are framed according to realistic opportunities and barriers posed by day-to-day business issues.
- Time-bound: objectives begin and end at specific times (and often include a timeline or goal path with landmarks over that period).

Each of these contributes to high-quality goal content. Applied together, they significantly enhance goal completion. Figure 4 summarizes factors that drive the quality of goal content.

FIGURE 4:

Optimal Measurement Characteristics

Characteristic	Positive Impact
Alignment with business strategies	Maintains focus on key drivers of organizational success
Optimum number of measures	Focuses on the critical few factors that enable realistic prediction of performance
Balance of leading versus lagging indicators	Balances measures for focusing on future options and analyzing past actions
Ease of measurement	Can be administered simply and with minimal effort
Cost-effectiveness	Can be gathered and analyzed with minimal cost
Consistency	Provides consistent data that is easy to interpret with each measurement
Right frequency	Provides meaningful data in a timely manner
Right level of precision or focus	Value generated is precise and valid enough to define information that can lead to productive actions
Integration with competency performance	Measures are supported by defined behavioral standards
Congruence with personal needs and preferences	Can be adapted to leverage factors that optimize individual motivation

Implementation Process Excellence: Following a Clear Path to Get Better Results

A clear path for managing goals is a vital component of a high-impact process. This should entail a clearly communicated, consistently followed set of steps. To start the process of ongoing conversation, set aside time to find out what matters to employees—their vision, purpose, aspirations—and listen with the sincere intention of drawing them out. Begin building trust and a collaborative foundation by asking questions such as the following.

- Which organizational goals, strategies, and priorities for the coming year are most relevant to the work?
- What competencies are most important to support performance?
- Are there any special projects to which this employee's work will contribute? What specific contribution(s) can he/she personally make toward achieving these goals?
- What is realistic for him/her to produce?

Then, conduct a clear, unambiguous dialogue about performance expectations that matter to the organization and the individual. The manager's goal activities can be used as a starting point. For example, some goals for individuals are passed down directly and shared without change; some are a subset of a manager's goals; some capture a unique local contribution that is not part of a cascade. The maturity level of a person, process, organization, or available metrics also dictates how quantitative the goals and supporting activities should be. For example, less overall maturity means goals should be more qualitative. Then, make sure to create a case for action that links the goals to needs and wishes that are important to the person.

Next, create a plan specifying goals that fulfill SMART criteria and accompanying competencies an individual should focus on most, either to leverage performance or to address development needs. For each goal, articulate a clear statement by specifying the most essential driving action to fulfill it, the focus or target of the goal, and the key outcomes or metrics (that is, expected measureable results, by when). Supporting activities—usually the two to five critical few actions to reach a goal—should follow a logical order, focusing whenever possible on the critical path (goal path) that can give an individual a roadmap for completing the goal in discrete, achievable steps. Both goal statements and accompanying activities should apply SMART criteria.

Managers and employees should always strive to focus on the goals that make the most important contribution to the desired results and outcomes. As general guidance, goal plans should include from three to seven individual goals for the year. These should generally be linked to higher-level goals. Goal weighting (summing to 100 percent) can be completed either by the employee or the manager, but must be approved by the manager. Managers should make the ultimate decisions about the number, linking, and weighting of goals for their direct reports or organizations, while abiding by process guidelines whenever possible.

After completing the performance plan, the manager and employee should review it for completeness and practicality; and the individual should be enrolled in a specific commitment to action. As part of summarizing the planning process, the individual should be encouraged to solicit feedback from the manager and others (peers, customers, mentors) about performance related to targets and career development opportunities; and suggestions for how to improve goals. A specific conversation should be scheduled to ensure follow up.

Commitment to refining performance plans based on changing circumstances is important to reflect inevitable changes in situations, plans, organizational priorities, or operating requirements; individual assignments and/or promotions; or business conditions. And while goals represent a relatively stable set of expectations, no goal plan should remain unexamined or unchanged for a performance period.

Figure 5 summarizes the key steps for ensuring a robust implementation process.

FIGURE 5:

Implementation Process Summary		
Process Phase	**Process Steps**	**Description**
Setting the Stage	Clarify context	Discuss business realities and rationale for business strategies and goal approach.
	Review expectations	Specify roles and responsibilities, overall performance expectations for upcoming performance period.
	Explore individual needs and preferences	Conduct a genuine conversation to surface team member concerns, motivations, and capabilities.
Creating the Goal Plan	Create goal statements	Make the statement clear and simple, focusing on the essential outcome.
	Clarify goal path	Organize the activities supporting the goal in logical steps described with action verbs to create a clear, attainable path to reaching the goal.
	Individualize goals	Make sure the overall goal statement and supporting actions are customized to the individual's needs, preferences, and capabilities.
	Calibrate and gain commitment to goals	Conduct conversation(s) to refine each goal to conform to the local business realities; review, refine and transfer accountability for fully achieving the goal.
Setting, Monitoring, and Implementing Goals	Create plan for goal updates	Schedule update meeting(s) with a specific agenda and expected progress against goals to ensure follow up.
	Revisit goals regularly	Set up a process and clear expectations for improving and/or revising goals.
	Provide a "no surprise" evaluation	Provide regular feedback so that the performance review recaps earlier discussions.

Collaborative Coaching: Improving Performance through Distributed Accountability

After clarifying targets and supporting activities, the manager should lead a discussion to develop a clear contract about how the plan will be supported and fully realized. This mutual commitment should reiterate the roles and responsibilities of each party in the process and deepen the commitment by specifying guidelines for conducting the relationship, such as the following.

- Contexts for performance criteria are fully disclosed.
- Performance targets are considered reachable (e.g., realistic, clear path, appropriate supports).
- The manager is trusted as being genuine, consistent, participative, and fair.
- Manager and employee develop reciprocal, comparable stakes in the performance outcome.
- The employee's personal benefit is integrated into the performance plan.
- Concerns, problems, changes, and required updates are discussed openly and without judgment.

However, this should only be the beginning of an ongoing, shared dialogue. Too many organizations assume that optimal performance results from driving strategies down in an organization by making goal management operational. However, the ultimate attainment of individual goals, which accumulate into fulfilled organizational goals, depends on the day-today behavior and commitment of individual employees.

Enlightened organizations understand that managers and employees share a mission to create an empowering work environment in which team members creatively participate not only in fulfilling assigned goals, but also creating new targets themselves by initiating ideas and goal changes that produce more value for the enterprise. This means that organizations need to foster a mindset and opportunities for generating new ideas and actions. In best-performing organizations, day-to-day support for this attitude relies on the manager's ability to create collaborative coaching relationships with teams and individuals. The primary factors that support such relationships include full disclosure about organizational goals and their rationale; a clearly communicated collaboration for making a meaningful contribution that includes shared stakes; and open, two-way dialogue about problems and opportunities for improving goals and methods for achieving them.

Making Goal Management Part of the Way Work Happens

Developing and implementing a goal setting approach as part of performance management is a strategic initiative that requires persistent execution in stages over a period of years. In successful programs, most organizations stage changes to enable assimilation to their culture. Many failed efforts result from either trying to produce too much change too quickly, or failing to provide the sponsorship, resources, and ongoing commitment required to institutionalize new practices.

Even well designed goal management approaches can fail because they lack the support required for cultural and operational change. Providing special status, sponsorship, and extended support over time are often critical elements for integrating a goal management approach into normative practices. The example in Figure 6 illustrates a typical change management plan for implementing goal management in stages over a period of years.

FIGURE 6:

Sample Change Management Plan			
Change Phase Organization Impact Area	**Building a Foundation (Year 1)**	**Creating Sustainable Practices (Year 2)**	**Leveraging Human Capital Systemically (Year 3)**
Goal Setting Mastery	▪ Clarification of goal setting approach for individuals (SMART) ▪ Development of methods for linking individual and organizational goals	▪ Development and implementation of a consistent goal cascading approach	▪ Development of mastery around key principles and practices of goal setting (mix of leading/ lagging indicators; creation and application of goal types/pick list)
Process Mastery	▪ Establishment of common approach and process for whole organization	▪ Demonstrated ability to follow process consistently	▪ Positive suggestions from managers and team members for improving the process and practices
Organization Integration	▪ Enrollment of key stakeholders in approach ▪ Full understanding of approach and impact by end user groups	▪ Demonstrated ability of managers to take charge of the process ▪ Active participation of team members in process	▪ Acknowledgment by end users of individual and team benefit of the approach
Coaching Capabilities Mastery	▪ Clarification of coaching guidelines ▪ Communication and training for conducting the process delivered	▪ Consistent coaching conversations delivered	▪ Fully engaged, collaborative conversations and feedback provided throughout the year

Summary of Key Concepts

Focusing on what needs to get done is obviously a critical requirement for organizations, since delivering a valued product or service enables organizations to prosper. Specified goals provide the measures, the path and outcomes required for superior performance. They serve as a roadmap for achieving results, but should be managed carefully using defined guidelines that are integrated in the way people work. *(See Figure 7)*

FIGURE 7:

Summary Goal Management Guidelines
Perform a realistic analysis of the overall business reasons and barriers to goal management.
Create a business case for implementing a goal management approach.
Ensure adequate sponsorship and ownership.
Develop guiding principles for implementation.
Create a change management plan for the intervention.
Focus on integrating both the "what" (goals) and the "how" (competencies) into the performance plans.
Specify the process fully: policies, business rules and workflow, performance criteria, and roles in the process.
Test/pilot the process before broader rollout.
Provide vigorous support: resources and commitment to communication, training, and coaching capabilities.
Monitor and continuously improve the goal management process.

(See the following page for a management checklist that can be used to evaluate and monitor an organization's approach.)

Dimensions	Key Criteria	Critical Attributes	Level (H,M,L)
Strategic Align-ment	A focus on the "critical few"	■ A focus on the most important drivers for your work area ■ Narrowing of goal focus and number during the cascade (20, 10, 7, 4 or 5)	
	Planned se-lectivity in cascading	■ Clear rationale for what not to cascade, what to cascade unchanged, what to cascade in part, and what to add beyond the cascade	
	Refined interdepen-dencies	■ Clarification of potential positive synergies for goal completion related to other individuals or groups ■ Reconciliation of potential conflicts or redundancies across groups	
Goal Quality	Right process or value chain focus	■ A focus on the right part of a core process or value chain ■ The right mix of leading, lagging indicators to drive current, future results ■ Coverage from the team for the critical aspects of core processes	
	Right goal types	■ A focus on the kind of measures that can drive business performance	
	Practicality of measurement	■ Sufficient availability and accuracy of data to track goals practically ■ Cost-effective means of gathering the metrics for tracking goals	
	Fulfillment of SMART criteria	■ Specific, measurable, achievable, realistic, and time-bound goals	
Goal Implementation Process	Personaliza-tion	■ Goals adapted to individuals' aspirations, preferences, and competencies	
	Engagement	■ Dialogue between individual and manager to ensure complete understanding and ownership of agreed upon goals and action plans	
	Collabora-tively developed contracts	■ Discussion to set up a realistic "contract" for fulfilling goals (roles, responsibilities, accountability for maintenance)	
	Plan clarity	■ Clearly specified goal plan ■ Documented completion steps/path	
	Maintenance plan	■ A clear plan for tracking, managing, and updating goals over the year	
Collaborative Coaching	Transparency	■ Full disclosure about goals rationale	
	Reciprocity	■ Clearly communicated stakes for both the manager and team member	
	Openness of feedback	■ Nonjudgmental discussion of problems and improvement opportunities	

About the Author

Dr. Stephen C. Schoonover is currently the President of Schoonover Associates, LLC, an organization that focuses on leadership development and competency-based talent management solutions. Dr. Schoonover has been providing consulting services in this area for over 30 years with organizations in virtually all business sectors, specializing in leadership and executive development, strategic human resource consulting, competency model building, assessment capabilities, and creating integrated talent management systems.

Dr. Schoonover has developed both individual talent management applications for the entire range of interventions from hiring and selection to employee testing and assimilation; from assessment and development planning to career and succession planning; from culture and workforce assessment to leadership program development; from performance management applications to goal management approaches; from coaching and feedback programs to competency-based compensation. In many engagements, Dr. Schoonover and his team have designed and implemented entire TM systems over a period of years.

Contact Us

If you want to explore our products and services related to leadership, career planning, talent management or competencies, you can go to our website at www.schoonover.com, or if you want to set up a time to talk to Dr. Schoonover directly you can complete the request form at our site, e-mail him at sschoonover@schoonover.com or call 434-259-1554.