

Setting Business Goals

So you have just finished the business plan for the next year, maybe even set some key targets for the overall business and now it is time to go through the painstaking process of setting goals for all the individuals who together have to make the business “promise” set out in those plans come true.

Despite it being a process which uses up valuable management time and effort most organisations at least try and be vigilant about how goals are cascaded through the organisation. We tell ourselves that setting aligned goals for people at all levels of the organisation is useful because:

- Employees can exercise discretion and judgement if they know what the end result of their work is expected to be
- A key component in building Employee Engagement (and therefore both employee retention and discretionary effort) is that employees understand how their work contributes to the overall goals of the organisation
- Employees generally want to do the right thing, but they need to know what that right thing is!
- Modern organisations are increasingly seeking to empower their employees. Clear and aligned goals and objectives are one of the few “control” mechanisms which are not in conflict with that outcome.

However, at the end of the year when we review those goals and the progress we made against them, and sometimes even as we are going through the process of setting them, we often have the feeling that the process we are using is “broken” and that our efforts are a waste of time.

Our chances of getting useful results out of the way we set goals and cascade them through the organisation depends on us following 3 rules.

Rule 1. Excellence in goal setting starts at the top

Setting business goals is a top down process and not an exercise in business place democracy. Senior management must take ownership of the process and set the standards of how goal setting is undertaken.

This process starts with the organisation’s overall business plan and goals, it is this document which is the source of all subsidiary goals and objectives. If the business plan cannot be used to guide the creation of goals for *all employees in the organisation* then it is not fit for purpose.

The best business plans are those which provide a basis for making key trade-off decisions i.e. those situations where a number of almost equally valid courses of action are available and an employee has to make a decision based on which one is most aligned to the overall direction the organisation wishes to take. Employees generally have no trouble building lists of goals and objectives that are “good to do”, the very best business plans are those which help employees decide what things they can afford not to do!

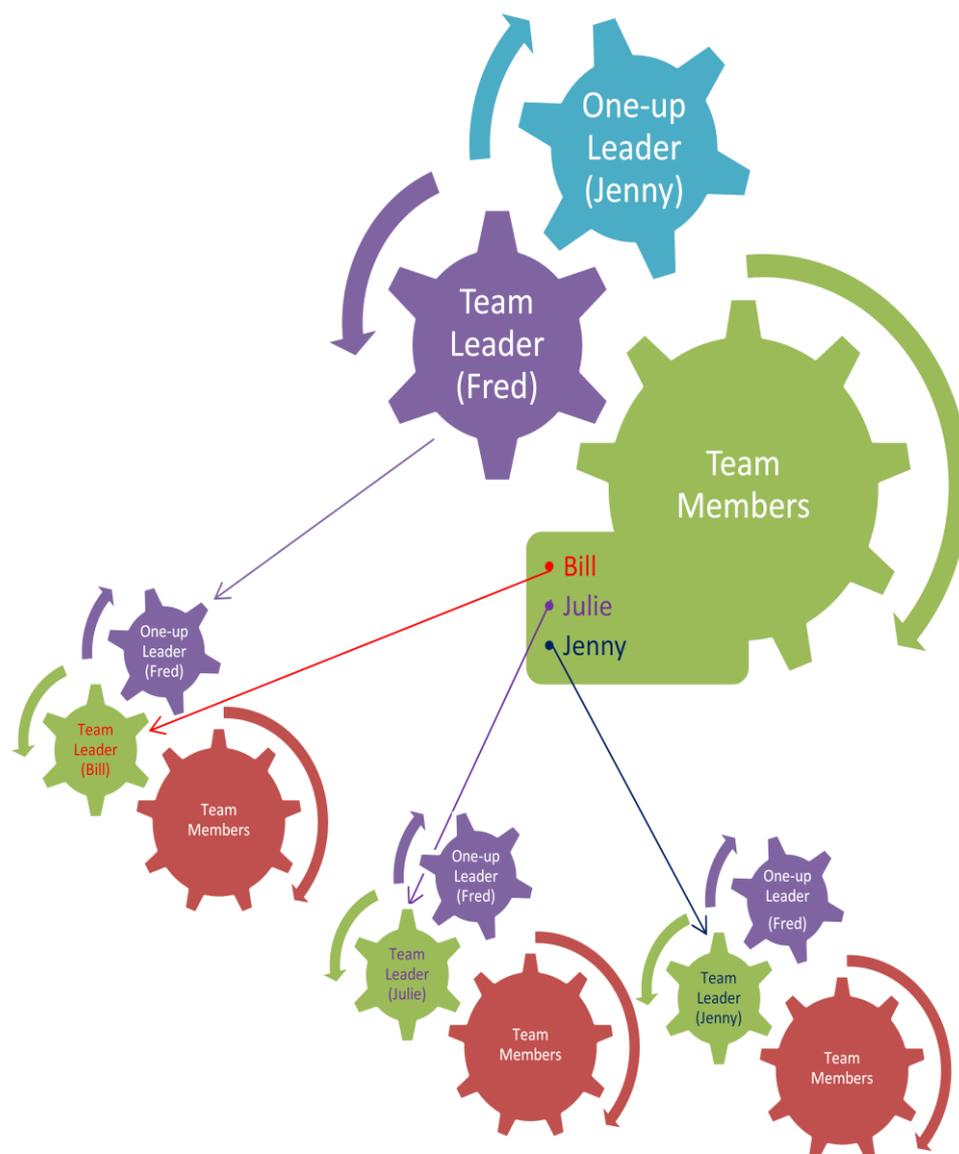


Rule 2. A weak link will break the chain

Business goals are like links in a chain. To keep the goals of staff at the lowest levels of the organisation (which are usually the people closest to the customers) aligned to the organisations overall business goals there can be no breaks in the chain.

Teams work with their leaders to set the goals for the team – these make up the “promise” made by their team leader to his/her one-up leader. The process repeats itself the next level down – team members are now team leaders and work with their own teams to set goals to make good on the promise they set up with their own team leader. (see attached)

The “one-up leader” is involved each time goals are cascaded down to make sure that goals stay aligned i.e. that there has not been a break in the chain.



Rule 3. Goals have to be well designed

And finally individual goals themselves need to be meaningful and useful.

A popular test for this is whether the goals meet the SMARTA test i.e. goals that are:

Specific

Measurable

Aligned

Realistic

Timebound, and

Agreed

A few traps to avoid

As well as these three rules there are 4 traps that we often fall into when cascading goals through the organisation:

1. ***Why can't they just get on with it?***

Don't let the executive team spend 3 months working intensively on the business plan and then expect the rest of the organisation to take only 2 weeks to understand it and buy into it.

2. ***I haven't got time***

Don't be too busy to spend the time to get this right. Time spent on setting business goals up front will save much more time during the year that follows.

3. ***The real world is not perfect***

Be disciplined about the process, but don't expect that everyone can come up with perfect SMARTA objectives for everything they do.

4. ***Business as usual***

Don't forget goals for "business as usual". When we set goals we tend to focus on one-off projects even though they are often a small proportion of our work for the year.

