Fewer.
Bigger.
Stronger.

The Secret to Setting Great Goals
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While the popular dialogue is focused on ratings, ranking and reviews, the power in performance management comes from great goal setting. Invest your time productively by building your organization’s capability to set fewer, bigger and more powerful goals.

Start with the Science
As always, we start with the science and there’s powerful science to help us to set great goals, including the facts that:

• **Goals deliver better results than no goals**: It’s a bit intuitive but it’s also been tested and proven that giving someone a specific goal results in higher performance than merely asking them to “do their best.” In short, goals motivate performance. Those who argue that we don’t need performance management ignore this fundamental truth.1

• **Bigger goals create bigger results**: Individuals respond to additional challenge with additional effort, so every goal should be set to the maximum level of stretch.2 Most goal setting leaves performance “on the table” because we aren’t challenging employees to high enough performance. A bigger goal does not translate into more work, just more focus on the few things that matter most.

• **It doesn’t matter who sets the goal (kind of)**: People will deliver similar results whether they set their own goals or someone sets their goals for them. In theory, this means that it shouldn’t matter who starts the goal setting process, but we have a strong preference for managers to lead this process and we describe why below.3

Set a Strong Foundation
We strongly recommend that you have an executive Talent Philosophy in place before designing performance management to ensure that your design reflects what your executive team will support. A talent philosophy is
your executive team’s beliefs about how talent should be managed to achieve the business strategy.

If you don’t know their views on the relative importance of behaviors, differentiation, performance, etc., when you design the process, it’s far more likely they won’t support the final result. You can learn more about talent philosophy [here](#).

**Set Great Goals**

Setting brilliant goals takes effort but it’s well within the capability of every one of your managers. Here’s how to make it happen:

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**An employee’s goals should represent the most meaningful promises they are making to the company.**

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1. **Get Aligned**

   It’s the question most HR professionals get wrong in our quiz of *The Science of Performance Management*. Many believe that employees should set their own goals, and they ascribe any number of benefits to that choice from more motivation and better task alignment to higher performance. To our note above however, the science is clear that who sets the goals does not matter.

   Our point of view is that managers are best positioned to both translate requirements from the level above them to the level below them and to set goals with greater stretch than the employee would naturally include. For that reason, we recommend manager-led goal setting to ensure alignment and stretch.

   Manager-led means clarifying for direct reports the three or four large goals for the group and asking the employees to identify three or four big commitments they’ll make to achieve those goals. It doesn’t mean that the manager tells their direct reports exactly what their goals should be.

2. **Make them Fewer and Bigger**

   In many organizations employees’ goals resemble project plans, task lists or job descriptions, not the few, largest contributions they can make to the company’s success. Since we know that bigger goals get better results, an employee’s goals should represent the most meaningful promises they can make to the company for that performance cycle. You can help managers get there by:

   - **Set a limit of 1 – 4 goals**: We’ve found that limiting the number of goals is the essential starting point for creating great goals. The logic of fewer goals is that, while we’re all busy and working on important things, none of us has more than four truly meaningful things to get done during the year.

      Identifying those few things provides clarity and direction. It doesn’t mean there aren’t other important objectives to accomplish. It simply says that these are the contributions that will most differentiate someone’s performance.

   - **Prioritize**: Getting to a few goals typically requires employees to prioritize and combine their activities into fewer, more meaningful objectives. Two helpful tactics for prioritizing are:

     - **Compress activities**: It’s easy to become so focused on project plans or big activities that we lose sight of the true objective that employees are trying to achieve. Compressing goals involves combining smaller goals or activities into a larger, more meaningful and potentially impactful goal. Sometimes that means asking “What’s the largest possible benefit these activities could deliver?” or “What’s the ultimate outcome that you’re trying to reach with these activities?”. Employees sometimes resist this activity because they want credit for activity (even big activity) rather than results.

       Your job as a manager is to elevate their thinking to help them see the metrics and achievements that truly matter. For an example of how this process works, see “Box 1: Compressing Goals.”

     - **Rank**: Ranking goals allows you to take a list of important goals and identify the top three or four. The key question to ask when faced with a list of
10 – 12 goals is “Which of these goals represents the largest performance promise you can make to our organization this year?” or “Which of these goals will have the largest positive impact on the business strategy?”

3. Get Simple
Taking work and distractions out of the goal setting process benefits the organization and makes HR look more competent and business-focused. A few things that can quickly simplify the process are:

- **No behavioral goals**: If you take one of your three or four goals and assign it to a behavior, you’re saying that improving a behavior is more important than any other performance goal that could be set. Our perspective is that if behaviors need to improve, that can be stated without making it a goal. Many organizations formally incorporate behaviors into the review process, so there’s a specific opportunity to hold employees accountable for behaviors at review time.

- **No weighting**: Some organizations still allow managers to indicate how important a goal is by giving it a specific weighting (i.e. 24%, 40%). This adds complexity with absolutely no value. Goals may change in importance during the performance period. That invalidates weighting. Weighting also implies that calculating performance will be a formulaic exercise, which we strongly advise against. And, it’s quite simple to either list the goals in order of importance or just tell an employee which goal they should prioritize.

- **No classification**: There’s no benefit to forcing employees to write goals in specific categories because they correspond to a balanced scorecard, the four priorities of the senior team or some other framework. Goals should represent the few, largest contributions an employee promises to make. Those may be all in one category or spread across many, but forcing goals by category suggests that you’re trading off maximizing performance for alignment with an arbitrary framework.

- **Be SIMple, not SMART**: The classic SMART goal framework isn’t wrong, but you can set a very SMART goal that isn’t the big, meaningful, challenging goal that we described earlier. To reinforce that great goals should only capture the most important things, we prefer to say that goals should be Specific, Important and Measurable – SIMple.

4. Guarantee Great Goal Quality
The steps above will help managers set better goals but you’ll still want to ensure that goal-setting is working well across your organization. We assume that managers will review their direct reports’ goals but also recommend:

- **Selectively audit goals**: “We don’t want to be the HR police” say HR business partners when we suggest that they audit goals. Our response is “Shine up your badge” because there’s no larger impact that HR can have on the business than helping to drive higher performance.

  HR should be goal setting experts and know the business well enough to understand if goals are being set at a reasonable level of stretch and quality. Business partners should read through 10% to 15% of the goals set in their group or division. They should provide helpful, not punitive, feedback to managers about how these goals could be improved. When managers know that someone is paying attention to the quality of the goals they set, they’re likely to pay more attention to quality and stretch.

- **Goal Calibration**: Goal calibration is a fast and easy process to ensure the goals set by each team

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member have a relatively similar level of challenge and are aligned against the few big group objectives.

A calibration session can easily be built into a typical team meeting. In the session, each team member reads their three or four goals. The manager listens for a similar level of goal challenge and peers listen for opportunities for collaboration or areas of overlap with their own goals. Goals are adjusted after suggestions from the group.

You can’t correct for poorly set goals during performance reviews, so use these two simple practices to ensure great goals are set across the organization.

**Invest where it matters**

Setting great goals is the shortest, surest path to higher organizational performance. Doing it well requires believing that it truly matters and enforcing the discipline of goal setting with every manager in your organization.

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2. Ibid.

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**BOX 1: Going from Tasks to Goals**

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You’re the VP Product Management for AmbuSport, a maker of advanced prosthetics for para-athletes. It’s January 1 and you’re reviewing every team member’s goals to make sure you’re ready to launch the new BioPed V product on July 30.

The BioPed Product Manager, Suzy Smith, is responsible to ensure that the launch happens on time and at budget. On her goal list you see many activities but you’re not sure what results she’s actually promising.

**Based on the activities she has listed, tell Suzy what you think her overall goal(s) should be.**

1. Contract with new shipping company for BioPed V delivery to physical therapy facilities.
2. Work with manufacturing to conduct 20 live tests of BioPed V 12 weeks before launch.
5. Design product launch event at regional ParaOlympics.
6. Produce BioPed V for $1,400/each vs. $1,600/each company benchmark for similar products.
7. Ensure BioPed V sales staff is trained by July 1.

**Answer:** While Suzy has many important things to do, as the product manager her two big goals are 1) Launch BioPed V on time, 2) Launch BioPed V on budget. Goal 1 includes activities A, B, C and G, Goal 2 includes D and F, and each goal likely includes many other smaller activities. However, Suzy should be rewarded for achieving those two larger goals, not for completing the array of tasks that contribute to them.

The metrics are simple. For Goal 1, was it launched by the due date? For Goal 2, did she meet the budget?