

Developing SMART Goals

“Measures give rewards relevance, rewards give measures meaning.”

Goals serve as the basis for planning performance, determining priorities, allocating resources and assessing whether or not the corporation, business unit and individual were successful. The goal setting process involves employees and managers in arriving at mutual agreements on those things that need to be accomplished over a specific time period. Individual goals should link to the department’s goals, which in turn link with the corporation’s goals to ensure that efforts are aligned and resources (time, money and talent) are invested in the areas of greatest importance. Goals setting and the “check in” discussions (i.e., the periodic review of progress before the end of the performance period) create essential two-way communication. They also create opportunities to recognize important efforts and contributions, to reinforce desired behaviors and to identify roadblocks before they become barriers to goal achievement. Effective goal setting, tracking, assessing performance and rewarding performance achievements are core characteristics of every successful organization.

Why set goals?

- Goals provide a clear idea of what we are trying to achieve.
- Goals enable us to allocate resources (time, money and talent) to where they will provide the greatest value.
- Goals allow us to measure and reinforce our progress.
- Goals enable us to reward those who make a meaningful contribution to the organization’s success consistent with their performance.

How do we get started?

Once you understand the company and your particular functional areas’ goals, identify the key areas where you want to set a goal. With this defined, start with an ACTION VERB to define what needs to be accomplished, and refine it with how much, how and/or by when. Example actions verbs include:

- To increase something (revenues, profits, customer satisfaction, on-time delivery)
- To make/create something (products, services, relationships)
- To obtain/achieve something (volume, sales results, new customers, expanded service agreements)
- To improve something (processes improvements, productivity, relationships)
- To reduce something (risk, expenses, error rates, time to)
- To save something (time, money, space, energy)

Effective Goals have “SMART” Criteria

Specific – *well defined outcomes*

Define what needs to be achieved in a clear manner necessary to meet fully competent performance requirements for the position. The person should be able to understand what actions are necessary to achieve the desired outcomes.

Meaningful – *measures that make sense to the individual*

Identify goals that are important to the individual and the organization’s overall capabilities or performance. The goals should clearly be within the individual’s sphere of influence (i.e., no one has control over any area, but they should be able to influence the factors that achieve the desired performance).

Achievable – *realistic criteria*

Determine the level of performance (i.e., stretch) to be reached so that the goals are perceived as both achievable and challenging (a rule of thumb is to set the goal at 60% - 70% probability of achievement at the fully competent level). Determine the frame of reference for setting the goal, such as improvements from the prior year, comparison to established standards, or that which is strategically important to the corporation.

Reliable – *verifiable measures*

Determine how the performance or goal achievement will be measured and verified in either quantitative or qualitative terms that are cost-effective for the organization.

Time-bounded – *answers “by when?”*

Identify when the performance should be achieved, especially if this is not obvious by the nature of the goal. This should define the milestones or progress reference points.

Examples

Example #1

New product/service introduction:

Ineffective Goal:

- To introduce new products/service.

Effective Goal:

- To introduce 4 new products/services to my 5 key customers by ____ (date)

Example #2

Customer Service:

Ineffective Goal:

- To maximize customer satisfaction by the end of the year.

Effective Goal:

- To achieve customer satisfaction ratings of 90% by ____ (date).

Key Tasks to Developing SMART Goals:

1. **Define the area for the goal:** revenues, sales, unit volume, account management, product introduction, cost reduction, productivity improvement
2. **Choose an action verb:** increase, decrease, reduce, improve, deliver, achieve
3. **Define the object:** what you seek to achieve, improve, or obtain that shows an improvement in performance
4. **Identify how much:** the level of desired performance and the reference on which it is based; determine a range of goals from “threshold” (minimally acceptable performance) to “exceptional” (clearly beyond expectations)
5. **Identify by when:** time frame for completion of goal
6. **Limit the number of goals to between 3 to 5, 7 is ok if necessary:** one needs to achieve the right level of balance that provides focus and yet provides the person the freedom to act according to what is best for the overall organization. A few key, strategically important goals is better than many, highly specific goals.

Questions to Ask to Help Refine Your Performance Goals:

- ✓ How clear is the outcome related to this goal? To what extent does the person know what actions are needed to achieve this goal? (Specific)
- ✓ How does it align with the objectives and priorities of the overall organization? (Meaningful)
- ✓ How important is the achievement of this goal to the individual and corporation? (Meaningful)
- ✓ What is the probability of achieving this goal? What is minimally acceptable performance? What does “exceptional” performance look like? (Achievable)
- ✓ What are the indicators of progress for achieving this goal? What is the goal based on? (Reliable)
- ✓ Who are the individuals or departments affected by this goal and/or on which you are reliant for its achievement? (Reliable)
- ✓ When should this goal be accomplished? (Time-bounded)
- ✓ Are there too many or too few goals? Do they achieve the right balance between what is important to the organization and what is within the individual’s overall area of responsibility and freedom to take desired actions?