

Executive Goal Setting 101

How to Effectively Set—and Achieve—
Organizational Goals



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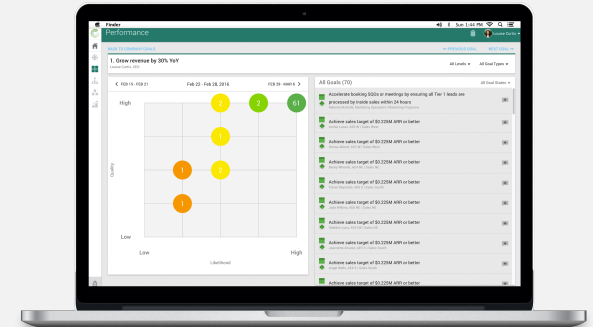
About this guide

This guide started out simply enough, as a short slide deck to help our customers create well-formed goals.

We hope you'll get good use of its ideas, which draw not only from the wisdom of established goal gurus but also from our own collective decades of experience setting goals at the executive level.

Setting corporate goals isn't a walk in the park — indeed, it can be pretty complex, and the companies that do it well are few and far between — but we hope this step-by-step approach will help you create a set of objectives that inspire your whole team to high performance.

This process works whether you use Khorus or not, but our software can give your team unprecedented focus and visibility as it sets and achieves its goals. To try it out, just drop us a line: sales@khorus.com or **1-866-KHORUS1**.



The background features several faint, light blue concentric circles of varying sizes, some of which resemble target symbols. A larger, more prominent target symbol is visible on the right side of the slide.

1

Why Set Goals?

“Goals are the most effective managerial tool available.”

—**Edwin Locke** and **Gary Latham**,
leading goal-setting theorists

Goals are the vital bridge between a company's long-term strategy and its day-to-day execution. Done well, they increase:

Organizational focus

Accountability

Employee Engagement

Business Performance



Goal setting works.

Here's the evidence.

Goal-setting results in a
36% increase in performance.



69% of leaders say well-communicated goals are a prime driver of employee engagement.



HARVARD
BUSINESS SCHOOL

Companies where employees can easily set clear goals are **4 times more likely** to be in the top quartile of business outcomes.

Deloitte.

Goals matter to everyone.

**CEO and
executives**



How will we execute our strategy?

Are people working on the right things?

Are we all rowing in the same direction?

Is performance on track right now?

What is expected of me?

How do I contribute to the big picture?

Am I making measurable progress?



Employees








2

Anatomy of Effective Company Goals

SMART goals are fine, but let's go further.

Advice to make goals "SMART" is everywhere.

But the SMART guideline is mainly useful as a final check — it doesn't help you select the best goals for your business.

					
	Specific	Measurable	Attainable	Relevant	Time-bound
	Grow the company	Launch new feature	Increase leads generated by 500%	Work 50 hours per week	Update demo servers
	Grow revenue	Launch new feature with 70% use rate	Increase leads generated by 30%	Write 3 blog posts per week	Update demo servers by end of Q2

5 Traits of Effective Company Goals

1

Aligned with
long-term
vision/
strategy

2

Set on a
quarterly
cadence

3

Limited in
number

4

Paired
with clear
measurements

5

Inclusive of
entire
organization

1

Align goals with long-term vision/strategy.

To create effective strategic goals, begin with a look at your desired future.

Later, we'll zoom in and think about how vision translates into concrete goals.



ZOOM OUT

- What is your vision?
- What is your strategy?
- What is your ideal position in 3–5 years?



ZOOM IN

- What short-term goals align with strategy?
- Which of these goals are critical?

2

Set goals on a quarterly cadence.

For most organizations, a quarterly cadence for goals works best. When you reset goals every 90 days, you can make significant progress but still readjust to changing circumstances.



“Companies that revisit goals quarterly are **3.5 times** more likely to be in the top quartile of business outcomes.”

Deloitte.

3

Limit the number of goals.

When everything's a priority, nothing is.

To increase focus, each quarter an organization should focus on no more than

5-7 goals.

More goals than that will dilute focus and cloud your view of company performance.



Of your 5–7 goals...

- ❑ 1–2 should relate to new initiatives.
- ❑ Remaining goals should be sustaining goals.



4 Pair goals with clear measurements.

Outcome Measurements

The outcomes that will signal the goal has been achieved (output oriented)

\$1M in revenue earned

20% increase in website visitors

Predictive Measurements

The activities that drive outcomes (input oriented)

20 sales calls per day

15 media pitches in March

All goals should be measurable.

Pair each company goal with at least one measurement, so everyone knows how to gauge success on that goal.

These are similar to key performance indicators or KPIs.

What does a good measurement look like?

1	Easily measurable.	Keep it simple. If you have to build a new system just to measure the measurement, it's probably not worth measuring in the first place.
2	Directly correlated to business performance.	Make sure measurements are tied directly to your company goals, and that those goals emphasize the fundamentals of business performance.
3	Predictive of future performance.	Measurements that tell you how well you're <i>going to do</i> are valuable—e.g., revenue is historical but sales forecasting accuracy is predictive.
4	Controllable by group being measured.	The measurement should, to the greatest extent possible, be isolated to factors controllable by the group doing the work.
5	Comparable to competitors' metrics.	Good measurements show your progress against competitors and account for any key metrics for your industry.

NOTE: Hardly any measurements will meet all of these criteria, but aim for as many as possible.

5

Include the entire organization.

Finally, an excellent set of company goals includes the entire organization, meaning that:

They are **not over-focused on financial targets**, neglecting other strategic priorities like customer engagement, talent development, etc.

We'll look more closely at how to create goals across the entire business in part 3.

They are **balanced so that every department can contribute meaningfully** to at least one company goal.

This will become important when we align goals companywide in part 4.

Sample set of company goals

Goal 1	Launch mobile app Measurements: <ul style="list-style-type: none">• G/A released (y/n)• 5,000 daily active users by quarter-end	Goal 2	Make key hire in sales Measurements: <ul style="list-style-type: none">• Leadership team's network tapped• Sales leader with excellent track record accepts offer	Goal 3	Grow user base Measurements: <ul style="list-style-type: none">• 10,000 net new users• Churn reduced by 10%• Onboarding process simplified
Goal 4	Build employee engagement Measurements: <ul style="list-style-type: none">• Q¹² score of 4.6 attained• Survey workforce for feedback• Implement monthly CEO townhalls	Goal 5	Secure major strategic partnership Measurements: <ul style="list-style-type: none">• Partnership closed with key partner (y/n)• Outreach campaign to top 10 partners• Partnership objectives drafted	Goal 6	Continuously improve operational excellence Measurements: <ul style="list-style-type: none">• Measured at department level

✓ Supportive of strategy

✓ Limited to 5–7 total

✓ Paired with measurements

✓ Quarterly cadence

✓ Only two initiatives (1 and 5)

✓ Supportable by entire org

Watch out!

Common Goal-Setting Pitfalls

1

Overdoing Stretch Goals

Goals should be challenging, but not unattainable. If all the company goals are moonshots, goal achievement will be unpredictable and employees may become demotivated

2

Goals as Ends, Not as Means

The point of setting goals is to drive performance, clarity, and collaboration — they are a means of achieving organizational health. Don't just set a few arbitrary goals for the sake of having set goals.

3

Opportunity Blindness

Don't let goals give you tunnel vision. While goals do give you focus, it's also important to re-evaluate them as new opportunities arise. As they say, no plan survives first contact with the enemy.

4

Linking Goals to Pay

If you link salaries and bonuses to goal achievement, you may (a) decrease employees' intrinsic motivation, (b) tempt people to inflate their results, and (c) discourage candid conversations about goals.

5

Trying to Capture Every Task

Organizational goals should articulate priorities — the activities and outcomes that are vital for success. They are not meant to capture everything everyone does across the company day to day.

3

Choosing Your Company Goals

Where do I start?

Generate goal ideas by thinking through the **6 areas of the business**.

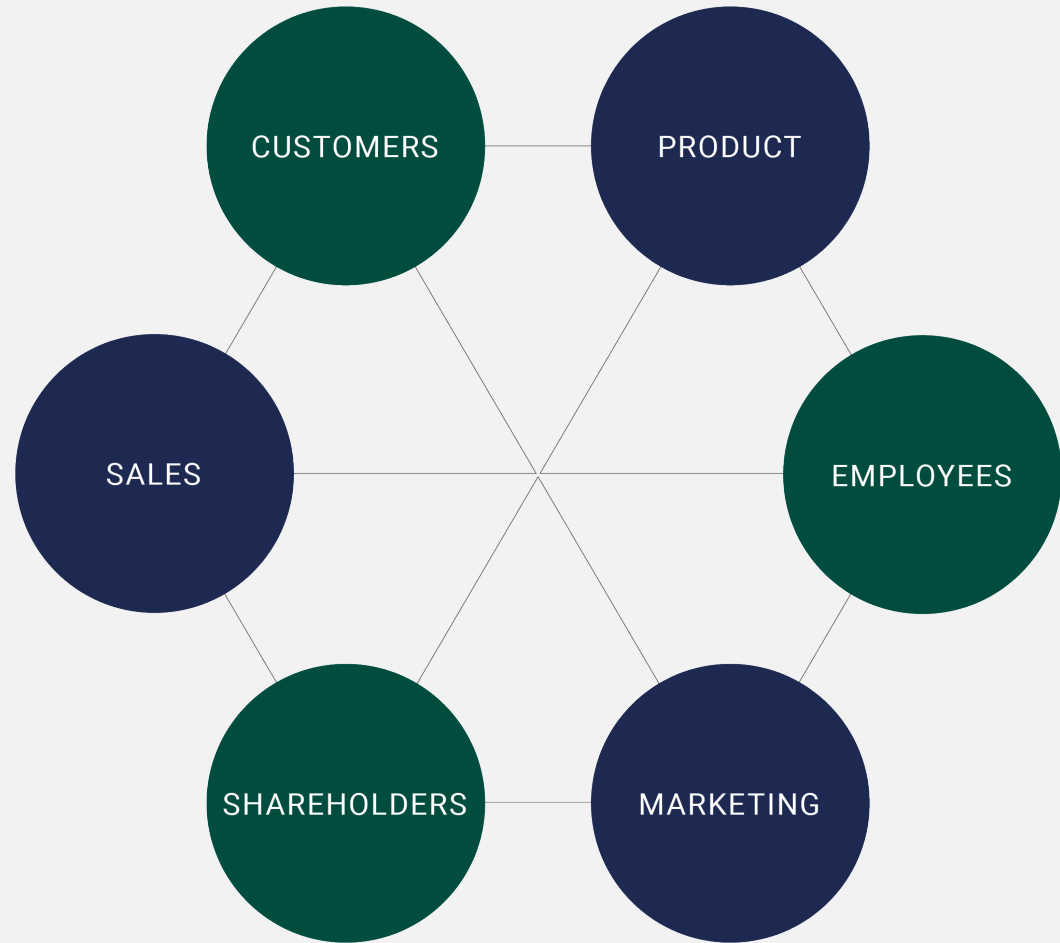
3 core constituencies:

- Customers (VP Customer)
- Employees (VP HR)
- Shareholders (CFO)

3 core functions:

- Sales (VP Sales)
- Marketing (VP Marketing)
- Product (VP Product)

What goals are most critical for each area?



Ideation exercise

Put someone else in your shoes.

Finding yourself stuck on the right goals to set this quarter?
Create **psychological distance** by asking yourself this question:



What would you tell someone else
in your position to do?

Were you removed from this time and place, with the outcome uncertain, what would a capable person do as the head of this company?

Jot down your ideas. You'll be surprised at what you come up with.

Done?

Now, assess your set of goals.

- Do these goals fit the 5 criteria covered in part 2 of this guide?
- Do these goals form a comprehensive picture of company success this quarter?
- Will these goals inspire the team?
- Are the board and leadership team bought in to these goals?

4

Aligning Goals

The alignment challenge

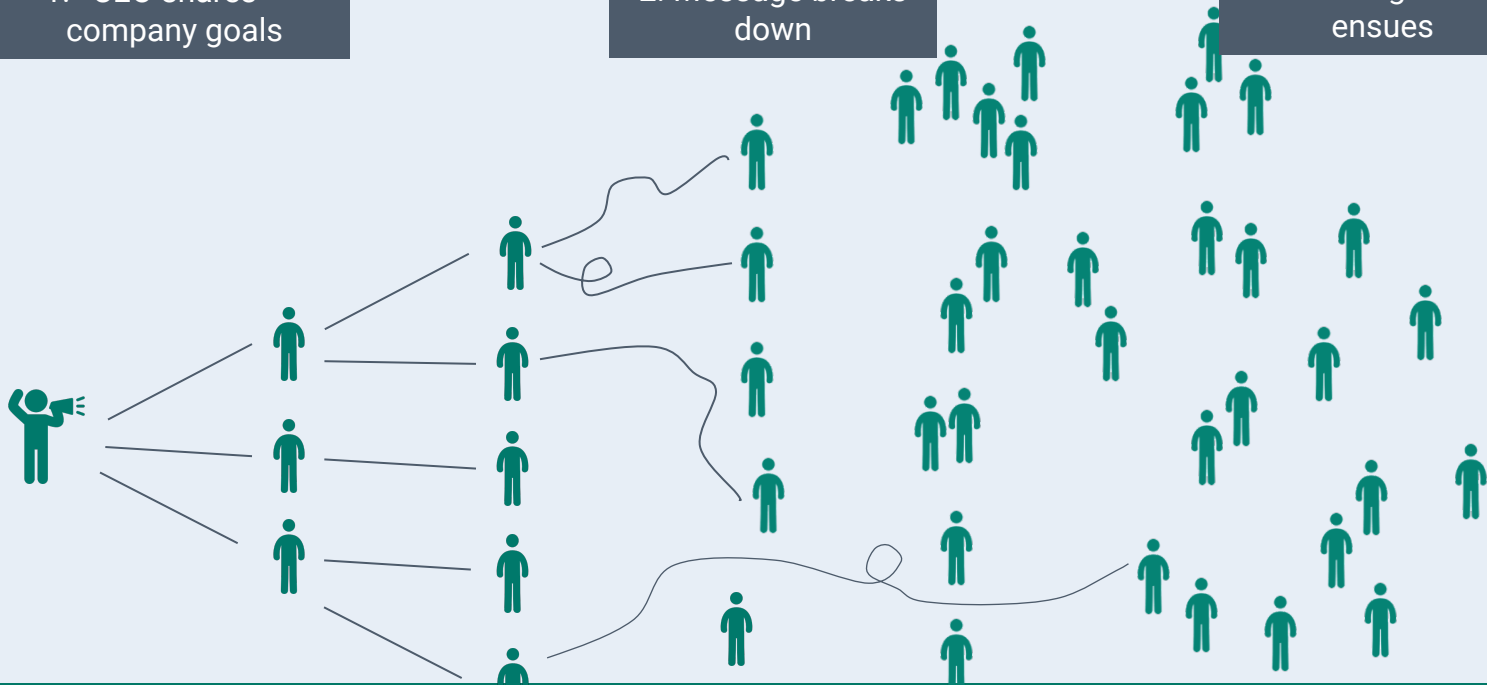
Getting everyone on the same page about company goals is difficult enough when your company is at 25 people. Consider the challenge as the organization grows.



1. CEO shares company goals

2. Message breaks down

3. Misalignment ensues



The goal alignment process

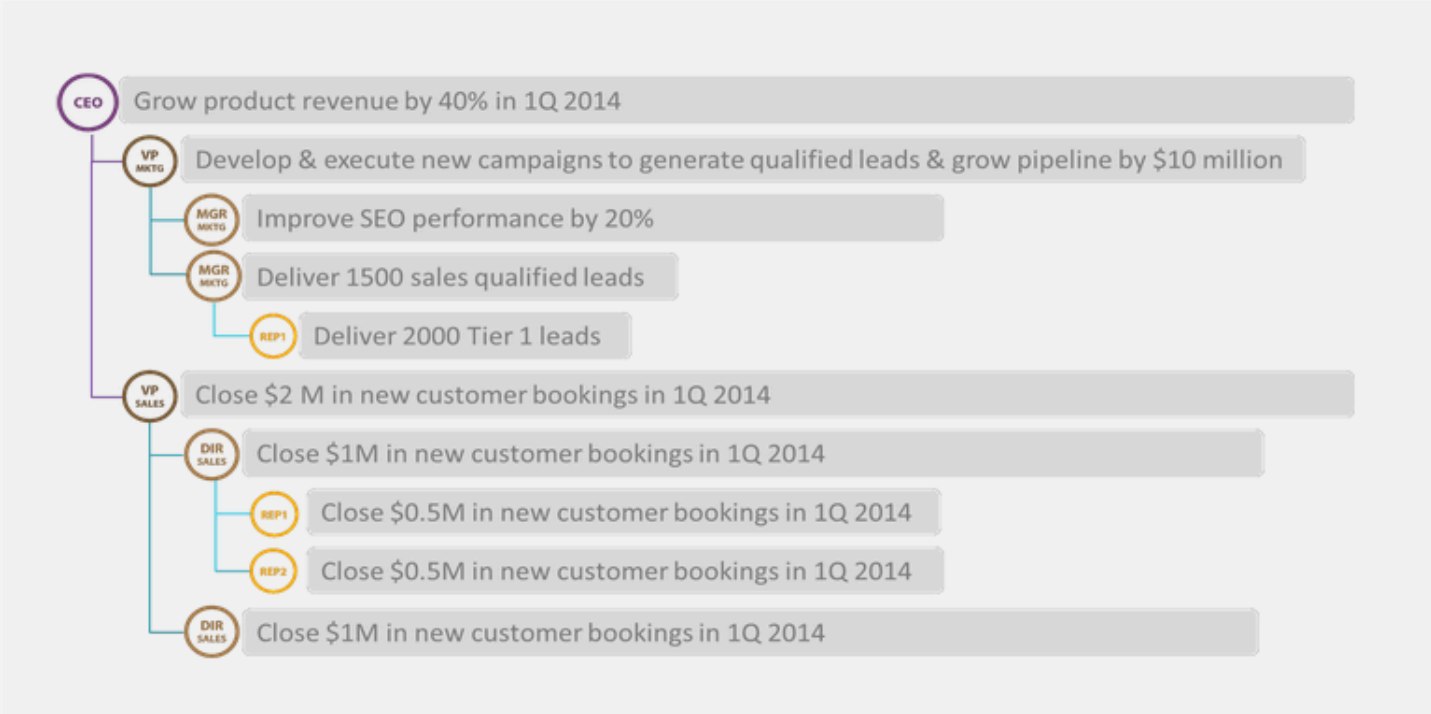
Now that company-level goals are set, everyone in the organization should create their own set of supporting goals.

Step 1: CEO communicates goals to entire company, explaining why they were chosen.

Step 2: Department heads set goals for their group in support of company goals.

Step 3: All employees work with manager to co-create their own set of goals for the quarter.

Aligned Goals



Goal alignment guidelines

Communicate early and often about company goals.

It's vital that the CEO communicate to the entire company about the goals selected for the quarter. He/she cannot just share them once but must constantly reinforce them.

Give employees autonomy.

Once employees understand the purpose and strategy behind company goals, they should be able to draft their own set of goals. Managers should have final approval, but should not write employees' goals for them.

Don't require rigid "cascading."

Ideally, most team and individual goals will support higher-level goals. However, it's all right for departments to have standalone initiatives or for employees to have goals that don't directly tie to their manager's.

Emphasize that goals are about shared performance.

Explain to everyone that the goals process is important NOT because leadership wants to rank or punish employees. Rather, it's about keeping the whole organization on the same page and invested in shared success.

Goal alignment: The light option

If your company doesn't have established goal-setting practices, simplify the process starting out:

1. Set 5–7 company goals.
2. Communicate company goals to the entire team.
3. Have every employee set just **1–2 goals for themselves** in support of company goals.

Setting even one or two aligned goals can help employees see company strategy reflected in their daily work.

As your goal sophistication grows, you can work toward each team and person having their own set of 5–7 performance goals.

5

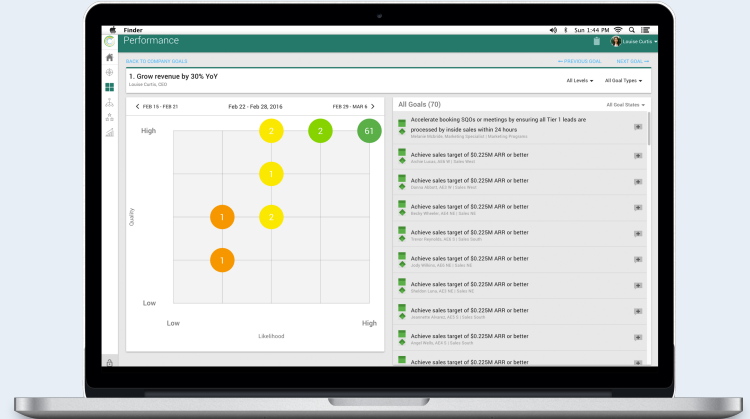
Driving Performance with a Goals System

If you want consistent performance, you need a goals system.

What do we mean by a “goals system”?

We mean that you need a system for ensuring that goal setting isn't a set-it-and-forget-it exercise. As we'll see in this section, a good goals system should:

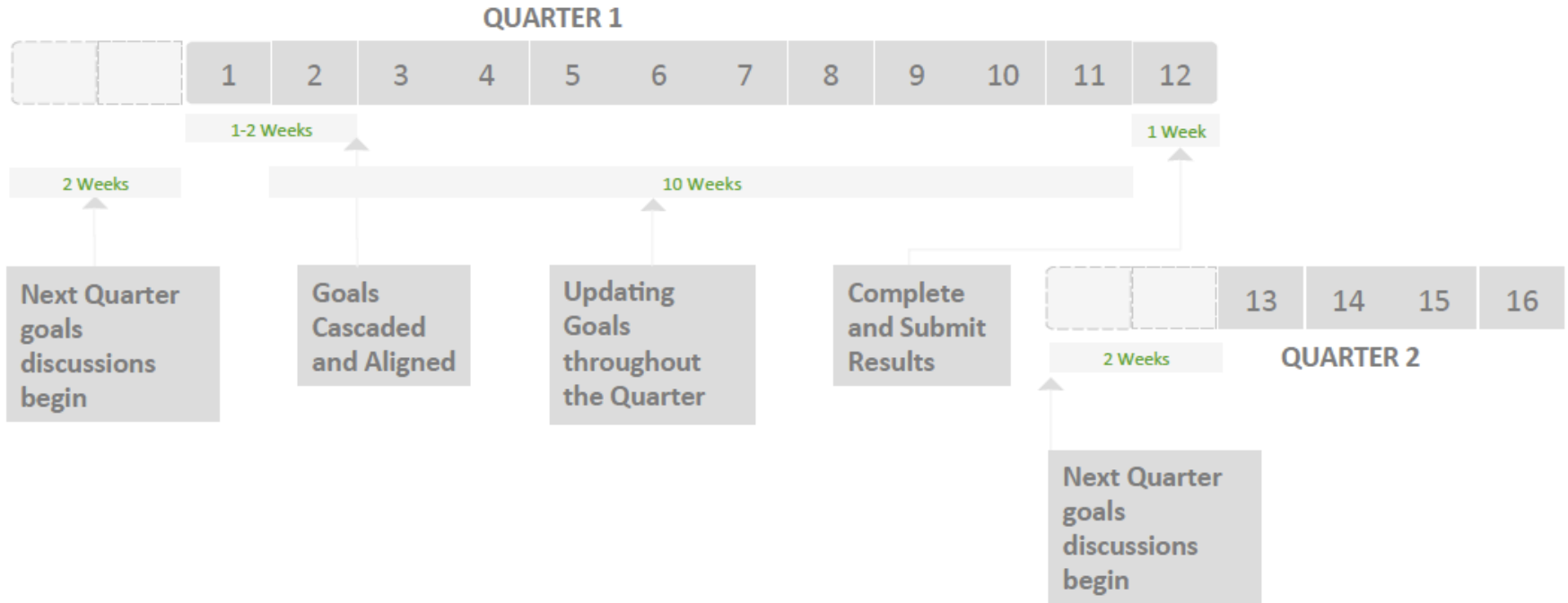
- ❑ House all company, team, and employee goals, transparent to all.
- ❑ Be updated regularly by goal-holders with predictive insight.
- ❑ Reset each quarter and adjust to new circumstances.



Khorus — a SaaS solution created to help CEOs and leaders manage performance against strategic goals — gives you a full goals system out of the box. But whether you use Khorus or not, you'll need a system beyond the usual spreadsheets and email.

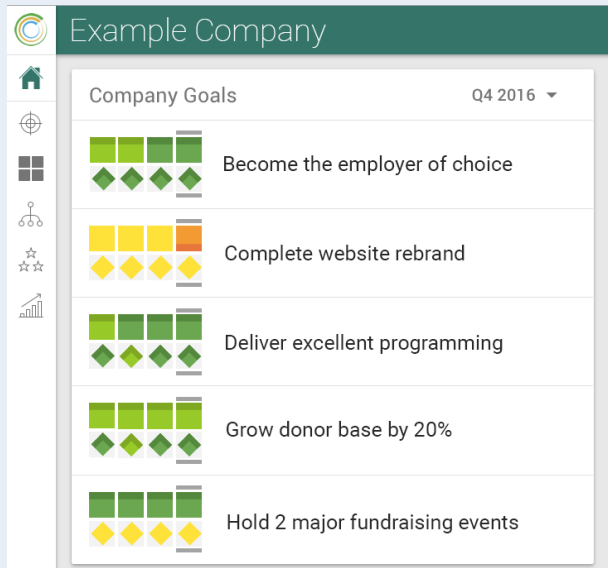
Goal system timeline

Here's how the system should play out over the quarter:



System requirement 1

Transparency on all goals



- System should house all goals, from CEO to frontline.
- System should be easily accessible to all, barring explicitly private goals, such as M&A.
- System should show performance updates (see next page) and, ideally, facilitate conversation.

System requirement 2

Regular goal reporting

1. Aim for weekly updates.

All employees should revisit their goals regularly and rate each one based on how it is tracking. Once per week works best for most organizations. Consider color-coded updates for quick understanding.

2. Ask for goal predictions.

Have employees rate their goals based on whether they PREDICT the goal will be achieved on time (vs. percent achieved so far or another historical metric). This taps their forecasting power and helps everyone know what to expect in the future.

3. Value insight over raw data.

For goal reporting to help the CEO lead the company, he/she can't sift through reams of functional data every week. Keep reporting simple. The CEO needs to be able to see the health of goals at a glance, and to know that updates are informed by the unique insight of the goal-holder.

Goal reporting in Khorus

Goal updated based on Likelihood of achievement and Quality of work so far:

Updates from all employees feed into the Performance Dashboard, where leadership can monitor all supporting goals of top corporate objectives:

Close 50 new customer contracts

Measurement

- Make 30 daily calls
- Average 7 follow-ups per lead

Predictions

04/ 10/2 10/9 10/16 10/23 10/30 11/6 11/13 11/20 11/27 12/4 12/11 12/18 12/25 12/31

Your update for week 1 ending Oct 2, 2016

How likely are you to achieve this goal?

Not at all Unsure Very likely

How do you feel about the quality of work done so far?

Very bad Okay Very good

1. Grow revenue by 30% YoY
Louise Curtis, CEO

All Levels ▾ All Goal Types ▾

< FEB 22 - FEB 28 Feb 29 - Mar 6, 2016

Quality

High

Low

Low High

Likelihood

All Goals (70) All Goal States ▾

- Accelerate booking SQOs or meetings by ensuring all Tier 1 leads are processed by inside sales within 24 hours
Melanie McBride, Marketing Specialist | Marketing Programs
- Achieve sales target of \$0.225M ARR or better
Jody Wilkins, AEB NE | Sales NE
- Achieve sales target of \$0.225M ARR or better
Donna Abbott, AE3 W | Sales West
- Achieve sales target of \$0.225M ARR or better
Rosemarie Rogers, AES W | Sales West
- Achieve sales target of \$0.225M ARR or better
Norma Sims, AE2 S | Sales South
- Achieve sales target of \$0.225M ARR or better
Roger Shaw, AE1 NE | Sales NE
- Achieve sales target of \$0.225M ARR or better
Trevor Reynolds, AE6 S | Sales South
- Achieve sales target of \$0.225M ARR or better
Becky Wheeler, AE4 NE | Sales NE

System requirement 3

Resets each quarter.

When the quarter ends, the system should reset. Everyone should mark goals achieved or not achieved, reflect on the quarter, and then create new goals.

Asking the questions on the right will ensure that the whole team remains aligned and continuously refines itself.

- What did we learn this quarter?
- Did we encounter any surprises?
- Did any assumptions about the business change?
- How can we improve next quarter?

Results of a great goals system . . .

1

Alignment

With linked goals set for all employees, the organization can act as a cohesive entity instead of each group acting individually.

2

Engagement

Employees will be much more engaged when they understand what's expected of them and how they contribute directly to the goals of the company.

3

Predictability

Forecast-oriented goal updates dramatically reduce last-minute surprises and allow leadership to deliver predictable performance.

Appendix

Sample Goals & Measurements by Function

Following are some sample goals and measurements to get you started. They are by no means exhaustive, and your own set of goals will obviously be unique to your business. However, these examples may help you generate ideas and get further accustomed to the concepts in this guide.

Product Team

Sample Goals

1. Release GA of mobile app

- GA shipped by Feb 1 (y/n)
- Average 30 points per sprint
- 5,000 beta users by quarter-end

3. Expand development team

- 15 new high-performing developers hired
- Presence at 2 coder meetups per month
- Offer acceptance rate increased by 20%

2. Reduce bugginess of web app

- Bugs tracked in app reduced by 10%
- Customer-reported no-workaround bugs reduced to >5
- Reduce hung tasks by 30%

4. Redesign QA process

- QA efficiency increased by 10%
- Ensure new feature test and regression testing for all release cycles

Product Team

Sample Measurements

Outcome measurements

On-time feature/product launches

Revenue created per product

Active users (DAU/MAU ratio)

User adoption

User retention

Application performance

Bugs detected

Predictive measurements

Quality of code

Developer efficiency

QA efficiency

Process improvements

Hiring improvements

Training completed

Sales Team

Sample Goals

1. Generate new bookings

- Close \$15M in new bookings
- Average revenue forecast accuracy of 80%

2. Grow sales team in size and effectiveness

- Hire 10 top-performing reps
- Entire team completes Sandler training
- Attend 1 sales conference

3. Improve alignment with marketing

- Work with marketing VP to refresh lead-gen strategy
- Train marketing leadership on Salesforce.com

4. Launch sales plan for product ABC

- Plan drafted (y/n)
- Buy-in from marketing and product teams achieved (y/n)

5. Produce battle cards for all products

- All battle cards produced (y/n)
- 100% of reps have battle cards in hand by quarter-end

Sales Team

Sample Measurements

Outcome measurements

Bookings

Profit margin

Sales growth

Accuracy of revenue forecasts

Sales cycle length

Lead response time

Average new deal size

% of organization achieving quota

Win rate

Revenue from upsells

Cost of sales / revenue ratio

Predictive measurements

Sales plans launched

Rep hiring

Rep training

Process improvements

Calls per day

Meetings per week

Demos given

Events attended

Marketing Team

Sample Goals

1. Generate leads

- 5,000 marketing qualified leads generated
- Overall CAC below \$20

2. Optimize marcom website

- Grow unique visitors by 25%
- All new feature pages live
- Content audit completed

3. Develop GTM plan for mobile app

- Plan created (y/n)
- All stakeholders bought in to plan

4. Grow thought leadership

- 2 webinars with industry leaders
- Add 1,000 weekly email subscribers
- 1 mention in major media outlet

5. Research viability of nonprofit sector

- 10 discussions with nonprofit leaders
- Report completed by 2/1
- Decision on whether to pursue nonprofit sector made

Marketing Team

Sample Measurements

Outcome measurements

New customers

Qualified leads

Market share

Marketing-influenced pipeline

Brand awareness

Lead quality

Customer acquisition cost (CAC)

Customer lifetime value / CAC ratio

Advertising ROI

Predictive measurements

Events attended

Content produced

Product launch checklists
created/completed

Rebranding completed

Market research (original or third-party)

Marketing campaigns run

Ads run

Sales team trained

Customer Success Team

Sample Goals

1. Deliver world-class customer satisfaction

- 30 key customers interviewed
- NPS improved to between 40% and 45%

3. Reduce issue resolution time

- 24-hour response on all cases
- Add 2 members to support team

2. Support mobile app release

- Collaborate with marketing on outreach plan to customer base
- 40% of existing customers engaged with mobile app by quarter-end

4. Drive customer renewals

- Churn reduced by 10%
- Customer health scorecard developed

Customer Success Team

Sample Measurements

Outcome measurements

Customer churn

Customer usage rate

Free-to-paid customer conversion

Customer retention cost

Upsell and cross-sell rates

Net Promoter Score

Customer Satisfaction Score

Predictive measurements

Customer touchpoints per month

Quality support delivered

Customer interviews/surveys

Onboarding improvements

Support content created

Finance Team

Sample Goals

1. Achieve 25% net margin

- Top 100 highest-value customers identified
- Audit all cloud services used by company

2. Build 5-year financial plan

- Budget for next year created
- Revenue targets for next 5 years set with sales VP
- Hiring targets set with CEO and CHRO

3. Drive operational excellence

- Customer renewal process streamlined
- Budget-to-actual reporting implemented

Finance Team

Sample Measurements

Outcome measurements*

EBITDA

Net income

Revenue forecast accuracy

Budget variance

Profit margin (net or gross)

Working capital

Operating cash flow

Current ratio

Customer acquisition cost (CAC)

Earnings per share

Debt to equity ratio

*Last twelve months (LTM) versions of some metrics may be particularly useful.

Predictive measurements

Budgets completed

Training completed

Strategic plans created

Audits conducted

Accounts payable/receivable
processes improved

HR Team

Sample Goals

1. Meet organizational talent needs

- Annual top performer retention rate of 90%
- Reduce time to fill open jobs by 20%
- Implement performance-rating dashboard for leadership

3. Plan company volunteering event

- Survey team for event ideas
- 95% attendance on day of event

2. Become the employer of choice

- Offer acceptance rate of 85%
- Evaluate benefits package for market competitiveness

3. Deploy cloud-based HR system

- System deployed (y/n)
- 100% employee adoption by quarter-end

Sample Measurements

Outcome measurements

- Employee engagement scores
- Top performer turnover
- Time to fill open jobs
- % of workforce with low performance ratings
- % of offers accepted
- % of highly rated employees 2 quarters after hire
- Recruiting source yield
- Cost per hire
- Revenue per employee
- Benefits cost

Predictive measurements

- Job postings created
- Interviews conducted
- Employee surveys conducted
- Employer brand improvements made
- Process improvements made
- Employee development delivered
- Management training delivered



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