LEADING THOUGHTS

ARE YOUR GOALS HITTING THE RIGHT TARGET?

*Setting targets is normal in most organisations. **Alan Meekings, Steve Briault** and **Andy Neely** think such a practice can cause more harm than good. They offer a better way.*

Managers are fond of setting targets, whether tied to sales, service, productivity or profits. However, the advocates of target setting in the workplace and their critics seem unable to agree on any common ground. This is perhaps not surprising, as there is a clear contradiction between the arguments advanced by both sides. On the one hand, there is incontrovertible evidence of the damaging effects of arbitrary target setting. On the other hand, there is a significant body of academic evidence attesting to the benefits of goal-directed behaviour. So the obvious question is, "Can such a fundamental contradiction be resolved?"

Off target?

First, let's consider the critics, who argue that setting targets can be fraught with problems, such as if set too high, targets can create stress and de-motivation, yet if set too low, they can encourage complacency.

If imposed, they are unlikely to be 'owned' by those who have to deliver them, yet if negotiated, there is an incentive to press for lower targets that are easier to meet, thus creating tension and suspicion.

Targets cannot be established sensibly without knowing current and future process capability, whilst they offer no insight into how to improve performance. This leads to missing the real point, not least as targets are typically one-dimensional and reductionist (often based on averages or percentages) and fail to promote whole-system improvement.

The difficulty is they are likely to cover only aspects of performance that are simple to measure, rather than genuinely systemic indicators of performance. For example, access specifications (such as 80 per cent of all incoming phone calls must be answered within 20 seconds) are much easier to measure than true, end-to-end times, as seen from a customer's perspective, from service request to service delivery.

There are also views that they provoke cheating, including either distortion of the data or distortion of the process. The overall process of 'targets' is typically negative — destroying trust, warmth and personal responsibility within a relationship.

On target?

In contrast, the advocates of target setting point to sundry benefits, claiming that people perform far better with challenging goals than with easy, vague or no goals.

They claim that the theory behind goal setting is well researched, scientifically valid and highly useful.

There is also some evidence that goal setting can make people happier. For instance, experiments conducted by the Department of Psychology at Oxford Brookes University, linked to the Oxford Happiness Project, showed that depressed individuals who identified and then worked towards constructive goals became demonstrably happier through this exercise alone. It is argued that goal-directed planning initiates electrical activity in the frontal lobes of our brains, which also control our sense of happiness, and hence there appears to be a direct connection between goal-directed behaviour and happiness (all other influencing factors being equal).

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Goals gone wild

Within academia, these adversarial viewpoints are hotly debated. For instance, in the February 2009 issue of *Academy of Management Perspectives*, there were two completely contradictory articles in the same edition:

‘Goals Gone Wild: The Systemic Side Effects of Overprescribing Goal Setting’, and ‘Has Goal Setting Gone Wild or Have Its Attackers Abandoned Good Scholarship?’

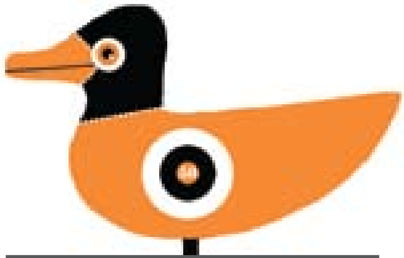
It is hard to imagine how academics could be more argumentative and polarised in one single edition of a management journal.

Sadly, it seems safe to predict that these two academic communities will continue arguing, since neither seems capable of moving beyond what they currently believe to be true. Moreover, this situation is complicated by the fact that annual budgets can inadvertently create arbitrary numerical targets.

A more productive approach

The good news is that it is possible to move beyond the two currently dominant perspectives on target setting toward a different, more fruitful way of thinking through six steps.

First, recognising the typology of targets. It is important to recognise that targets come in various guises: close-as-you-can targets; far-as-you-can targets; benchmark (or competitive) targets; and yes/no targets.



CLOSE-AS-YOU-CAN TARGETS

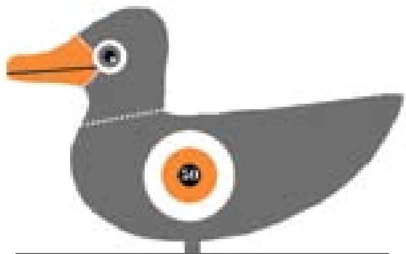
Typically based on idealised aspirations such as:
– Zero defects
– 100 per cent customer delight
– Exact conformance to specifications
– No cancellations of medical appointments
– No accidents
– Every arrow hitting the bull’s eye, in archery terms.

In practice, ideal performance will seldom be achieved. However, the aspiration of perfection is neither meaningless nor necessarily demotivating. Closer can be better and hence represent worthwhile improvement.

Targets of this kind serve to focus attention on what is important. They also replace notions such as ‘acceptability’ or being ‘within specifications’ with the concept of continually striving for perfection.

Henry Royce, co-founder of Rolls-Royce Motors, was one of the first and most passionate advocates of this approach. As he frequently urged his workforce, “Strive for perfection in everything you do. Take the best that exists and make it better. When it does not exist, design it.” Taiichi Ohno, the originator of the Toyota Production System, was equally insistent that the pursuit of perfection is essential to identifying and stripping out waste in process design.

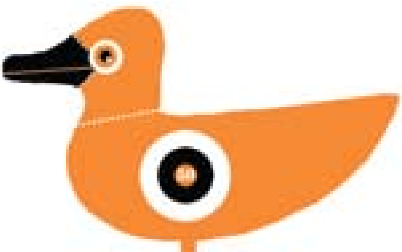
Following this logic is paramount in some industries; it can never make sense to aim for even a few planes to crash, a few newborn babies to be dropped in maternity wards, or a few parachutes not to open in service. In these circumstances, the aim must be to get as close as possible to perfection.



FAR-AS-YOU-CAN TARGETS

Typically relevant where more is better, and there is no limit to improvement, for instance:
– Maximising fuel efficiency
– Maximising return on investment
– Increasing the number of website visitors
– Treating patients as soon as possible
– Maximising distance achieved in sporting events, such as the long jump, shot put or javelin.

Estimating how far you can get will never be more than a guess, based on what someone thinks is achievable. Targets of this kind can become dysfunctional if their achievement is treated as an ultimate aim, rather than but one milestone on a worthwhile journey.



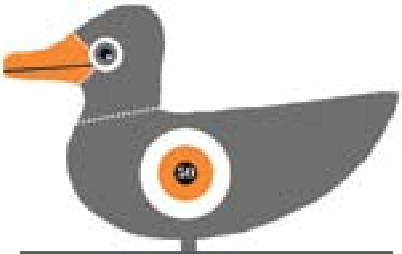
BENCHMARK TARGETS

Benchmark (or competitive) targets relate to aims that can only be measured relative to others, for example:

– Market share
– Election results
– Prizes (for example, award for best contact centre, etc)
– Individual and team sports, such as races or football matches.

Targets of this kind can be subdivided into: (a) benchmark targets (for example, share of market or share of the vote); and (b) win/lose competitive targets (for example, results of prize competitions).

With benchmarked targets, getting nearer to the best can actually become a meaningful close-as-you-can target.



YES/NO TARGETS

Relate to situations in which the target is either met or not met, with no leeway one way or the other. In other words, yes/no targets make performance binary. On one side of the line sits success; on the other side sits failure. These can often be the most destructive kind of targets and typically have the greatest potential for causing the problems noted by critics of target setting.

They include fixed numerical targets such as:

– 98 per cent of hospital accident and emergency patients treated (that is, discharged or admitted) within four hours from arrival
– 95 per cent of incoming telephone calls answered within 30 seconds
– 50 per cent of young people going to university
– A 5 per cent increase in sales compared to the same quarter last year
– A defect level of less than 1 per cent
– A 10 per cent reduction in non-pay costs.

This type of target is more helpfully seen as one step towards an as far-as-you-can target, in which the bar is progressively raised as lower heights are cleared. The overall aim might be to achieve a world record (a benchmark target). However, individual competitors can only approach this aspiration by achieving lower heights and then having the bar raised incrementally.

In the work context, the equivalent would be to deliver basic standards reliably and then progressively raise aspirations. The focus soon turns to 'what standards are we now achieving?' and 'how can we do even better?',

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rather than 'have we met this or that specific fixed numerical target'.

This typology of targets is helpful in practice because it clarifies the fundamental difference between yes/no targets, which can be hugely destructive, and other types of targets, which can potentially be helpful.

Also, in terms of clarifying language, it is necessary to differentiate between 'standards' and 'targets'.

It is surely not unreasonable, as a patient, to expect to be seen and treated in a hospital accident and emergency department within four hours of arrival (and, ideally, much quicker). This is a standard to which all such departments should aspire. However, if this standard is treated as a yes/no target, evidence shows that all sorts of adverse effects are likely to emerge, especially if the current system (the composite result of current work processes, staffing levels, competence of staff, delegated decision rights and other related factors) is incapable of reliably delivering against this standard.

The answer is not to monitor and react to serial breaches of the four-hour standard. Instead, it would be far wiser to plot individual treatment times (ideally on a statistical process control chart) and then work systemically to deliver not only a lower average time from arrival to treatment but also a statistically significant reduction in variation for patients with similar needs. The

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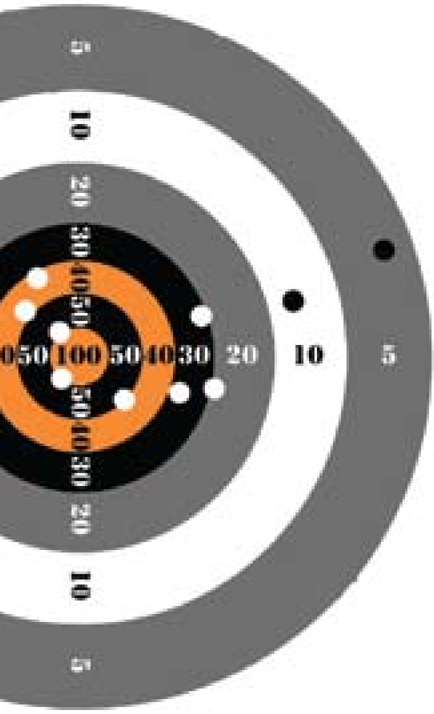

difference in approach is profound.

It is also important, in terms of clarifying language, to differentiate between ‘targets’ and ‘beneficial objectives’. For instance, the current target across the whole of the National Health Service in the UK for patients to be treated (or admitted) within four hours of arrival in an accident and emergency department, is not a beneficial goal; it is simply a desirable standard.

A beneficial objective might be to demonstrate continual improvement in the average time taken to treat incoming patients, with no increase in resources. This will likely require radical rethinking, both in terms of the way work gets done and the way the department is managed — such as redesigning the triage process, granting nursing staff (not just doctors) decision rights to authorise X-rays when obviously necessary, and improving demand forecasting and staff rostering.

Beneficial objectives need to be grounded in what matters to customers and other stakeholders. They need to be backed by the dictum that ‘we can’t have a beneficial objective without at least some idea of how to achieve it’, alongside a clear idea of ‘how we will know it when we see it’.

Finally, in terms of clarifying language, it is essential to move from the simplistic adage of ‘what gets measured gets done’ towards the concept of ‘what gets evaluated gets improved’, as this enables learning from the past to improve the future.

Second, distinguish between different uses of measures. There is an important difference to be made between the use of measures for the purposes of planning and budgeting and for fundamental improvement and development.

A classic example would be how the typically pre-eminent measure of ‘average call duration’ is treated in call centres. On the one hand, there is no way to plan sensibly for future recruitment and rostering in call centres without understanding not only the current average call duration but also how this average figure is likely to change over time (and why). On the other hand, if a target for average call duration is set as a yes/no target, then the outcome can be disastrous both for customers and for the organisation itself. If necessary, advisers will either pull the plug on callers or do anything else they can to get callers off the phone (regardless of the consequences either for individual callers or for the organisation), just so they can meet their individual average call duration targets and hence keep their jobs.

The solution is to ensure that measures used for planning and budgeting purposes are not confused with measures used for improvement and development purposes. This is not as difficult as it may seem and only requires a small change in managerial mindset, rather than any other changes or investment.

Third, adopt a systemic perspective. When it comes to measuring performance in organisations, it is rare for a genuinely systemic perspective to be taken. Typically organisations measure what is easy to measure rather than what is systemically important. For instance, consultancies often measure sales revenue attributable to individual partners (which is relatively simple to measure) and yet make no attempt to assess the quality of the work actually delivered for clients (which can be very difficult to measure and yet fuels future work through references and referrals). This is a significant point.

What is missing in many organisations is an understanding of the truly important aspects of performance, such as how customers view value (as seen from their perspective), the nature of demand (including unwanted and potentially avoidable demand) and the views of suppliers on how things could be improved. The answer is to put in place a genuinely systemic set of performance indicators, avoiding the temptation to select only a few key performance indicators, as some experts suggest.

What is needed is a necessary and sufficient set of indicators to provide a genuinely systemic perspective on performance. Think about managing a chain of supermarkets. It would be easy for all stores to achieve ‘zero waste’ (that is, no item becoming out of date and thus no longer saleable) if neither product availability on the shelves nor store profitability were to matter.

Another important trap to avoid is inappropriately attributing performance (whether good or bad) to individuals. In most situations, individual performance is likely to be less attributable to individual competence than to the impact of the system in which they work. In short, there is little point in setting targets for performance improvement without taking a customer-focused, end-to-end, systemic perspective.

Fourth, recognise the unknown or unknowable. It is important to recognise that some aspects of organisational performance are likely to be either unknown or unknowable. For example, how would you know what your customers really think about your products or services or how your staff members really think about their managers or the organisation in which they work?

Yes, you can administer surveys; but will these surveys genuinely tell what your customers and staff are actually thinking and feeling?

In this context, it is important to avoid incentivising the simplistic. For instance, with reference to the consultancy example quoted earlier, it would be unhelpful to pay partners for sales made (relatively easy to measure) with no reference to the quality of work ultimately delivered downstream (hard to measure and affected by a significant time lag).

Fifth, chart performance. What most organisations cannot immediately identify from their performance reports is daily variation, weekly cyclicality and annual seasonality. Instead, data is typically presented in aggregated figures in tabular format. Nor do organisations typically have visibility of significant trends, because trends are best highlighted in time-series charts of performance rather than in tabular listings of performance data.

Most indicators have little or no value unless performance is charted in time-series format. Indeed, if there were one thing the National Audit Office and the Audit Commission could do to improve the performance of public services in the UK, it would be to insist on the use of time-series charts to track performance against systemic indicators.

Sixth, differentiate time spans of attention and added value. In most organisations, each and every level of management is focused on last week's performance and this year's budget. There is seldom any stratification between how each level of management adds value nor is there any overt linkage either between managerial levels or across functional boundaries.

Although this situation is typical and profoundly debilitating, it is relatively simple to avoid.

Furthermore, this phenomenon is important in the context of target setting, in that there is little point in having targets of any sort unless it is explicitly clear who needs to come together to explore and take action on what aspects of performance, when, why and how.

How to start

Essentially, there are three workable approaches to changing how people think about and use target setting in practice.

In decreasing order of difficulty and resulting benefits, these are:

– Mandating systemic thinking from the outset, rather than waiting for it to emerge in the fullness of time
– Adopting the adage that 'you can't have a target without at least some idea of how it can be achieved', and
– Putting a bubble around your own part of the organisation and then managing differently within this bubble — thus insulating your own part of the organisation from the toxic effects of target setting at higher managerial levels.

The problem with the first and most powerful approach — mandating systemic thinking from the outset — is that most people inside today's organisations will have had little or no experience of thinking and working in this way beforehand. Unfortunately, this approach can really only be implemented 'from the top down' by someone with significant organisational clout, such as the CEO or, possibly, an extremely well-regarded COO or Operations Director. Whereas improvement of this ilk can trickle downwards, it seldom trickles upwards.

The second approach has several benefits. First, it encourages people, in a benign way, to start thinking systemically. Then, once they start thinking systemically, they will begin to see the benefits of adopting a different approach to target setting, moving towards beneficial objectives and a systemic set of performance indicators.

The third approach can be a pragmatic solution in organisations in which yes/no targets are the norm and the prevalent managerial mindset is so firmly entrenched that efforts to change it are doomed to failure. Sadly, this is the reality in far too many organisations today. The good news, though, is that most yes/no targets are set at such pedestrian levels that they can easily be exceeded by adopting the different approach we advocate.

Whichever approach you are in a position to adopt, you can be assured that your organisation (or your part of your organisation) will not sub-optimise performance by meeting a lot of meaningless targets, thereby missing the beneficial objectives that are most important. ◻

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