SETTING BUSINESS GOALS & OBJECTIVES: 4 CONSIDERATIONS

Setting business goals and objectives is important to your company's success. They create a roadmap to help you identify and manage risk, gain employee buy-in, boost team performance, and execute strategy. They're also an excellent marker to measure your business's performance.

Yet, meeting those goals can be difficult. According to an Economist study (pdf), 90 percent of senior executives from companies with annual revenues of one billion dollars or more admitted they failed to reach all their strategic goals because of poor implementation. In order to execute strategy, it's important to first understand what's attainable when developing organizational goals and objectives.

WHAT ARE BUSINESS GOALS AND OBJECTIVES?

Business objectives dictate how your company plans to achieve its goals and address the business's strengths, weaknesses, and opportunities. While your business goals may shift, your objectives won't until there's an organizational change.

Business goals describe where your company wants to end up and define your business strategy's expected achievements.

According to the Harvard Business School Online course Strategy Execution, there are different types of strategic goals. Some may even push you and your team out of your comfort zone, yet are important to implement.

For example, David Rodriguez, global chief human resources officer at Marriott, describes in Strategy Execution the importance of stretch goals and "pushing people to not accept today's level of success as a final destination but as a starting point for what might be possible in the future."

It's important to strike a balance between bold and unrealistic, however. To do this, you must understand how to responsibly set your business goals and objectives.

HOW TO SET BUSINESS GOALS AND OBJECTIVES

While setting your company's business goals and objectives might seem like a simple task, it's important to remember that these goals shouldn't be based solely on what you hope to achieve. There should be a correlation between your company's key performance indicators (KPIs)—quantifiable success measures—and your business strategy to justify why the goal should, and needs to, be achieved.

This is often illustrated through a strategy map—an illustration of the cause-and-effect relationships that underpin your strategy. This valuable tool can help you identify and align your business goals and objectives.

"A strategy map gives everyone in your business a road map to understand the relationship between goals and measures and how they build on each other to create value," says HBS Professor Robert Simons in Strategy Execution.

While this roadmap can be incredibly helpful in creating the right business goals and objectives, a balanced scorecard—a tool to help you track and assess non-financial measures—ensures they're achievable through your current business strategy.

"Ask yourself, if I picked up a scorecard and examined the measures on that scorecard, could I infer what the business's strategy was," Simon says. "If you've designed measures well, the answer should be yes."

According to Strategy Execution, these measures are necessary to ensure your performance goals are achieved. When used in tandem, a balanced scorecard and strategy map can also tell you whether your goals and objectives will create value for you and your customers.

"The balanced scorecard combines the traditional financial perspective with additional perspectives that focus on customers, internal business processes, and learning and development," Simons says.

These four perspectives are key considerations when setting your business goals and objectives. Here's an overview of what those perspectives are and how they can help you set the right goals for your business.

4 THINGS TO CONSIDER WHEN SETTING BUSINESS GOALS AND OBJECTIVES

1. Financial Measures

It’s important to ensure your plans and processes lead to desired levels of economic value. Therefore, some of your business goals and objectives should be financial.

Some examples of financial performance goals include:

- Cutting costs
- Increasing revenue
- Improving cash flow management

“Businesses set financial goals by building profit plans—one of the primary diagnostic control systems managers use to execute strategy,” Simons says in Strategy Execution. “They’re budgets drawn up for business units that have both revenues and expenses, and summarize the anticipated revenue inflows and expense outflows for a specified accounting period.”

Profit plans are essential when setting your business goals and objectives because they provide a critical link between your business strategy and economic value creation.

According to Simons, it’s important to ask three questions when profit planning:

- Does my business strategy generate enough profit to cover costs and reinvest in the business?
- Does my business generate enough cash to remain solvent through the year?
- Does my business create sufficient financial returns for investors?

By mapping out monetary value, you can weigh the cost of different strategies and how likely it is you’ll meet your company and investors’ financial expectations.

2. Customer Satisfaction

To ensure your business goals and objectives aid in your company's long-term success, you need to think critically about your customers' satisfaction. This is especially important in a world where customer reviews and testimonials are crucial to your organization's success.

"Everything that's important to the business, we have a KPI and we measure it," says Tom Siebel, founder, chairman, and CEO of C3.ai, in Strategy Execution. "And what could be more important than customer satisfaction?"

Unlike your company's reputation, measuring customer satisfaction has a far more personal touch in identifying what customers love and how to capitalize on it through future strategic initiatives.

"We do anonymous customer satisfaction surveys every quarter to see how we're measuring up to our customer expectations," Siebel says.

While this is one example, your customer satisfaction measures should reflect your desired market position and focus on creating additional value for your audience.

3. Internal Business Processes

Internal business processes is another perspective that should factor into your goal setting. It refers to several aspects of your business that aren't directly affected by outside forces. Since many goals and objectives are driven by factors such as business competition and market shifts, considering internal processes can create a balanced business strategy.

"Our goals are balanced to make sure we're holistically managing the business from a financial performance, quality assurance, innovation, and human talent perspective," says Tom Polen, CEO and president of Becton Dickinson, in Strategy Execution.

According to Strategy Execution, internal business operations are broken down into the following processes:

- Operations management
- Customer management
- Innovation
- Regulatory
- Social

While improvements to internal processes aren't driven by economic value, these types of goals can still reap a positive return on investment.

"We end up spending much more time on internal business process goals versus financial goals," Polen says. "Because if we take care of them, the financial goals will follow at the end of the day."

4. Learning and Growth Opportunities

Another consideration while setting business goals and objectives is learning and growth opportunities for your team. These are designed to increase employee satisfaction and productivity.

According to Strategy Execution, learning and growth opportunities touch on three types of capital:

- Human: Your employees and the skills and knowledge required for them to meet your company's goals
- Information: The databases, networks, and IT systems needed to support your long-term growth
- Organization: Ensuring your company's leadership and culture provide people with purpose and clear objectives

Employee development is a common focus for learning and growth goals. Through professional development opportunities, your team will build valuable business skills and feel empowered to take more risks and innovate.

To create a culture of innovation, it's important to ensure there's a safe space for your team to make mistakes—and even fail.

"We ask that people learn from their mistakes," Rodriguez says in Strategy Execution. "It's really important to us that people feel it's safe to try new things. And all we ask is people extract their learnings and apply it to the next situation."

ACHIEVE YOUR BUSINESS GOALS

Business goals aren't all about your organization's possible successes. It's also about your potential failures.

“When we set goals, we like to imagine a bright future with our business succeeding,” Simons says in Strategy Execution. “But to identify your critical performance variables, you need to engage in an uncomfortable exercise and consider what can cause your strategy to fail.”

About the Author

Esther Han is a marketing professional and contributing writer for Harvard Business School Online. She has a passion for design, photography, and the written word. One of her bucket list items is to travel to every country in the world; she's been to 40 so far.