

SETTING GOALS FOR YOUR CEO

Step-by-Step Guidance

Do you struggle with setting annual goals to hold your chief executive accountable? Here's some step-by-step advice.

Does your board struggle to identify significant results-oriented goals to hold the chief executive accountable? If you answered “yes,” you are not alone. While most boards recognize the significant governance responsibility of annual performance appraisals and goals setting, most do not find it easy. Think about your own chief executive’s annual goals. Are they linked to the organization’s vision and mission, measurable, and focused on results? They should be, and, better yet, can be.

1. FOCUS ON RESULTS LINKED TO THE VISION OF YOUR ORGANIZATION.

When I assist a board with setting goals for the chief executive’s evaluation, I first ask the board and chief executive to walk me through their organization’s vision and strategic plan. Boards often do a great job helping develop the strategic plan but then forget to refer to it when determining the annual goals that the chief executive must meet to achieve this agreed-upon plan.

I then ask everyone — including the chief executive — to select one key result that if not accomplished in the coming year would put the strategic plan at risk. Many times the strategic plan covers so much that it can split the board’s focus to too many activities and initiatives rather than narrow it. And remember, because some strategic goals take years to achieve, the board may need to dissect a large goal into annual actionable steps that over time will lead to the achievement of the goal.

Effective goals focus on one or a few targeted results or outcomes. Keep in mind that an activity — implementing a new marketing plan, for example — or a behavior — such as communicating effectively — is a means to a result. Activities and behaviors are important but they aren’t what the board should hold the chief executive accountable. It’s results that count! Many boards attempt to identify all the activities and behaviors they expect the chief executive to perform rather than isolating the key results required for the success of the organization.

Identify the three most important result-oriented goals. Some boards then find it helpful to pause and ask: Are these the three goals that above all others need to be accomplished? Are these goals the ones the chief executive should be held accountable for or should any of them be assigned elsewhere?



2. CONSIDER IF THE GOALS ARE SUSTAINABLE AND BALANCED.

Most organizations do not have the luxury to spend time and money on short-term results. Therefore, goals must be sustainable. For example, any organization can improve its profitability and achieve cost savings by laying off staff, eliminating services, or postponing initiatives, but at what cost? After the goals are established, ask yourselves: Are we achieving these results to the detriment of other results? Are these results sustainable for at least five years?

3. IDENTIFY AUXILIARY GOALS FOR OTHERS TO ACCOMPLISH.

When identifying goals for the chief executive, it's important to realize that his or her success in attaining results often depends on others meeting related sets of goals. These auxiliary goals support the chief executive's goals, and are the responsibility of others, such as the board itself or various members of the organization. Examples include goals related to a capital campaign or the introduction of a new product or service. These goals, like the chief executive's, should be based on results, not activities.

4. SCAN FOR POTENTIAL OBSTACLES OR HURDLES.

If your organization developed a strategic plan recently, it's likely that an environmental scan identified the external and internal influences for the organization. Using that information, while also incorporating fresh impressions and data, you now should identify potential obstacles or hurdles that could prevent the chief executive from achieving his or her goals. Identifying these obstacles or hurdles will help the board understand what needs to be supported and funded to enable the chief executive's success.

Some chief executives habitually abandon their goals. It could be that he or she does not think they are the right ones or are unattainable, does not believe the board will actually hold him or her accountable, or just does not want to be held accountable. The board can avoid this by including the chief executive when identifying goals and by gaining agreement that he or she will be accountable for those goals.

5. CLARIFY METRICS AND DATES.

It's essential to include metrics or measurements in the chief executive's goal statements. This is the only way you will know if he or she has attained the results. It's also important to indicate when you expect the results to be achieved. It may be that benchmarks are needed each quarter leading up to the cumulative success at the end of the year. These are crucial steps — without these two added specifics, you will not be able to effectively evaluate the chief executive's performance.

6. CASCADE AND COMMUNICATE THE GOALS THROUGHOUT THE ORGANIZATION.

Chief executives who are most effective in achieving their annual goals make them shared goals at all levels of the organization. "Cascading" the goals — a term coined by Angelo Kinicki — creates horizontal and vertical alignment in an organization, helping to minimize conflict and build interdependent focus on the outcomes.

A large nonprofit I worked with was able to cascade the goals — one of which was increasing the organization's name recognition — from the chief executive to all 50 of its affiliate organizations. Each affiliate in turn cascaded the goals to its direct reports, making the focus on the goals over 350 people strong rather than just that of the chief executive alone. The end result was that the organization increased its name recognition by 15 percentage points nationally and, in some markets, by 20 percentage points.

Goal setting is vital to not only the chief executive performance evaluation process but, more importantly, to the long-term success of the organization. When goals link to the organization's vision and strategic plan and are results-oriented, measurable, balanced, and agreed to by the board and the chief executive, the board's work at performance evaluation time will be easy.

Measuring Results, Not Activities Template

1. The key results that the chief executive is expected to achieve in the coming year to enable the organization to meet its strategic goals:

- A.
- B.
- C.

2. The auxiliary goals that others must meet to enable the chief executive's success:

- A.
- B.
- C.

4. Potential obstacles or hurdles that need to be addressed to enable the chief executive's success:

- A.
- B.
- C.

5. Metrics and due dates for the chief executive's key results:

- A.
- B.
- C.

6. Goals to be cascaded and communicated to all others in the organization:

- A.
- B.
- C.