How to Avoid the Problems of Target-Setting

... while still capturing the benefits of goal-directed behaviour

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Introducing the two warring factions . . .
In the red corner . . . Latham & Locke

• "Challenging goals lead to better performance than do easy or vague goals" (Latham & Locke, 1979)
  – Latham and Locke are insistent that "goal-setting theory is among the most scientifically valid and useful theories in organizational science" (Locke, Latham and Erez, 1988)

• Happier people
  – Experiments conducted by the Oxford Happiness Project (Holden, 1996), showed that depressed individuals who identified and then worked towards constructive goals became demonstrably happier through this exercise alone
  – Goal-directed planning has been shown to initiate electrical activity in the frontal lobes of our brains that control our sense of happiness
  – Hence there is a direct connection between goal-directed behaviour and happiness (all other factors being equal)
In the blue corner . . . Ordóñez et al

• Setting targets can be fraught with problems, for example:
  – If set too high, they create stress and de-motivation
  – If set too low, they encourage complacency
  – If imposed, they are unlikely to be owned by those who have to deliver them
  – If negotiated, there is an incentive to press for lower targets that are easier to meet, thereby creating tension and suspicion between managers

• Targets cannot be set appropriately without knowing current and future process capability

• Targets do not explain how to improve performance

• Targets provoke cheating
  – Including either distortion of the data or distorting the way the work gets done

• The cultural impact of target-setting is typically negative
  – Destroying trust, warmth and personal responsibility

• Targets usually only cover those aspects of performance that are simple to measure, rather than a genuinely systemic perspective
  – In other words, targets "attempt to find one measurable thing to represent the whole" (Blastland and Dilnot, 2008)

• Often, hitting a numerical target leads to missing the real point
  – Targets are typically one-dimensional and reductionist (often based on averages or percentages) and fail to promote whole-system improvement (Seddon, 2008)
Traditional annual budgeting further complicates things

- Measures intended for use for planning and budgeting purposes become surrogate targets for performance improvement

- "A really good assessment system must bring finance and line managers into some kind of meaningful dialogue that allows the company to benefit from both the relative independence of the former and the expertise of the latter. This sounds straightforward enough, but as anyone who’s ever worked in a real business knows, actually doing it is a rather tall order. Then again, who says the CEO’s job is supposed to be easy?"


*There has to be a better way – and, indeed, there is.*
There are at least seven elements pointing towards a more helpful way of thinking

(1) Recognising the typology of targets

(2) Clarifying the terminology used

(3) Distinguishing between differing uses of measures

(4) Adopting a systemic perspective
   - Encompassing the systemic factors influencing organisational performance

(5) Acknowledging the unknown and unmeasurable

(6) Charting performance

(7) Differentiating managerial time spans of attention and added value
   - From front line to boardroom
(1) Recognising the typology of targets

- 'Close-as-you-can' targets
- 'Far-as-you-can' targets
- 'Benchmark (or competitive)' targets
- 'Yes/no' targets
'Close-as-you-can' targets

- Zero defects
- 100% customer delight
- Exact conformance to specifications
- Never cancelling a medical appointment
- No accidents
- Every arrow hitting the bull's eye in archery terms
'Far-as-you-can' targets

- Maximising fuel efficiency
- Maximising return on investment
- Increasing the number of website visitors
- Treating patients as soon as possible
- Maximising the distance achieved in sporting events, such as the long jump, shot put or javelin
'Benchmark (or competitive)' targets

- Market share
- Election results
- Prizes (for example, awards for 'the best contact centre', etc)
- Individual and team sports, such as races or football matches
'Yes/no' targets

- 98% of A&E patients treated (either discharged or admitted) within 4 hours from arrival
- 98% of incoming telephone calls answered within 30 seconds
- 50% of young people going to university
- A 5% increase in sales compared to the same quarter last year
- A defect level of less than 1%
- A 10% reduction in non-pay costs
(2) Clarifying the terminology used

• Differentiating between 'standards' and 'targets'
  – Not unreasonable to expect to be seen and treated in A&E within four hours of arrival (ideally, far sooner). This is a standard to which all A&E departments should aspire
  – If treated as 'yes/no' target, then all sorts of adverse effects emerge, especially if the current system is incapable of reliably delivering against this standard
  – Don't monitor and react to serial breaches of the standard
  – Instead, plot individual treatment times and work systematically and systematically to deliver improvement (e.g. reducing arrival to treatment times and variations for patients with similar clinical needs and reducing incoming demand)

• Differentiating between 'targets' and 'beneficial objectives'
  – The four-hour target is a desired standard. It is not a beneficial objective
  – A beneficial objective might be to demonstrate continual improvement in the average time taken to treat incoming patients with no increase in resources

• 'Can't have a beneficial objective without at least some idea of how to achieve it', and 'how will we know it when we see it'

• Move from 'what get's measured gets done' to 'what gets evaluated get's improved'
(3) Distinguishing between differing uses of measures

• For instance, 'Average Handling Time' in contact centres
  – No way to plan sensibly for future recruitment and rostering without understanding not only current AHT but also likely changes over time (and why)
  – If treated as 'yes/no' target, outcome can be very damaging both for customer experience and the organisation

• How not to confuse measures used for 'planning and budgeting' purposes with measures used for 'improvement and development' purposes
  – Small but profound change in managerial mindset
  – Requires no other change or investment
(4) Adopting a systemic perspective

- Common tendency today is to measure what is easy to measure, not what is genuinely systemic

- Understanding the truly important aspects of performance
  - How customers assess value (seen from their perspective)
  - The nature of demand (including unwanted and potentially avoidable demand)
  - The views of suppliers or partners (especially on how things could be improved)

- Avoid inappropriately attributing performance (good or bad) to individuals

- How to take a customer-focused, end-to-end, systemic perspective
(5) Acknowledging the unknown and unmeasurable

• Some aspects of organisational performance are likely to be unknown and unmeasurable, for instance:
  – What do customers really think and feel about your products or services
  – What do staff really think and feel about their managers and the organisation overall
  – Will customers or staff remain loyal if something more attractive pops up?

• Surveys can be helpful, but only to some extent

• When a waiter comes up to you in a restaurant and asks, "Is everything all right?", what do you say:
  – "Fine, thanks", or do really say what you think?

• How to avoid incentivising the simplistic

Note: In 'Out of The Crisis', Dr Deming said, '"Actually, he most important figures that one needs for management are unknown or unknowable" (crediting Lloyd Provost for this observation).
(6) Charting performance

These are just three of 14 measures automatically charted weekly.
not least in surfacing actionable insights from correlations and comparisons
and highlighting daily variation, weekly cyclicality and annual seasonality
(7) Differentiating managerial time spans of attention and value added (from front line to boardroom)

- Aggregated Measures
- Level-Specific Measures

Executive Team
- % Unwanted Calls
- % Web Self-Service
- Benefits Realisation
- Cost per Call Minute
- Etc

Ops Managers
- Calls Offered
- Calls Answered
- % Unanswered Calls
- Service Levels
- Etc

Team Leaders
- My Team’s Performance

Front-Line Staff
- Customer Perceptions
- % First-Time Fix
- Call Duration
- Wrap Time
- Conversion Rate
- Schedule Adherence
- Occupancy
- Etc

My Performance

...with each level connecting properly.
Changing how people think about and use target-setting
There are three main options . . . in *decreasing* order of difficulty and overall benefits

- **Mandating systemic thinking from the outset**
  - Rather than waiting for this 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'**

- **Putting a metaphorical 'bubble' around one part of the organisation and then managing differently within this bubble**
  - Thus insulating people from the toxic effects of target-setting at higher managerial levels

*How to create an awareness of the benefits of a different way of thinking – this is where academia can help.*
Recommendations
**Please help build on our current recommendations . . .**

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<th>Recommended (Do)</th>
<th>Not Recommended (Don't Do)</th>
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<tr>
<td>• Encourage the pursuit of perfection</td>
<td>• Set yes/no targets</td>
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<td>- As advocated by Henry Royce and Taiichi Ohno</td>
<td>• Believe that one measurable factor can represent the performance of a complex system or that everything that matters will be directly measurable</td>
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<td>• Understand: (a) how customers assess value; (b) the nature of demand; and (c) the views of suppliers or partners</td>
<td>• Confuse 'targets' with either 'standards' or 'beneficial objectives'</td>
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<td>• Put in place a systemic set of performance indicators at every level of performance planning</td>
<td>• Inappropriately use measures that may be helpful for planning and budgeting purposes in order to track performance improvement</td>
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<td>• Chart performance, rather than presenting data in tabular format</td>
<td>• Allow people to set numerical targets for performance improvement unless they have at least some idea of how these targets can be achieved</td>
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<td>- Where there is significant daily variation, weekly cyclicality or annual seasonality, use appropriate SPC software to highlight actionable insights</td>
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<td>• Be clear who needs to come together to look at what aspects of performance, why, when and how</td>
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Smarter ways to deliver improved performance.