

Guidelines for Setting S.M.A.R.T. Goals

(Specific, Measurable, Attainable, Realistic, Tangible)

SMART goals measure **outcomes** (end results) and not activity or behavior. Results are what you have **after the motion stops!** For goals to be SMART, they need **deadlines**.

Goals can be set in absolute units or quantities. For example, \$ of sales, number of new customers, billable hours, linear feet of trench, \$ of profit, hours of overtime, \$ of accounts receivable, number of call-backs or re-do's, delinquent days vs. schedule, hours of unexcused absence, machine breakdown maintenance \$, etc.

Goals can also be set as ratios. These are probably the most meaningful because they can be used to compare performance from one time period against another. For example: Profit Margin (Profit ÷ Sales); Labor % of Billings; Overtime %; Bid Success Rate (Bids Won vs. Bids Tendered or \$ Awarded vs. \$ Bid); Accounts Receivable Average Days Outstanding (total A/R divided by an average day's worth of sales); variance % from budget; personnel turnover rate (Number of people hired in a year to sustain a given roster level. For example, if the average annual roster is 50 and 20 people had to be replaced, the turnover rate would be 40%.); equipment down-time %; balance sheet Current Ratio (current assets ÷ current liabilities); etc.

Goals for performance improvement should be established using a rate of change from the current benchmark. For example:

1. Reduce the labor % of billings from 27% last year to 25% by the end of this year as follows: achieve 26.5% for Q1, achieve 26.0% for Q2, and achieve 25.5% for Q3.
2. Reduce Accounts Receivable Average Days Outstanding from 52 days as of 12/31 to 49 days as of 3/31 and to 47 days by 6/30.
3. Improve personnel retention from 60% last year to 80% this year.
4. Improve the quality acceptance rate from 95% last year to 97% by 6/30 and 98% by 12/31.

Some words of wisdom.

- Goal setting is the strongest force for human motivation.
- Specific goals will deliver specific results, while unclear, vague, or non specific goals and plans typically produce no improvement at all.
- In the absence of clearly defined goals, people are forced to concentrate on activity and they become enslaved to it. They become so busy being busy that they lose focus on results.
- If you don't measure something, you don't manage it.
- If you don't keep score, you're just practicing. You can get better by practicing, but you will never win the game. In a real game, the score is always on the scoreboard along with the time remaining in the contest.
- In business, just like in sports, knowing the score is motivational whether it is good or bad.

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