Industry Trends

Goal Setting

The best kept secret of the top three-percent performers.

By Allan D. Koltin

Q: It seems the buzz in the accounting profession is all about increased accountability and getting partners and staff to commit to goal setting. Why is this such a difficult concept for accountants to accept and embrace?

A: It starts with the basics of accountability and autonomy. Most partners love their autonomy, but are quick to point the finger at other partners for their lack of accountability. I frequently tell firms, "Pick one. Either have a highly autonomous and fun environment with average profit per partner or a highly accountable, goals-driven environment with high profit per partner. But keep in mind that high autonomy and high profitability rarely go hand in hand (unless you are a sole practitioner)." This is not to say that only the firm holds the partners accountable. In my study of the highest performing partners in CPA firms, their own self-accountability trumps anything developed by the firm. Simply stated, accountants resist goal setting because they know that once you put it in writing it becomes measurable and, ultimately, one will be accountable for successfully hitting or missing the goals.

Q: How do you get partners to *not* feel threatened by goal setting and to actually embrace it?

A: I begin by asking them three simple questions, which I usually don't relate to business. They are as follows:

1. What is a personal goal that you would like to achieve within the next one year? After they pick a goal, I ask them to write it down.
2. What action steps would you have to perform to achieve this goal? After they determine the necessary steps, I ask them to write them down. This leads me to the third and final question.
3. If you knew what goal you wanted to achieve and what action steps it would take to achieve that goal, why haven't you already achieved it?!

Partners often will look at me a bit dumbfounded, but it leads into a discussion of why we don't achieve our goals.

Q: What are the top reasons for why we don't achieve our goals?

A: There are many. In the absence of written goals, we are not able to stay focused on achieving our goals. I have also found that the goal simply wasn't a priority, the individual had conflicting demands, or he or she lacked the necessary resources. It has also been brought up that sometimes, although well intentioned, individuals just don't have the time to commit to certain goals.

Having said all of the above, the #1 reason why we don't achieve our goals is quite simple: Fear of failure! If you thought about it long and hard, any obstacle could easily be overcome. For example, lack of time could be changed because we could take something off of one person's list and transfer it to someone else's list, thus freeing up the individual to spend the necessary time to achieve the goal. Also, when I hear someone cite "conflicting demands," it tells me that they really haven't done a good job prioritizing what "must" get done, what "should" get done, and what would be "nice" to get done eventually.

Q: To put a positive spin on things, what are the benefits of goal setting and why does it work?

A: I believe goal setting not only provides a sense of purpose and a mission, but it also creates a positive energy and enthusiasm for achieving the goals. When we develop smaller action steps to support the goals, we build confidence along the way. This improves our decision making and focus, which makes the use of our time much more efficient. Lastly, I would suggest that it actually reduces stress vs. creates stress because we can take a bigger goal and break it down into smaller goals (*e.g.,* where we want to be at the end of a quarter, month, week, or even day).

Q: You mentioned that a survey was conducted that asked successful business people what effect goal setting had on their success. Could you shed some light on this?

A: Yes. There was a survey done some time ago in which the graduating class of Harvard Business School was asked what effect written goal setting had had on their success in business.

As you can see in Exhibit 1, the survey found that 27 percent of the graduates had no goals and were simply in a survival mode. This group, in essence, relied on some form of charity (*i.e.,* parental support) to make ends meet.

In the second category, about 60 percent had what we referred to as "goals in mind" and were simply living from paycheck to paycheck with very little savings. This group might have had broad goals in mind (*e.g.,* "What if I win the lottery?"), but really didn't go through the painful task of defining their goals and supporting them with the necessary action steps.

In the third category, we found that 10 percent actually had written goals with action plans and did rather well financially. This group was categorized as living comfortably (*e.g.,* having a second home, sending their kids to private schools, or some other status symbol of good living).

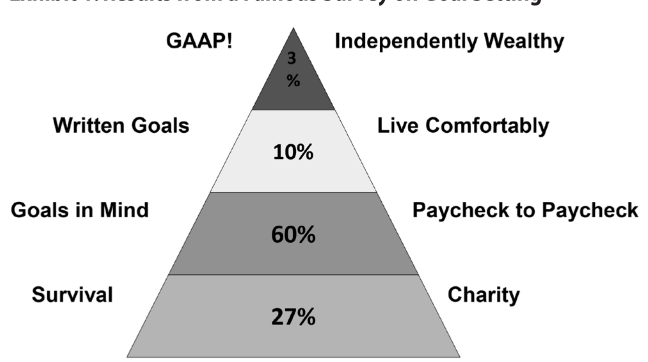
However, it was the three-percent group that had evolved to become independently wealthy. They had what I referred to as GAAP. Here it does not stand for "**G**enerally **A**ccepted **A**ccounting **P**rinciples," but rather for "**G**oals with specific **A**ction plans, a high level of **A**ccountability, and a never-ending **P**assion for achieving their goals." Amazingly, this group accumulated more wealth (at a ratio of 3:1) than the other 97 percent of the survey respondents.

I can't say that these same statistics would hold true within the accounting profession. However, I have studied successful partners over three decades and realize that goal setting is the secret advantage that very high achievers have over all others.

Q: We hear a lot of talk about SMART goals. What does that actually stand for and mean?

A: *"S" stands for specific.* The more specific your goals, the higher the likelihood that you will achieve them.

Exhibit 1: Results from a Famous Survey on Goal Setting



"M" is for measurable. As the old adage goes, if you can't measure it, how will you know if you have achieved it?

"A" stands for attainable. The goals that you set for yourself should be attainable to you. Not to other people, but to you.

"R" is for realistic. Realistically test your goals. Are the goals that you have set realistic within your set of circumstances?

"T" stands for tangible. Your goals should have an element of tangibility (*i.e.,* you must be able to easily visualize yourself achieving the goal).

I often laugh when I see goals that are just catch-all phrases that seem to be the rallying point of underachievers, such as:

- go out and get more business;
- improve my productivity and efficiency; or
- be nicer and/or more visible to the staff.

When someone gives me a specific goal, I always ask the question, "How will you measure it?" In all my years of coaching partners, I have yet to see a goal that can't ultimately be measured. For example, outstanding client service can be measured by the results of client satisfaction surveys. One's true abilities and skills as a leader and effectiveness as a manager can be measured by an upward and/or peer evaluation.

When we think of goal setting, we usually think of the big three metrics: (1) billable hours; (2) book of business; and (3) new business generated. Although these can easily be measured, so can many of the intangible or qualitative goals that are equally as important.

Q: Is it as simple as someone going through the goal-setting process, or are there other things that can derail successfully achieving the goals?

A: Good question. Rare is it that effective goal setting won't be met with potential obstacles during the year. However, these obstacles can often be anticipated, so it is critical that we also come up with potential solutions should any obstacle materialize.

Q: You mentioned the goal of developing new business, which seems to be a popular one amongst the partners of accounting firms. Could you illustrate that goal in terms of how it can be made more specific and actually develop action steps around it?

A: Yes. Let's say that we want to develop $150,000 of new business from the real estate industry. We begin by asking the following questions:

- How many new clients will it take to reach the $150,000 goal?
- Is there a target for realization or profitability in achieving that goal?
- Will this volume goal come from new clients or expansion of service to existing clients?
- Will we allocate the necessary resources to achieve this goal and budget the appropriate marketing time and dollars?
- Does the individual possess the necessary talent, whether it is in the form of technical or marketing abilities, to either create the lead or participate in closing the sale?

I wish I could tell you that the journey ends here, but we now need to develop an action plan. If we want to bring in $150,000 of business and know that the average client is $10,000, this tells us we need 15 clients. However, to get to 15 clients, we know we need to get 60 prospects because our close ratio is roughly 25 percent. We would then get into issues, such as how many appointments we would have to make (based on our close ratio) and how many phone calls, emails, or targeted marketing efforts we need just to get the necessary appointments to meet with a target group of people.

I worked with a very successful business valuation specialist who indicated that his success was all about making 3.6 calls per day to attorneys who could refer business to him. This came out to approximately 20 calls per week, 80 calls per month, or almost 1,000 calls per year.

Q: It seems like you might get some push-back about the administrative legwork needed to keep track of all of these goals and metrics. How do you respond to that?

A: My response is a quote from Chuck Coonradt's book on goal setting in which he asks, "If winning isn't important, why do we spend all that money on scoreboards?" The next time someone tells me that they want to transform their firm into a more accountable culture, I will tell them that if they and their partners aren't serious about goal setting, they are simply wasting their time. As you may have heard, hope is not a strategy, but it sure is a lot easier to execute! ✦

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