



FORRESTER®

2023 State Of Goal Setting Report

A FORRESTER CONSULTING THOUGHT LEADERSHIP PAPER COMMISSIONED BY MICROSOFT, FEBRUARY 2023

Table Of Contents

3	<u>Executive Summary</u>
4	<u>Key Findings</u>
5	<u>Leaders Are Confident In The Goal-Setting Process While Practitioners Feel Disconnected</u>
10	<u>Practitioners Want Better Ongoing Goal Management and Visibility</u>
12	<u>Effective Goal Setting And Management Lead To Better Business Outcomes</u>
16	<u>Key Recommendations</u>
18	<u>Appendix</u>

Project Team:

Vanessa Fabrizio,
Senior Market Impact Consultant

Chris Taylor,
Principal Market Impact Consultant

Ben Anderson,
Associate Market Impact Consultant

Contributing Research:

Forrester's consumer and digital research group

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com. [E-56445]



Executive Summary

The goal-setting and management process — the process of setting goals in a systematic way before managing and sharing progress — is the nucleus for both organizational and individual accomplishment. Goals are created to define and attain success, but they are only useful when they are documented clearly and referred to regularly.

With that in mind, the goal-setting and management process should provide structure, guidance, and measurement for both organizational and individual success. Effective goal setting and management can significantly improve the business, and have significant positive impact on employee satisfaction, which in turn bolsters productivity and improves retention. Conversely, poorly-set management goals can leave practitioners feeling disconnected and unmotivated, unaware of how their goals contribute to company objectives.

In December 2022, Microsoft commissioned Forrester Consulting to examine the goal-setting and management process within enterprise-sized companies globally, to understand the role that clear goal-setting and management frameworks and outcomes play in business success and employee experience (EX). Forrester conducted two online surveys; the first comprised of 429 managers, directors and above, and the other comprised of 209 full-time practitioners. We found that goal clarity is critical in helping practitioners find value in their goals and in fostering a stronger resolve to achieve them. With clear and focused goal frameworks such as objectives and key results (OKRs), business leaders and managers can help their direct reports and overall organizations grow and achieve their goals while also providing a more satisfactory EX.



Key Findings

Practitioners need to understand the big picture to get better goal clarity. Seventy-eight percent of practitioners surveyed said they fully understood their personal goals, while 63% fully understood their team goals. However, only 39% said the same for their company goals. Understanding how their goals are determined and connected with company outcomes is important to practitioners. Fifty percent of them indicated they want their manager to better demonstrate how individual goals contribute to key company objectives. Both leaders and practitioners agree that having clear goals allows practitioners to focus on the work that matters.

Goal management processes lack visibility. Leaders stated that a lack of visibility inhibits teams from hitting their goals. The number one thing practitioners would change about the goal-setting and management process is having more frequent updates on their goal progress.

Effective goal setting and management requires organizational support. This includes the executive team, department heads, team leaders, and practitioners. Strong communication from the top-down helps practitioners feel confident and connected to their goals, which increases job satisfaction.

Effective goal-setting and management strategies instill practitioners with a greater sense of purpose in their work. Surveyed practitioners stated that feeling confident and connected with their goals improved their job satisfaction as they become more self-driven to do good work (54%), more committed to the company (44%), and more motivated to want to do more and/or work harder (44%).

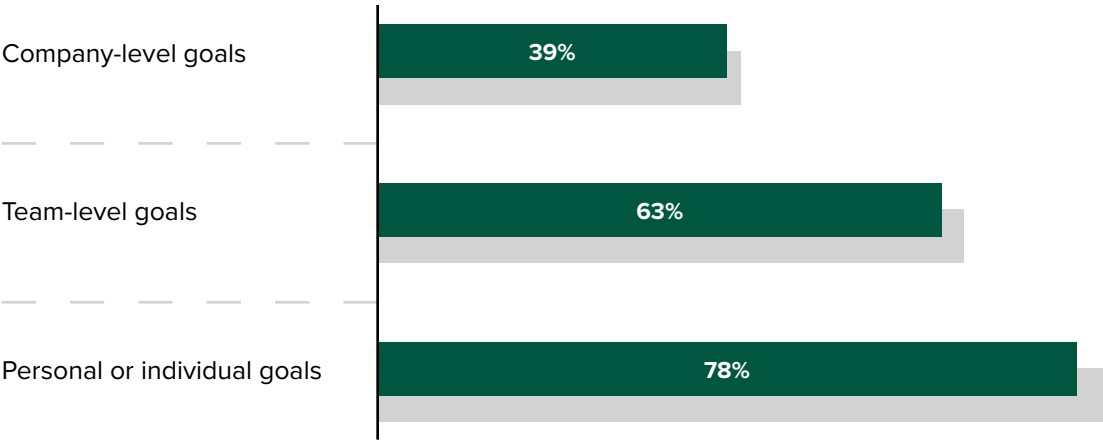
Leaders Are Confident In The Goal-Setting Process While Practitioners Feel Disconnected

The goal-setting and management process is an organizational effort. It requires support and regular check-ins from the executive team, managers, practitioners, and everyone between. Leader respondents from our survey (i.e., directors and managers) are well-aware of their company’s goal-setting processes and the tools used to manage them. However, not all individual practitioners are in sync with how the goal-setting process runs at their organization or how goals are linked to business outcomes. We found that:

- **Practitioners feel less connected to goals when they are unable to see the big picture.** Practitioners want to be informed on what their goals are, how they connect to company outcomes, and how to accomplish them. This requires an understanding of individual, team, and company-level goals, which is a challenge for most practitioners we surveyed. When asked how well they understood their goals, 78% of practitioners said they fully understood their personal goals, 63% said the same for their team’s goals, but only 39% fully understood their company’s goals (see Figure 1).

Figure 1
Practitioners Lack Clarity On Company-Level Goals

(Showing only responses for “I fully understand my goals.”)



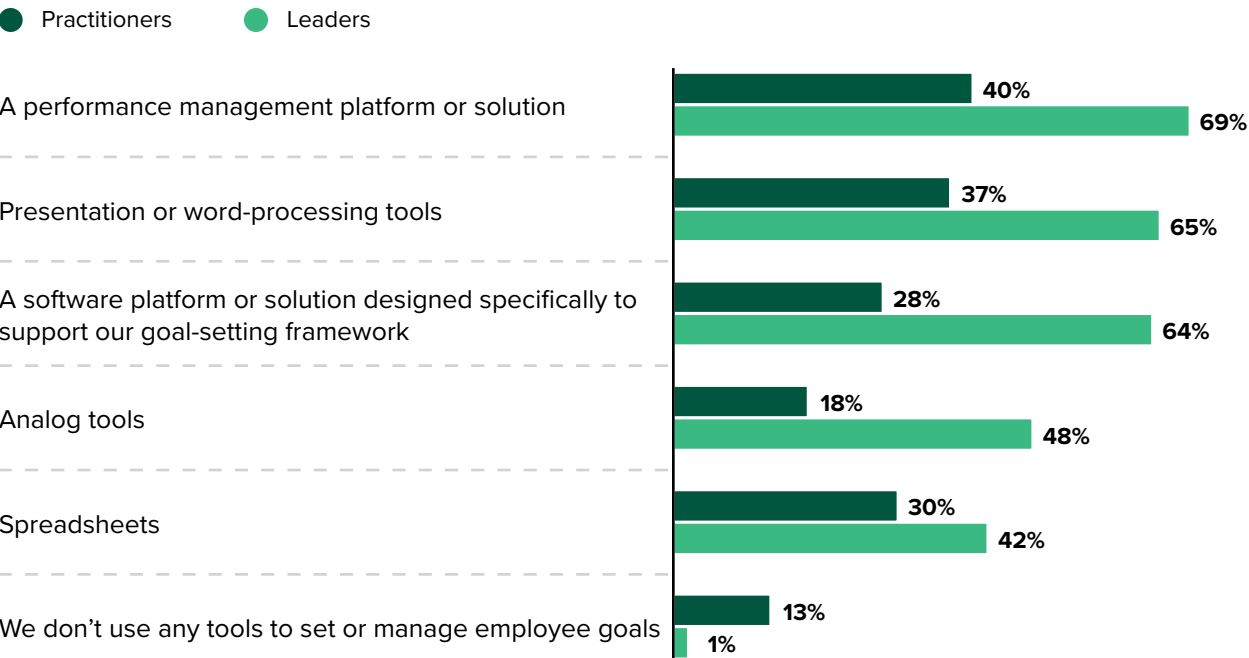
Base: 209 global enterprise practitioners in retail, healthcare, manufacturing, or financial services with defined goals
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

- **Leaders are not communicating goals effectively.** Communication for revealing organizational and team goals is like the children's game of telephone; the message (i.e., goal) is decided at the top and slowly communicated through the organization until it reaches the individual practitioners. Along the way, the message and focus unintentionally gets altered, which creates misunderstanding by the time it reaches the end recipient. Practitioners want to know how their individual goals are connected to the larger company goal sets: 50% are looking to their managers to better demonstrate how individual goals contribute to key company objectives. Making this connection is not always easy for leaders, as 30% of leaders surveyed said connecting individual goals to the company's larger goal sets is a primary challenge.
- **Leaders and practitioners are misaligned on the cadence of goal setting and ongoing goals management.** Most respondents in leadership indicated they set company and individual goals on a biannual, quarterly, or monthly basis, and revisit these goals throughout the year. However, a higher proportion of practitioners indicated company and personal goals are set on an annual basis. This disconnect contributes to practitioners being challenged to understand their personal and organizational-level goals. Likewise, leaders are setting and revisiting goals with the rhythm of the business, often focusing on quarterly progress and revisiting their goals at least on a quarterly basis. Practitioners, on the other hand, do not have insight into this process. They experience an annual or biannual goal review and assume that is the frequency goals are managed. The second most common response for what would help practitioners better set and manage goals, was a more thorough and collaborative goal-setting and management process with their manager. Setting the proper expectations for how often goals are set and updated is an essential component of improved collaboration.
- **Oversimplified goals can have a negative effect.** One reason why many practitioners struggle to connect with their individual goals is because they consider them to be too simple and unchallenging. Sixty-one percent of surveyed practitioners indicated their goals are basic, while similarly, 59% of leaders believe the opposite: They believe current goals

are ambitious. That explains why practitioner respondents were 30% less likely than leaders to say their personal goals provided them with daily motivation for work and 31% less likely to say their goals provided them with high job satisfaction.

- **Practitioners are not fully aware of the goal-setting and management tools available to them.** Nearly two-thirds of leaders surveyed said their organizations use performance-management platforms, software platforms designed to support their goal-setting frameworks, and/or presentation or word-processing tools to set and manage goals. Interestingly, practitioners are generally less aware of the tools their organizations offer in supporting goal setting and management. For example, 64% of leaders indicated their organization used a software platform designed specifically to support goal setting, compared to only 28% of practitioners (see Figure 2).

Figure 2
Tools Used To Set Or Manage Employee Goals



Base: 429 global enterprise people managers and director-level and above decision-makers in retail, healthcare, manufacturing, or financial services with defined performance goals
Base: 209 global enterprise practitioners in retail, healthcare, manufacturing, or financial services with defined goals
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

GOAL CLARITY IS ESSENTIAL FOR HELPING PRACTITIONERS FEEL MORE EMPOWERED BY THEIR GOALS

Goal clarity refers to the ability for employees or teams to understand their goals and how to achieve them. Multiple factors contribute to goal clarity: Both leaders and practitioners believe goals are required to have a clear definition of success, a clear description of the task needed to accomplish each goal, and constant communication throughout the year (see Figure 3). To help with goal clarity, most organizations employ specific goal-setting methodologies that tie goals to specific outcomes, actions, and/or measures needed to reach those goals. Ninety-eight percent of leaders stated that their organization uses a goal framework, with OKRs being the most commonly used at 34%, followed by KPIs at 25% and specific, measurable, achievable, relevant and time-related (SMART) goals at 24%.

Leaders see huge benefits in promoting goal clarity. In particular, clear goals alleviate managerial pressure by allowing direct reports to operate more independently and focus on the work that matters most (61%). Specifically, leaders from organizations that use an OKR goal-setting framework were 35% more likely to find that a clear goal-setting process helps their direct reports focus on the work that matters most. Practitioners are on the same page, as 50% said having clear goals motivates them to do their daily work and provides them with a greater sense of purpose.

50%

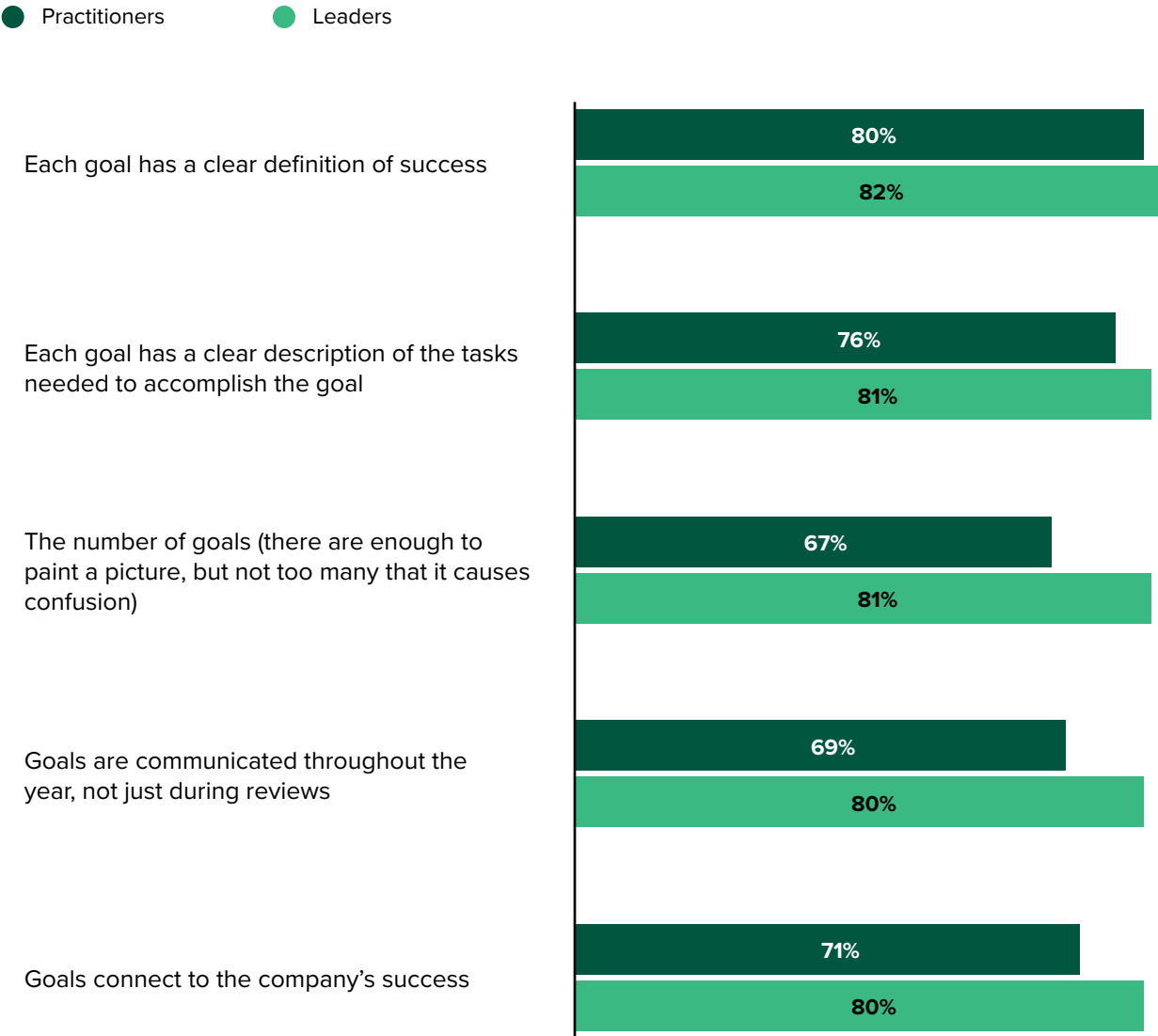
of practitioners said that having clear goals motivates them and provides them with a greater sense of purpose.



Figure 3

Top Attributes That Contribute To Goal Clarity

(Showing top five for sum of "important" and "extremely important")



Base: 429 global enterprise people managers and director-level and above decision-makers in retail, healthcare, manufacturing, or financial services with defined performance goals

Base: 209 global enterprise practitioners in retail, healthcare, manufacturing, or financial services with defined goals

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

Practitioners Want Better Ongoing Goal Management And Visibility

Once an organization and its employees have a clear understanding of their goals, they are posed with a new challenge: How to track themselves against those goals throughout the year to make sure they deliver on key objectives and drive the right results.

Our survey revealed the following on how goals are currently managed and monitored:

- **Overall goal tracking and monitoring needs to be improved.** Working toward goals can be discouraging if there is no way to monitor one's progress against them. Two of the top three challenges listed by leaders and managers were about improving goal management: 1) inconsistent follow-up on goal progress, and 2) a lack of tools to monitor goals throughout the year. Similarly, 42% of leaders stated that the lack of visibility was one of the top three things that inhibit their teams from achieving their goals.
- **Practitioners want to check in on their goals more often.** Practitioners want to be informed on not only what their goals are, but also how they connect to company outcomes, and how they can accomplish them. A “set it and forget it” mindset with goals is not sufficient. The top request for change from practitioners in the goal-setting and management process is to have more frequent updates on goal progress. This was echoed by one-third of the managers we surveyed, who noted that their direct reports often complained about goals being forgotten throughout the year due to limited communication about them.
- **Practitioners need more rewarding and focused goals.** Part of the reason why it is so important to have ongoing communication about goals is to ensure that goals drive productive work behaviors and result in strong business outcomes. However, our survey data showed that 47% of practitioners were unmotivated by their goals and found them irrelevant (i.e., the goal doesn't reflect the reality of the work they are doing) (see Figure 4). In fact, almost a third of practitioners said their goals were discouraging, rather than inspiring or motivating. When we asked practitioners what their managers could do to improve and provide more clarity on the rationale behind their goals, 50% said they want their leaders to better demonstrate how their goals contribute to key objectives.

The top request for change from practitioners in the goal-setting and management process is to have more frequent updates on goal progress.



Figure 4

Top Inhibitors To Achieving Goals: Practitioners

● Sum of top three ranked

Low rewards: They are not motivated by the reward for hitting the goal

47%

Irrelevant goals: The goals don't reflect the reality of what they actually do in their work

47%

Goal clarity: They don't fully understand the goals or how to achieve them

30%

Evolving business: The business keeps changing faster than we can update the goals

30%

Achievability: They don't feel they can achieve the goal

29%

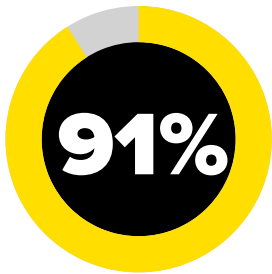
Lack of visibility: They struggle to track goal progress throughout the year

28%

Base: 209 global enterprise practitioners in retail, healthcare, manufacturing, or financial services with defined goals
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

Effective Goal Setting And Management Lead To Better Business Outcomes

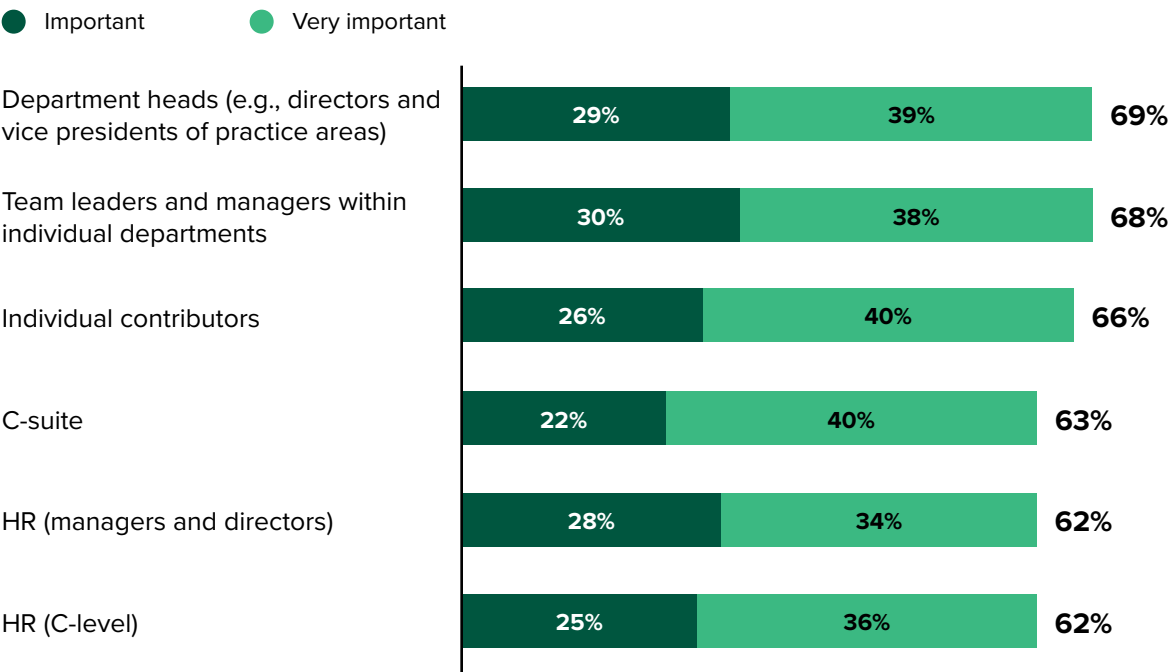
Effective goal setting and management require organizational support, and need to include the executive team, department heads, team leaders, and individual contributors — it cannot be a standalone effort (see Figure 5). To ensure success, the goals must be embedded into the company’s strategic plan and treated as an organizational priority to achieve desired results. Over the next two years, director-level respondents from our survey anticipate that the goal-setting and management process will evolve and become more connected to organizational outcomes. We found that:



of director-level respondents believe executive sponsorship in setting or tracking goals is important

Figure 5

“How important is it for the following people or roles to be involved in the goal-setting and management strategy?”



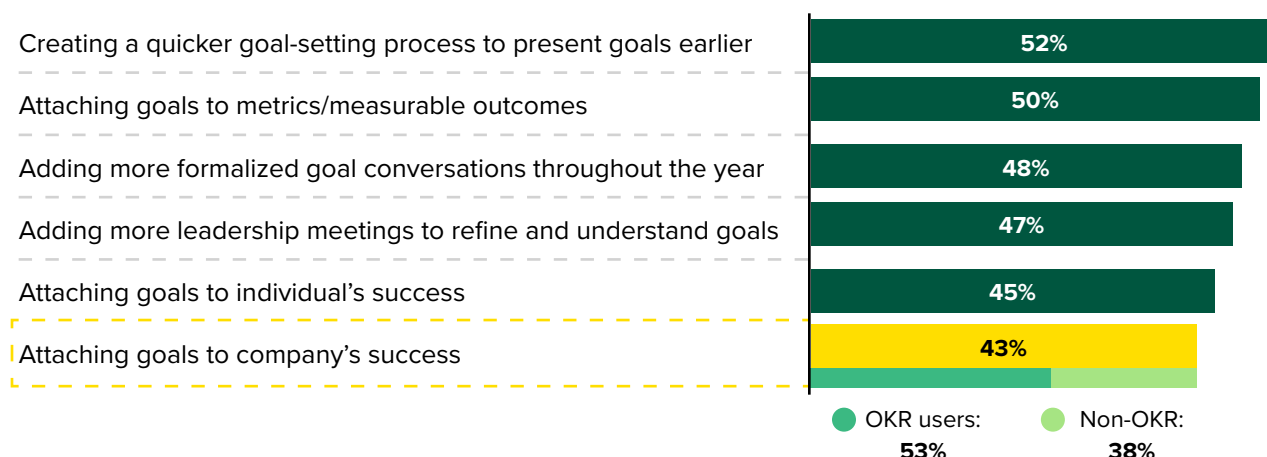
Base: 214 global enterprise director-level and above decision-makers in retail, healthcare, manufacturing, or financial services
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

- **An effective goal-setting and management process requires alignment with business objectives and outcomes.** Strategic planning and goal setting must go hand-in-hand, and need to be effectively coordinated to ensure individual, team, and company goals are aligned to key business outcomes. Seventy-three percent of senior business leaders indicated that their strategic planning is closely coordinated with goal setting to ensure that goals map to the strategic plan and are feasible to achieve at the individual, team, and company level. Because of this, it is critical for businesses to have an effective goal-setting and management framework that consists of clearly-defined goals, a strong connection between those goals and business objectives, a clear path to achieve those goals, and ongoing communication between leaders and practitioners.
- **Executives must be involved.** Ninety-one percent of directors believe executive sponsorship in setting or tracking goals is important. As the captains of the organization, it is critical that the executive team steers their employees in the right direction. It is equally important that executives play a role in enabling visibility, understanding, and ongoing assessment of the progress of goals. As mentioned above, only 37% of practitioners said they fully understand their organizational goals. The game of telephone is easy for executives when the message starts from them, but they should strive to ensure that the message (i.e., objectives, key results, and individual contributions required to help achieve these goals) is clearly understood at the other end of the line.
- **The goal-setting process is evolving.** Over the next two years, more than half of the respondents anticipate a quicker goal-setting process that allows managers to present goals to their team earlier. They also envision a process that is closely attached to outcomes (50%). The respondents using OKRs are specifically focused on outcomes, as 53% said they plan to attach their goals to the company's success in the next two years, versus 38% of respondents not using OKRs (see Figure 6).
- **Technology is the catalyst for improvement.** Surveyed directors believe that technology will improve the goal-setting and management process by allowing them to track progress and milestones more easily, increasing alignment across the company through better visibility, and improving the ability to integrate goals within current workflows (see Figure 7).

Figure 6

Changes Anticipated To The Goal-Setting And Management Process Over The Next Two Years

(Showing only top six responses)



Base: 214 global enterprise director-level and above decision-makers in retail, healthcare, manufacturing, or financial services

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

Figure 7

“In what ways do you believe improved technology for goal setting and management could help improve the goal-setting process for your company and employees?”

(Showing sum of top five ranked)



Base: 214 global enterprise director-level and above decision-makers in retail, healthcare, manufacturing, or financial services with defined performance goals

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2022

CLARITY AROUND HOW TO SET, MANAGE, AND ACHIEVE GOALS IS DIRECTLY LINKED TO EX

As senior business leaders look to measure the effectiveness of their current goal-setting and management strategies, their priority is EX metrics (i.e., employee satisfaction, productivity, and retention). Financial and client outcomes were secondary to these employee-focused outcomes, which show how critical good goals are in creating a culture of understanding and purpose. Clarity around how to set, manage, and achieve goals with goal-setting frameworks (e.g., OKRs) help individuals and organizations grow and achieve other valuable and measurable business outcomes.

Providing clarity and purposefulness during goal setting helps make the goal-management process easier as practitioners and their managers can foster better commitment and stewardship for their goals and outcomes. Business leaders recognize that practitioners will feel more satisfied in their role if they have a clear understanding of how their work drives positive outcomes at the individual, team, and company level. Clear and meaningful goals — and the right tools to help manage and monitor those goals — will empower practitioners to succeed and feel more connected to the company in their roles. For practitioners, feeling confident and connected with their goals positively impacts their job satisfaction. The top three impacts were: 1) becoming more self-driven to do good work (54%), 2) increasing their commitment to the company (44%), and 3) motivating them to want to do more and/or work harder.

Key Recommendations

Based on Forrester's research on EX and engagement over the past decade, backed by organizational behavior and psychological research, one of the most important findings is that EX peaks when employees have good days at work. What is a good day at work? A good day at work refers to when employees are able to make progress in work that they know matters. That means that not only do they have to know what is most important through role and goal clarity, but they must also agree that the things they are being asked to work on are important. Forrester recommends the following to address key insights identified in this study:

PRACTITIONERS WANT TO FEEL MORE CONNECTED TO THEIR GOALS.

Create goals that align with employees' intrinsic motivation.

Intrinsic motivation comes from within each individual. When employees' goals connect with things that motivate and stretch them, it is easier for employees to pursue them and stay engaged. Tap into that motivation to set ambitious yet achievable goals using plan language that practitioners feel inspired to work toward. For example, instead of stating a goal in the form of "Provide the best customer experience", rewriting it as "Build trust with customers and earn NPS scores of 60+".²

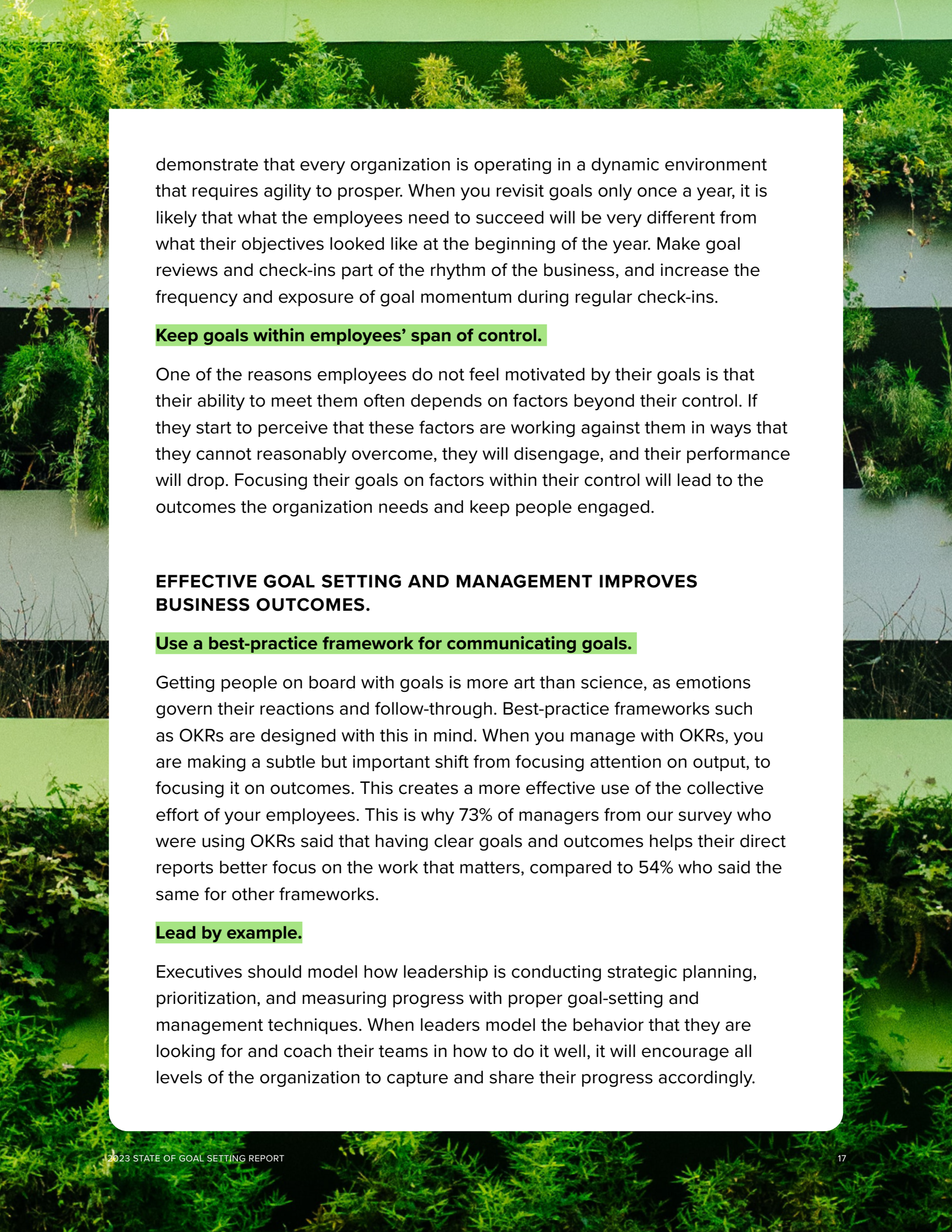
Leverage modern technology to increase visibility.

Use a goal-setting solution that can help track, share, and adapt as needed when setting and measuring goal progress. With a digital solution, viewers can see the history, activity, and a centralized destination that is easily discoverable to keep everyone in the organization connected.

PRACTITIONERS WANT BETTER ONGOING GOALS MANAGEMENT AND VISIBILITY.

Revisit goals throughout the year with employee input.

Most businesses look very different at the end of the year than they did at the beginning. Changes in market forces, supply constraints, and competition



demonstrate that every organization is operating in a dynamic environment that requires agility to prosper. When you revisit goals only once a year, it is likely that what the employees need to succeed will be very different from what their objectives looked like at the beginning of the year. Make goal reviews and check-ins part of the rhythm of the business, and increase the frequency and exposure of goal momentum during regular check-ins.

Keep goals within employees' span of control.

One of the reasons employees do not feel motivated by their goals is that their ability to meet them often depends on factors beyond their control. If they start to perceive that these factors are working against them in ways that they cannot reasonably overcome, they will disengage, and their performance will drop. Focusing their goals on factors within their control will lead to the outcomes the organization needs and keep people engaged.

EFFECTIVE GOAL SETTING AND MANAGEMENT IMPROVES BUSINESS OUTCOMES.

Use a best-practice framework for communicating goals.

Getting people on board with goals is more art than science, as emotions govern their reactions and follow-through. Best-practice frameworks such as OKRs are designed with this in mind. When you manage with OKRs, you are making a subtle but important shift from focusing attention on output, to focusing it on outcomes. This creates a more effective use of the collective effort of your employees. This is why 73% of managers from our survey who were using OKRs said that having clear goals and outcomes helps their direct reports better focus on the work that matters, compared to 54% who said the same for other frameworks.

Lead by example.

Executives should model how leadership is conducting strategic planning, prioritization, and measuring progress with proper goal-setting and management techniques. When leaders model the behavior that they are looking for and coach their teams in how to do it well, it will encourage all levels of the organization to capture and share their progress accordingly.

Appendix A: Methodology

In this study, Forrester conducted two online surveys to evaluate the current state of the goal-setting and management process, and the different perceptions of this between people leaders and practitioners. The first survey included 429 global enterprise people managers and decision-makers who were at least director-level, and the second survey included 209 global enterprise practitioners. Both studies looked at respondents at companies with defined performance goals. Questions provided to the participants asked about their goal-setting and management process, the importance of goal clarity, and the opportunities resulting from improved goal-setting and management technology. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began and was completed in December 2022.

Appendix B: Demographics/Data

MANAGER, DIRECTOR-LEVEL AND ABOVE STUDY

COUNTRY	
United States	39%
United Kingdom	25%
Australia	25%
Canada	11%

NUMBER OF EMPLOYEES	
500 to 999	6%
1,000 to 4,999	40%
5,000 to 19,999	29%
20,000 or more	24%

JOB LEVEL	
C-level	15%
Vice president	15%
Director	23%
Manager	50%

INDUSTRY	
Retail	26%
Financial services/insurance	25%
Healthcare	25%
Manufacturing and materials	24%

DIRECTOR AND ABOVE DEPARTMENT	
Operations	44%
Digital/digital transformation	32%
Human resources: strategic planning	23%

MANAGER DEPARTMENT (TOP FOUR)	
Operations	18%
Finance/accounting	16%
IT/technology services	14%
Sales	11%

PRACTITIONER STUDY

COUNTRY	
United States	41%
United Kingdom	26%
Australia	24%
Canada	10%

NUMBER OF EMPLOYEES	
500 to 999	6%
1,000 to 4,999	33%
5,000 to 19,999	30%
20,000 or more	32%

MANAGER DEPARTMENT (TOP FOUR)	
Operations	14%
Finance/accounting	12%
IT/technology services	11%
Sales	10%

INDUSTRY	
Financial services/insurance	26%
Retail	25%
Healthcare	24%
Manufacturing and materials	24%

JOB LEVEL	
Full-time practitioner	100%

Appendix C: Endnotes

¹ Source: “A Performance Management Evolution Is Critical To Employee And Employer Success,” Forrester Research, Inc., August 30, 2021.

² Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

The background is a dark green color with several large, overlapping circles in a slightly lighter shade of green. The circles are positioned in a way that they create a sense of depth and movement. The word "FORRESTER" is centered in the middle of the image in a white, serif font. A small registered trademark symbol (®) is located at the end of the word.

FORRESTER®