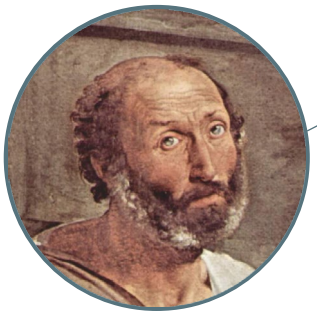
How Today's Best Marketers Use Goals to Drive Growth

Presented by RJMETRICS

Introduction

It's not news that goals work. The value of goal-setting is actually such old news that it can be dated all the way back to Aristotle, 2,300 years ago:



Aristotle

> *First, have a definite, clear practical ideal; a goal, an objective. Second, have the necessary means to achieve your ends; wisdom, money, materials, and methods. Third, adjust all your means to that end.*

Aristotle's ideas were the seed that inspired people like Cecil Mace and Edwin Locke to begin investigating the psychological impact of goal-setting in the mid 20th century. After decades of research on how goals affect motivation, Locke found that across the board -- whether research was conducted in labs or in the field -- **specific and challenging goals resulted in higher performance compared to no goals or easy goals.**

The practices laid out by these early researchers have become a core part of the corporate world. Search "goal-setting" on Harvard Business Review and you'll find 149 different articles, and you'd be hard-pressed to find an MBA who can't tell you what SMART stands for.

Goals have become an entrenched "best practice" used to motivate a workforce and measure performance. And while motivation is certainly one of the reasons that goals work, it doesn't tell the whole story about why goals are so effective. In fact, goals as motivators has been credited with some decidedly negative results like the Enron scandal and the exploding Ford Pinto.

Today we're seeing some of the smartest, fastest growing online businesses rethink the role of goals in their organization. They've found a way to access both the motivating side effects of having clear goals while avoiding the myopic "hit-the-goal-or-else" approach of more entrenched companies.

In this whitepaper we're going to walk you through what these companies know about goals and teach you how you can use goals to drive growth in your business.

Part 1: Why Goals Work

1. Goals are powerful psychological motivators

The "endowment effect" states that people place more value on things they own then things they do not own. It's what makes people on Craigslist think a complete stranger would pay $500 for their gross, worn-out couch. It's also what makes setting goals so effective.

When you set a goal, your brain actually feels like it "owns" the result. If you say "My goal is improve website conversion rates by 25%" then you feel like someone who has a high-converting website. Your brain registers not-having this as a loss and starts working overtime to win-back this achievement. In short: goal-setting has powerful psychological effects on humans.

2. Goals create focus

Some of the hardest decisions business leaders have to make isn't about what to do, but what not to do. New tactics, tips, advertising channels, and partnership opportunities pop up every day. If you have a single goal that you're focused on, evaluating these opportunities becomes much easier: do they help you achieve your goal? Then yes. If they don't. The answer is no.

This is effective stuff, it's why Aristotle recommend two millennia ago to set a goal and "adjust all your means to that end." Peter Thiel is also known for this quality of extreme focus. Here's what PayPay executive, Keith Rabois, says about Thiel's "One Thing" approach:

> The most important benefit of this approach is that it impels the organization to solve the challenges with the highest impact. Without this discipline, there is a consistent tendency of employees to address the easier to conquer, albeit less valuable, imperatives. As a specific example, if you have three priorities and the most difficult one lacks a clear solution, most people will gravitate towards the second order task with a clearer path to an answer.
>
> As a result, the organization collectively performs at a B+ or A- level, but misses many of the opportunities for a step-function in value creation.

It's in that last line that Rabois touches on an often underestimated benefit of setting goals. And it's the third reason goals are so effective.

3. Goals drive learning

Here is what today's online businesses know about goals that yesterday's mammoths didn't quite grasp: a goal is essentially a hypothesis. You think that by losing 10 pounds you'll be happier or healthier. You think more email subscribers will result in more revenue. So you set a goal to lose weight or get subscribers. Unfortunately, many people stop there. If they fail to hit the goal, they have failed. But (stay with us, this is about to get meta) there's actually a bigger goal behind goal-setting.

The overarching goal is to learn. For any business, but particularly new and fast-growing businesses, there are often massive amount of unknowns. An established business will know that x input gets y output, but you don't. Setting goals in this environment is really about testing hypotheses. And this is how the smartest companies use goals to drive growth.

Let's go back to the losing weight example. What if you set a goal to lose 10 pounds. You have a hypothesis, not a very well-formed hypothesis, but a hypothesis nonetheless. It is this: If I lose 15 pounds, then I'll be happier and healthier.

So you start exercising and eating healthier, you drop five pounds... and that's it. But you feel so good! You feel happy and healthy. You're waking up early to run. You don't feel tired in the afternoon. You didn't fail to hit your goal, you just proved your hypothesis wrong, and in doing so, you learned something that you never knew before.

This works for exercise, and it gets big results for business.

7 Reasons Goal-Setting Goes Wrong

Goal-setting is a powerful motivator, but only when it's done right. Mess it up, and you can end up doing more damage than good. Here are seven of the most common reasons goal-setting goes wrong.

1. Adopt the "just do your best best" approach. These fuzzy, undefined goals are rarely attained and frustrating to people tasked with them. Every goal should come with a definition of what success and failure looks like.

2. Declare a "hit the goal or else" mandate. While "more leads" might be the stated goal "more high-quality leads" is really what you want. Make sure that every goal has both a quantity and quality attribute to avoid unintended results.

3. You set goals, but only at the high-level. Break big goals into quarterly, weekly, even daily increments. Make it easy for people to see how their day-to-day work is making progress toward the big goal.

4. You set goals without understanding the cause and effect. Before you set a goal, you need to know what's driving the KPI you're trying to move. Otherwise, you'll end up doing the right things, but still not getting the results you wanted.

5. You chase accross the board improvement. Too many goals is as good as having zero goals. Focus on the One Metric That Matters for your team and make that the guiding light for what you do and don't work on.

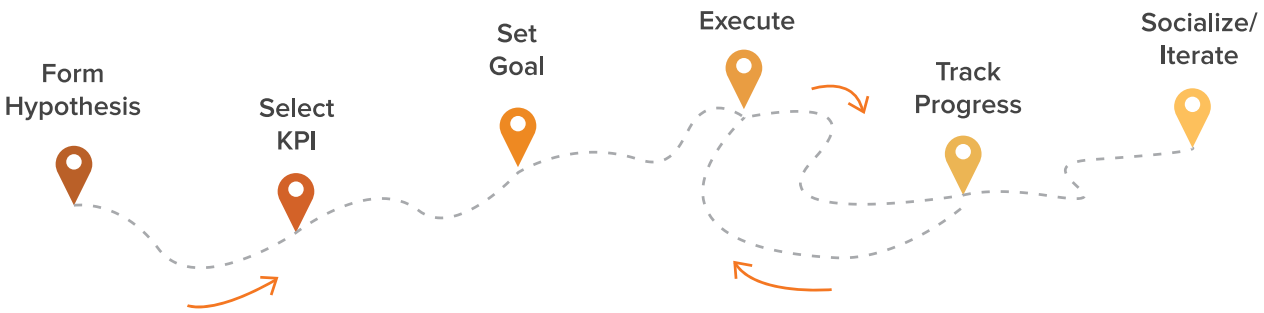
6. You set the bar too high. Setting unrealistic goals sets your team up to feel like failures when the goal is missed, even if the outcomes are fantastic. Set realistic goals that stretch your team, but are still achievable.

7. You refused to acknowledge failure. Failure can be missing the goal, realizing you set the wrong goal, or changing the goal as you get new information. All of these need to be acknowledged and addressed promptly.

Part 2: How to use goals to drive growth

Let's go deeper in exploring how this plays out. Here's the framework we're going to walk through.

GOAL SETTING FRAMEWORK



Step 1. Form hypothesis

We already covered the importance of having a hypothesis around any goal. Here's what a good hypothesis looks like:

If [variable], then [result], because [rationale]

A hypothesis might be, "If we create an amazing content offer, then we'll be able to generate 50 new leads because 5% of the people who download this piece will turn into customers."

Your goal is to get new customers. But without the hypothesis you either fail or succeed, but you don't learn anything. With the hypothesis you can evaluate success or failure by looking at each of the individual components:

- Was failure due to the offer?
- Was failure because you overestimated your ability to drive leads?
- Was failure because you misunderstood the cause and effect?

You may have failed to hit your goal, but you also have clear direction on what to do next.

Step 2. Select your KPI

Choosing a single KPI can be hard, you might want to skip this part and just say "Oh, we'll know success when we see it!" Don't. The human brain has a clever way of finding evidence to support success. Remember, the goal isn't to just hit the goal -- you want to learn something from this process. Here are three questions that we have found to be helpful when setting a KPI for any initiative:

1. What is our success criteria?
2. If you don't hit that criteria, would you still consider this successful?
3. If that do hit that criteria, what other factors might indicate this was a failure?

By walking through these questions you force yourself to define both what success and failure looks like. Ambiguity at this part of the process might make it easier to excuse a failure, and it will certainly deprive you of learning anything new.

"Being ignorant is not so much a shame, as being unwilling to learn."

-Benjamin Franklin

Step 3. Set your goal

You want to learn fast, so all goals need to be as granular as possible. If your KPI is leads, then set a high-level goal -- likely at the quarterly level. Then break it down into monthly, weekly, and daily goals. This is the only way to see if your hypothesis is proving to be correct or not. If you're consistently hitting your new leads goals, but revenue isn't increasing -- that's a sign that you may need to adjust your hypothesis.

Step 4. Track progress

Let's get this straight -- tracking progress should not be a weekly ritual in tedious spreadsheet hell. The purpose of tracking progress isn't to be annoying or waste your time, it's to create feedback loops.

At the beginning of this paper we looked at the three reasons goals are so effective:

1. They hack your brain
2. They increase focus
3. They drive learning

Every feedback loop enhances these benefits. If you're updating progress toward your goals quarterly or monthly the lag time between feedback loops is long and you're losing much of the advantage of having goals in the first place.

Daily feedback loops put the benefits of goals in overdrive:

1. **They hack your brain.** Every day you're getting that dopamine boost.
2. **They increase focus.** Every day you're reminded of the most important thing for you to be working on.
3. **They drive learning.** Every day you're checking what's working, learning, and adjusting.

You can absolutely track progress toward your goals in a spreadsheet. This is perfect if you're still testing product-market fit and don't even know if you'll have a business in three months let alone a goal. It's also time-consuming and error-prone to be manually editing a spreadsheet.

If you want the shortest possible feedback loops without the burden of manual reporting, try RJMetrics. Set your goals once, then check progress against them every day.

Step 5. Socialize and iterate

So far, this has mostly been about the logic of goals, but it would be unfair to wrap this up without addressing a very important aspect of goals -- they're terrifically emotional. People have deep feelings about their performance at work. When you set a goal, be prepared to do some emotional work around communicating progress...or lack of it. Here are a few things to watch out for:

- **Focus on learning:** Be careful about how and when you tie goal-achievement to incentives or even performance-related conversations. Instead, when you talk about your goals, try to frame the conversation around learning.

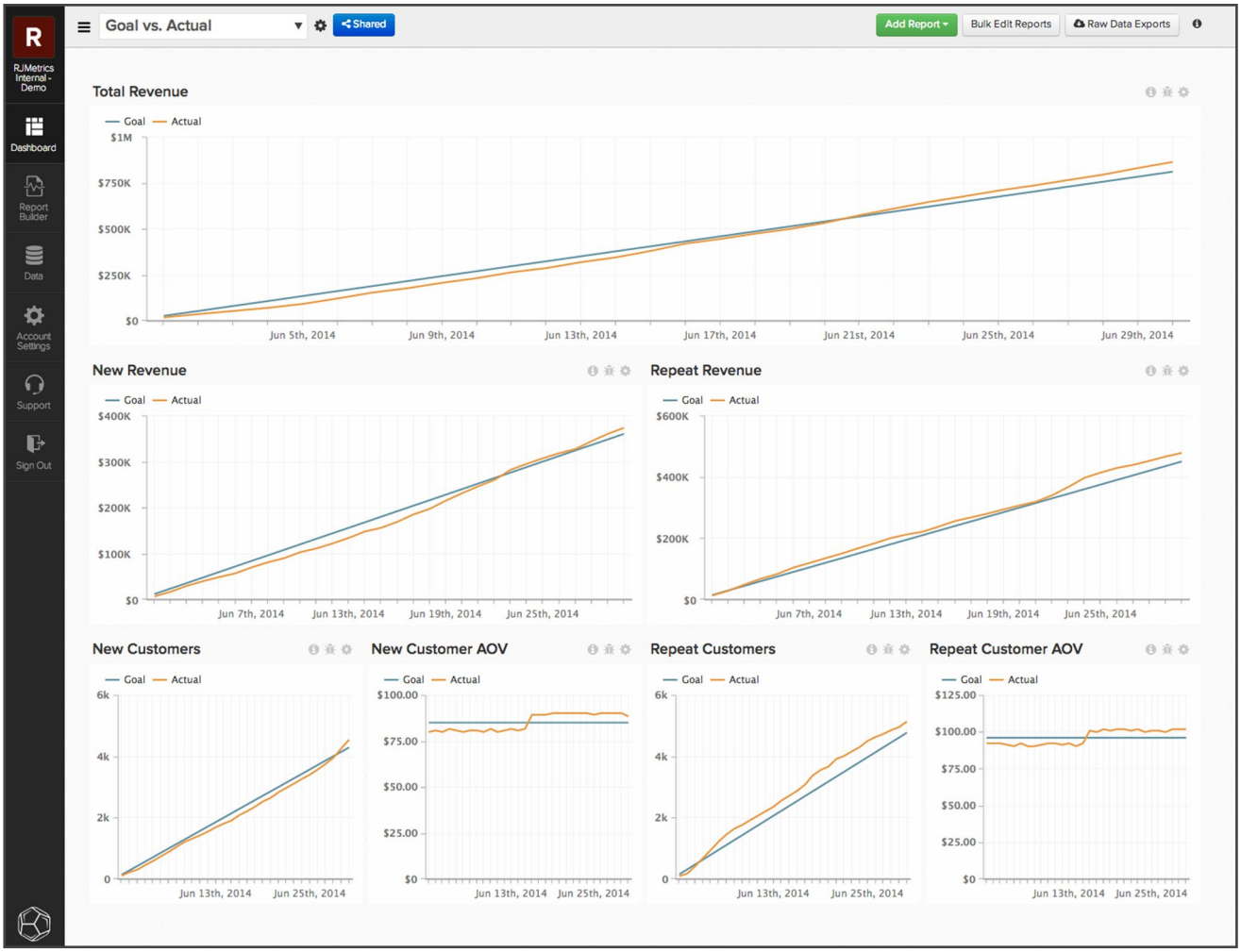
- **Build a culture of success:** Ambitious goals are motivating, but if you miss them, you're team will absolutely feel frustrated and discouraged. Up front, make sure your goals are achievable, and if you miss one, check in with your team to help them understand why it happened.

- **Always be ready to incorporate new information:** You might set a goal and see very early-on that even though you're on track to hit it, it's not having the intended result. Great! You just learned something about how your business works. It's time to scratch the goal and shift gears. Make sure you frame this as the forward progress it is.

Taking goals to the next level

As you get more sophisticated at measuring performance against goals, you'll be able to increase the number of metrics you're tracking. At first, you'll probably want to focus on high-level goals like revenue or new customers acquired. But as your team grows, you'll want to build goals for each individual or team. Your email team might be measured on average order value, marketing might be measured on revenue from new customers.

Here's one example of how an evolving ecommerce goals dashboard might look in RJMetrics:



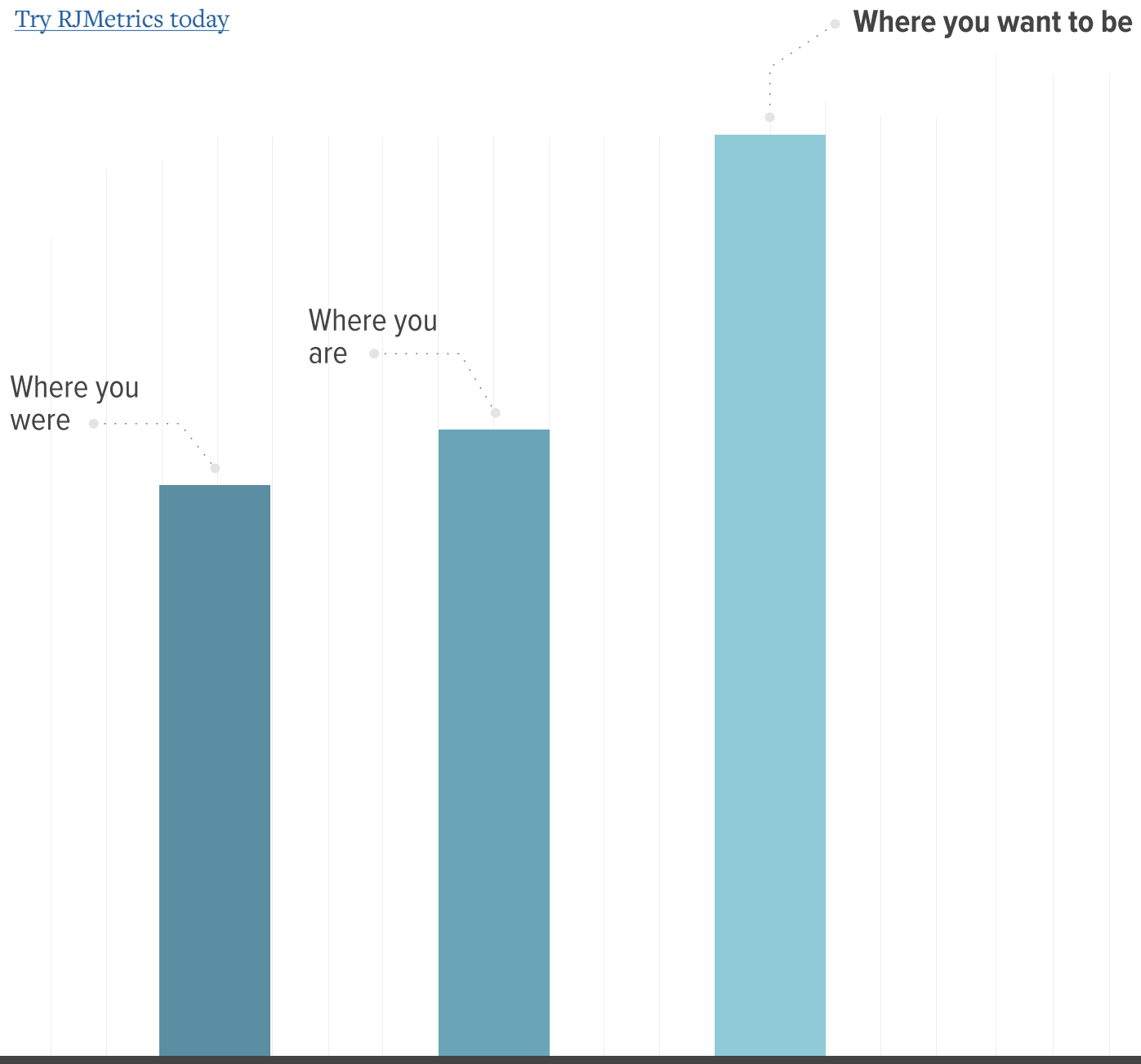
You'll begin to find that layering metrics on top of each other provides a level of clarity into the inner workings of your business, and you'll be able to diagnose successes and failures quickly just by looking at your goal vs. actual dashboards.

About RJMetrics

RJMetrics is a complete analytics platform for online businesses. We help companies turn their data into growth opportunities by making it easy to analyze their business and track the metrics that matter most.

If you're interested in using goals to drive growth at your business -- get in touch. We offer a 14-day free trial during which we'll implement your data, talk about your goals, and set up a few goal vs. actual charts to get you started.

Try RJMetrics today



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