When SMART Goals Are Not So Smart

Companies that rigidly adhere to traditional approaches to goal setting may be driving their business in the wrong direction. More than ever, goals must be set in relation to the competitive environment.

Martin Reeves
Jack Fuller

When SMART Goals Are Not So Smart

MARTIN REEVES AND JACK FULLER

Companies that rigidly adhere to traditional approaches to goal setting may be driving their business in the wrong direction. More than ever, goals must be set in relation to the competitive environment.

We rarely question the need for goals, and the familiar acronym SMART instructs us that good goals should be specific, measurable, achievable, realistic, and time-based. But none of these attributes say anything about the context in which we are setting goals.

Are SMART goals effective in every context? If not, what kinds of goals are most useful in what kinds of contexts? These are important questions at a time when competitive environments are constantly morphing and new ones are unexpectedly emerging.

Why We Need Goals

Every company needs goals. Goals fulfill several functions: coordination (to align intentions); abbreviation (to summarize a complex effort); prioritization (to ensure that activities and processes don't become an end in and of themselves); calibration (to tell us how to allocate or invest resources); and evaluation (to tell us if we are making progress).

In stable, predictable environments, it makes sense to set goals that are specific and measurable. For instance, some markets, such as confectionary and cosmetics, grow with gross domestic product (GDP) and follow relatively predictable trends. Thus, a company like Mars Inc. can plan out a multiyear strategy in its core categories.

In more dynamic and uncertain environments, however, SMART goals can be problematic. It's hard to manage to specific, time-based targets when demand, technology, business models, and competitor sets are incessantly shifting, as is common in emerging or recently disrupted industries, like genetic testing services or augmented reality technology. In such cases, companies need goals to

do other jobs, like prompt new thinking or encourage experimentation and learning in situations they have not encountered before.

How We Think Matters

To see how different kinds of goals can be effective in different situations, it is helpful to consider how the human brain works in different contexts.

Varying predictability: In predictable environments, the brain breaks down goals into familiar actions that we know will add up to the overall outcome. SMART goals, by specifying details such as the destination and arrival time, help us identify the right actions in the right order. They leverage our stable knowledge of the environment to construct an efficient plan.

In novel situations, however, the brain uses analogies to find the underlying similarities between what is known and unknown. Google's goal "to organize the world's information" is not measurable. [1] Instead, it is usefully fuzzy, permitting, and productive analogy-making. For example, in 2004, when Sergey Brin introduced his team to satellite mapping, the company's goal helped the team to see it as a legitimate and logical opportunity. As senior vice president Wayne Rosing observed, "If our mission is to make all the world's information useful and accessible — then *this* is the real world." [2] The overarching goal helped the executives draw an imaginative link from search to maps, as two aspects of the same essential effort. Such goals can facilitate the exploration necessary to navigate unpredictable environments.

Varying malleability: The human brain tends to consistently overestimate what is within its scope to change. This cognitive bias leads companies to set audacious goals that sound exciting but do not match the malleability of the environment.

The more a company has the power to shape its environment, the more its goals should be ambitious, broadly scoped, and externally oriented. Alibaba is a good example, with its goal "to build the future infrastructure of commerce" by co-owning a diverse ecosystem of businesses, including logistics company Cainiao Smart Logistics Network Ltd. and Ant Financial Services Group, its payment services provider. [3]

By contrast, retailer Zara is fully aware that it cannot control the world of fashion. Rather than aiming to predict or shape the environment, its comparatively modest goal is simply to respond quickly to trends in taste — to "satisfy the desires of our customers." This self-restraint has led to outstanding performance: Zara is now the largest fashion retailer in the world by sales, still regularly reporting double-digit sales growth. [4]

SMART goals, therefore, are sometimes smart and sometimes not. We should think about goals in a more contingent manner, adjusting the fuzziness and the ambition of goals depending on the kinds of environment our companies are operating within.

The Intelligent Evolution of Goals

Goals are not just contingent on the environment, but they also may need to change over time. There can be three triggers for this:

1. The business environment shifts from one kind to another.

2. The company changes via capability development or acquisitions.

3. The company learns more about the goals it is pursuing as experience leads to deeper insights.

Alibaba is also a model in this regard. Ming Zeng, Alibaba's chief strategy officer, told us that everything in the company, including its vision and goals, should evolve with circumstances. In the late 1990s, Alibaba's goal was to be "an e-commerce company serving China's small exporting companies." With the explosion of Chinese domestic consumption, this goal changed to "the development of an e-commerce ecosystem in China." Only today has the company arrived at its ambitious goal "to build the future infrastructure of commerce" — a usefully fuzzy aim that offers its leaders the opportunity to imagine what new forms commerce might take in the future. [5]

Having No Goal

Goals are tools that get different jobs done in different situations, but in some cases, the best tool for the job may be no goal at all! This is the case when we want to play, explore, and innovate — bypassing constraints rather than being guided by them.

The artist M.C. Escher, whose confounding drawings celebrate and challenge constraints, provides an iconic example. "I can't keep from fooling around with our irrefutable certainties," wrote Escher. "It is, for example, a pleasure knowingly to mix up two- and three-dimensionalities, flat and spatial, and to make fun of gravity." [6]

"Making fun of gravity" is what we sometimes need to do in business, as we let ourselves imagine unusual combinations of ideas, images, hopes, and situations. In fact, it is increasingly important in a world where technological and social change are undermining old certainties. In the early stages of development of new industries especially, companies need to compete on imagination, and overly structured approaches and goals can inhibit this.

Harnessing the Power of Contingent Goal Setting

Here are some starting suggestions for applying a contingent approach to your company's goals formulation process:

- Identify your environment and ask if the types of goals you've set are properly suited to it. Consider changing the scope and/or specificity of those goals accordingly.

- If a usefully fuzzy goal is required, use terms that are rich in possible analogies to drive exploration:
  1. Consider the essence of what your business is trying to accomplish.

  2. Ask yourself where else this essence applies in the business world.

  3. Formulate a goal based on this essential idea — the common thread that can connect multiple analogous experiences.

- Reflect on how the relationship between your company's goals and its environment has evolved in the past and note any tensions that might prompt you to revisit your goals.

Divergent environments require an expanded conception of goal setting. By adopting a contingent approach to goal formulation, companies can better equip themselves to adapt to today's fast-changing business reality.

About the Authors

Martin Reeves (@martinkreeves) is a senior partner in the New York office of The Boston Consulting Group (BCG) and director of the BCG Henderson Institute. Jack Fuller (@jackmfuller) is a BCG consultant based in New York and an ambassador to the BCG Henderson Institute.

References

1. Google Inc. "Our company," www.google.com/about/our-company.

2. L. Gannes, "Ten Years of Google Maps, From Slashdot to Ground Truth," Recode, Feb. 8, 2015, www.recode.net.

3. M. Reeves, M. Zeng, and A. Venjara, "The Self-Tuning Enterprise," Harvard Business Review 93, no. 6 (June 2015): 76-83, https://hbr.org.

4. M. McCoy, "6 Reasons Why You Should Be Shopping at Zara," HerCampus.com, Nov. 27, 2017.

5. Reeves et al., "The Self-Tuning Enterprise."

6. P. Bateson, "Playfulness and Creativity" Current Biology 25, no. 1 (January 2015): R12-R16, www.sciencedirect.com.

MITSloan
Management Review

PDFs ■ Reprints ■ Permission to Copy ■ Back Issues

Articles published in MIT Sloan Management Review are copyrighted by the Massachusetts Institute of Technology unless otherwise specified at the end of an article.

MIT Sloan Management Review articles, permissions, and back issues can be purchased on our Web site: sloanreview.mit.edu or you may order through our Business Service Center (9 a.m.-5 p.m. ET) at the phone numbers listed below. Paper reprints are available in quantities of 250 or more.

To reproduce or transmit one or more MIT Sloan Management Review articles by electronic or mechanical means (including photocopying or archiving in any information storage or retrieval system) **requires written permission.**

To request permission, use our Web site: sloanreview.mit.edu
or
E-mail: smr-help@mit.edu
Call (US and International):617-253-7170 Fax: 617-258-9739

Posting of full-text SMR articles on publicly accessible Internet sites is prohibited. To obtain permission to post articles on secure and/or password-protected intranet sites, e-mail your request to smr-help@mit.edu.