TOMORROW'S CHALLENGES

THE TROUBLE WITH BEING SMART

IS IT TIME TO RETHINK YOUR BUSINESS APPROACH?

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2016 is here. Worldwide, managers are setting SMART (Specific, Measureable, Achievable, Relevant, and Timely) goals, expecting these to make this 'the year' to revitalize or transform their businesses. Instead, most of these professionals should retire SMART – or at least rescind its standard operating procedure status.

We are at this juncture because two broad trends have fundamentally changed the business environment. First, "the boss knows best" paternalism no longer works. Global companies are transforming to free businesses from top-down structures. Respect for expertise, not centralized authority, coordinates open source communities that create great technologies. Innovative companies give employees off-the-clock time and free resources, and benefit from their tinkering. Such environments thrive due to decentralized action. SMART goals cannot add to, and inevitably subtract from, these structures.

Second, companies no longer compete individually, but as members of networks: Apple couldn't create the iPhone, or Airbus the A350 aircraft, without collaborating with outsiders. Complexity, uncertainty, and ambiguity are unavoidably present therein since network members are geographically dispersed, and have varying strategies, processes and cultures. These enable problems and opportunities to regularly propagate with blinding speed. By implicitly assuming a staid environment in which immutable goals are appropriate, every constituent element of SMART hinders appropriate action.

'Specific' goals are easy to articulate and enable quick assessments of individuals' efforts. That said, recall the last performance review you did. How many specific goals did you retrospectively consider irrelevant? This problem also manifests itself more broadly. Experiments show that in turbulent environments, people assigned specific goals actually tend to miss key events that occur simultaneously. So, consider two otherwise identical companies that evaluate their managers very differently. One company gives each manager five specific quarterly goals and authorizes them to decline any unrelated work. The other authorizes its managers to improvise to respond to changing business conditions. Given today's dynamic business environment, which of these two company's shares would *you* buy?

'Measurable' goals make it easy to decide how well someone has performed. Justified by physicist Lord Kelvin's dictum, "If you can not measure it, you can not improve it," they have become an unshakeable element of managerial faith. Yet, senior executives asked to identify a single factor whose absence would destroy most modern businesses tend to pick – relatively quickly! – an *immeasurable* value: 'Trust.' They're right, since people wouldn't get much done if they had to personally check every input they got. This suggests that the blind faith in Kelvin should at least be tempered by the idea attributed (perhaps aphoristically) to Einstein: "Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted."

Since 'Achievable' may produce inadequate outcomes, many companies set 'Ambitious but Achievable' goals. As Volkswagen's current scandal illustrates, such goals can engender ethical lapses, especially if they are specific and time-bound. Even if ethics aren't at issue, they can *limit, not enhance,* organizational performance. That's because externally imposed, Ambitious but Achievable goals inevitably embody carrot-and-stick properties. These – as Daniel Pink has brilliantly communicated in a YouTube video –don't engender better *intellectual work*, which benefits instead from people developing mastery in a field and acting autonomously therein. Not surprisingly, managers, engineers and scientists who set their own (ambitious) goals have produced many of the world's great innovations.

Goals are supposed to be 'Relevant' to the specific individuals for whom they are set. This criterion seems reasonable: why set a goal that isn't deliverable by the person being evaluated? Ironically, Relevance engenders a widespread problem: silos that hinder collaboration. For example, sales functions accountable for customer satisfaction often clash with supply network functions accountable for inventory. Each has goals relevant to its tasks. Suppose we added an inventory level goal for sales managers and a customer demand fulfillment goal for supply network managers. These would be irrelevant to each silo's "real" work, but would force them to collaborate to produce better organizational outcomes.

How could 'Timely' not be legitimate? Very simply because it has become code for "as soon as possible." Speed has become a virtue that trumps every other meaningful organizational goal.

Textbooks teach the blind pursuit of "first mover advantage" despite irrefutable examples of its limits. When did Apple last launch a truly first-in-the-world product? Didn't Yahoo! enter the search business before Google? Didn't MySpace and Friendster launch before Facebook? How are Chinese and Indian multinationals, Johnny-come-latelies to world markets, giving established Western firms a run for their money? Equating 'Timely' to speed irreparably harms creativity, effectiveness and even efficiency.

So, what should an executive do? First ask yourself whether your business faces dynamic or staid conditions. If the former, consider, at the least, becoming less SMART. Second, assess which jobs truly warrant the limiting of discretion and which would benefit from flexibility, collective judgment, risk-taking and experimentation. Retain SMART goals for the former. For all others, truly involve the affected people in setting non-specific, qualitative goals that can inspire them to consider "can't be done" challenges. Ensure that time is only one of several criterions at stake. Add only truly unavoidable SMART goals, making sure they aren't overly constraining.

Stated simplistically, managers ensure people get their work done, while leaders inspire people to enthusiastically contribute discretionary effort to their work. Being SMART might make you a good manager. But it won't make you a leader.

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