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Donald Sull
Charles Sull

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DONALD SULL AND CHARLES SULL

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In 1954, management guru Peter Drucker introduced "management by objectives," an approach where employees would agree with their boss on a set of goals and work toward achieving those objectives throughout the year. [1] Not even a visionary like Drucker, however, could have predicted how thoroughly goals would come to dominate the modern workplace. In 95% of organizations, according to a recent survey, employees set goals for themselves or their teams. [2]

The Strategic Agility Project

This article is part of an *MIT SMR* series that explores how organizations can achieve their strategic objectives.

Learn more about this series »

When it comes to setting goals, most managers follow a well-established set of practices. They hold one-on-one meetings with their subordinates to set goals, and then they review performance against those objectives at year end and link their appraisal to promotion and bonus decisions. [3] These same managers aspire to make their goals SMART, by ensuring they are specific, measurable, achievable, realistic, and time-bound. [4]

The conventional wisdom of goal setting is so deeply ingrained that managers rarely stop to ask a fundamental question — does it work? The traditional approach to goals — the annual cycle, privately set and reviewed goals, and a strong linkage to incentives — can actually *undermine* the alignment, coordination, and agility that's needed for a company to execute its strategy. Expecting employees to hit 100% of their targets to earn their bonus, for example, creates strong motivation for them to "sandbag" by setting conservative targets they are sure to achieve. And when goals are kept private, employees don't know what colleagues in other teams are working on.

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Goals *can* drive strategy execution but only when they are aligned with strategic priorities, account for critical interdependencies across silos, and enable course corrections as circumstances change. If these conditions aren't met, every employee could achieve their individual goals, but the organization as a whole could still fail to execute its strategy.

If the traditional approach to goals cannot ensure successful strategy execution, what's the alternative? Over the past few decades, a handful of leading companies including Google, Intel, and Anheuser-Busch InBev have pioneered and refined an alternative approach to harness the power of goals to drive and align action. To understand how this new approach works, we studied these companies and others, analyzed a proprietary data set of more than half a million goals, and reviewed the academic literature on goal setting.

We found that four core principles underpin effective goal systems, and we summarize these elements with the acronym FAST. (See "Make Goals FAST, Not SMART.") Goals should be embedded in **frequent** discussions; **ambitious** in scope; measured by **specific** metrics and milestones; and **transparent** for everyone in the organization to see.

Make Goals FAST, Not SMART

According to conventional wisdom, goals should be specific, measurable, achievable, realistic, and time-bound. But SMART goals undervalue ambition, focus narrowly on individual performance, and ignore the importance of discussing goals throughout the year. To drive strategy execution, leaders should instead set goals that are FAST — frequently discussed, ambitious, specific, and transparent.

	Definition	*Benefits*
Frequently discussed	Goals should be embedded in ongoing discussions to review progress, allocate resources, prioritize initiatives, and provide feedback.	• Provides guidance for key decisions. • Keeps employees focused on what matters most. • Links performance feedback to concrete goals. • Evaluates progress and course corrects.
Ambitious	Objectives should be difficult but not impossible to achieve.	• Boosts performance of individuals and teams. • Minimizes the risk of sandbagging. • Forces broader search for innovative ways to achieve goals.
Specific	Goals are translated into concrete metrics and milestones that force clarity on how to achieve each goal and measure progress.	• Clarifies what employees are expected to deliver. • Helps identify what is not working and quickly course corrects. • Boosts performance of individuals and teams.
Transparent	Goals and current performance should be made public for all employees to see.	• Makes use of peer pressure to perform on goals. • Shows employees how their activities support company goals. • Understands other teams' agendas. • Surfaces activities that are redundant or unaligned with strategy.

FAST goals help organizations improve along multiple dimensions at the same time. By making goals transparent, for example, companies enable employees to align their activities with corporate strategy and to coordinate more effectively across silos. What's more, FAST goals work well across a wide range of industries. Technology companies such as Google, Intuit, and Netflix use an approach called objectives and key results (OKRs) to put these principles into action. FAST goals are also used in companies in more traditional industries, including AB InBev, Burger King, and Kraft Heinz. (Find out if your company's approach to goal setting passes the FAST test by taking our interactive quiz below.)

Make Goals Transparent

When Marcel Telles took the reins at a struggling Brazilian beer-maker named Companhia Cervejaria Brahma, he had no inkling that he would help pioneer a new approach to managing goals. Prior to joining the company as CEO in 1989, Telles had been a trader, and he wanted to bring the transparency of the trading floor to the century-old brewer. He tore down walls and cubicles

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and created an open office where managers posted their goals and current performance for all to see. [5]

As it has grown — through a series of mergers and acquisitions — into AB InBev, the largest and most profitable beer-maker in the world, the company has maintained the practice of making employees' goals public. Google follows a similar approach, posting all employees' current and past goals on its internal employee directory right beside their title and contact information.

Some executives assume that transparency is fine for AB InBev or Google but would never mesh with their corporate culture. Our research, however, suggests that employees across a wide range of organizations prefer transparent goals. We have analyzed metadata from more than 600,000 goals from customers of BetterWorks, an enterprise software company in Redwood City, California, that's funded by John Doerr, the chairman of venture capital firm Kleiner Perkins Caufield & Byers and the leading proponent of OKRs. [6] BetterWorks provides a platform for users to set and manage their own goals as well as view or comment on colleagues' objectives. Each time employees create a goal, they have the option of making it visible to all users on the system. Those who are reluctant to make their goals public can keep them private. [7]

Aggregating these individual choices across a range of companies, we found that users made more than 90% of their goals public. The percentage of public goals, moreover, was virtually the same whether an organization was public or private, small or large, a Silicon Valley technology company, or a more traditional enterprise. To be sure, some goals should remain private (particularly those dealing with sensitive personnel decisions, legal issues, or pending acquisitions). But in the vast majority of cases, users believe the benefits of transparency outweigh the costs.

Making goals public can boost performance by introducing peer pressure, showing employees what level of performance is possible, and helping them locate colleagues in similar situations who can provide advice on how they can do better. When Telles extended public goals from Brahma's headquarters to its individual breweries, for instance, managers of underperforming plants reached out to their counterparts in higher performing facilities for tips on how to improve efficiency.

When employees can see top-level goals, they can align their individual and team objectives with the company's overall direction. Clarity on how their work contributes to the success of the organization as a whole, moreover, is one of the top drivers of employee engagement. [8] Unfortunately, corporate goals are poorly understood in many companies. In a recent study of 124 large organizations, we found that less than one-quarter of middle managers knew their company's strategic priorities. [9] Making the goals public can help. Nearly all of BetterWorks' customers make corporate priorities visible to all employees, and the typical user views them more than twice per quarter.

Sharing company goals publicly cannot guarantee that employees will align their objectives to the company's strategy. But transparent goals do make it easier for employees to check the objectives of their department, function, or business unit against those of the company as a whole. When goals are public, senior executives can

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easily review them to spot objectives that are out of line with the company's overall direction. Transparency, in short, can foster strategic alignment without resorting to a time-intensive process of cascading goals down the chain of command.

When goals are kept private, employees are often in the dark about what people on other teams are doing. We have administered a strategy execution survey to more than 400 organizations (mostly large U.S.-based companies) to assess how well they implement their strategic priorities. [10] In our sample, only one-quarter of the managers said that their goals were understood by their counterparts in other divisions, functions, or business units. When employees don't know one another's goals, they are more likely to make unrealistic demands, focus on activities that don't support their colleagues, or duplicate effort.

Yet when goals are made public, our data suggests that employees take advantage of the transparency to view their colleagues' objectives. The BetterWorks platform, for example, allows employees to view, follow, and comment on other users' goals. You might think that employees would use these social features to keep tabs on how their own team is doing. And indeed, the typical user checks in on his or her teammates' goals twice a month. Surprisingly, though, users check in on the goals of colleagues on other teams more than twice as frequently as they check on their own teammates. Employees in larger companies are even more likely to keep tabs on other teams. In companies with more than 10,000 employees, the typical user views the goals of colleagues on other teams more than twice a *week*. (See "Viewing Colleagues' Goals.")

Viewing Colleagues' Goals

In most organizations, goals are private. When goals are made public, employees use the transparency to keep tabs on colleagues on other teams. In large companies, employees viewed the goals of colleagues on other teams four times as often as they checked in on their own team members.

How many times a month employees checked on their colleagues' goals

Based on a sample of 79 BetterWorks customer companies' activity in the first quarter of 2017. We defined large companies as those with more than 10,000 employees. Views include passive views as well as links and comments on other employees' goals.

Many companies rely on frequent meetings, highly structured processes, or frequent email blasts to make sure employees' goals align with the company's strategic direction and the objectives of other parts of the business. When goals are public, employees can connect the dots for themselves to see how their work supports the strategy and colleagues in other teams.

Make Goals Specific With Metrics and Milestones

In the early 1970s, Intel was making the transition from memory chips to microprocessors. Andrew Grove — then the chipmaker's executive vice president of operations — read about management by objectives and immediately saw the concept's potential to help Intel implement its new strategy. [11] Grove implemented Intel Management by Objectives, which required employees to translate their goals into concrete actions and metrics to

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clarify how they would achieve their targets and measure progress along the way.

As an Intel employee, Doerr was deeply impressed by Grove's system. When he joined Kleiner Perkins in 1980, Doerr refined Intel's approach into OKRs, which were tailored to the needs of the firm's portfolio companies. Eventually, Doerr introduced OKRs to companies he backed, including Amazon.com, Intuit, and Google, and the methodology has spread widely throughout Silicon Valley's technology ecosystem.

OKRs consist of two parts. Objectives are short descriptions of what you want to achieve. Each objective should include a handful of key results — typically quantitative metrics or milestones that specify the steps required to achieve the goal and measure progress. Don't get hung up on the terminology of OKRs. Many Silicon Valley companies refer to goals as objectives, while other companies refer to them as targets. (We use the terms *goals*, *objectives*, and *targets* interchangeably.) Likewise, some companies use metrics or key performance indicators (KPIs) instead of key results. Regardless of the terminology, the important thing is that employees translate their goals into clearly defined tasks and concrete measures of progress.

Some companies, particularly those run by engineers, insist that *every* key result be quantifiable. Our experience working with companies, however, suggests that relying exclusively on quantitative measures is neither necessary nor optimal. For a fast-growing startup, for example, the qualitative milestone of hiring a new chief technology officer can be every bit as important as any quantitative KPI. Among BetterWorks users, about half of key results are quantitative.

The power of specific, ambitious goals to improve the performance of individuals and teams is one of the best documented findings in organizational psychology, and has been replicated in more than 500 studies over the past 50 years. Compared to vague exhortations like "Do your best," a handful of specific, ambitious goals increases performance of an average team or individual to the 80th percentile of performance. [12] Adding a set of metrics for each goal and providing frequent feedback on progress can further improve results. A meta-analysis of 83 interventions in organizations including the U.S. Air Force, high-tech manufacturing plants, and hospitals found that setting a handful of objectives, assigning metrics to each goal, and providing regular feedback improved performance enough to move an average team to the 88th percentile of performance. [13]

The discipline of translating goals into metrics and milestones can enhance the performance of individuals or teams in several ways. For big-picture thinkers, breaking goals into concrete tasks and metrics helps them think through the details of how to achieve their objectives. Conversely, more tactically oriented employees can link their activities and KPIs to the outcomes that matter most for the company as a whole. Working through concrete actions and metrics, moreover, helps employees understand exactly what their boss and colleagues expect from them, and decreases the odds that they will agree on broad generalities that each interprets in their own way.

Defining specific metrics and milestones for each goal can also enhance agility. Key results can be treated as hypotheses: "If we do this, then we will accomplish our goal." The more specific the hypotheses are, the easier it is to test them, determine which ones are (or aren't) working, and make midcourse corrections. "Truth," as Sir

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Francis Bacon noted, “emerges more readily from error than from confusion.” Translating general goals into testable hypotheses surfaces errors more quickly and precisely, which accelerates the pace of learning and adjustment.

Linking goals to key results makes it easier to adjust as circumstances change, without losing sight of the company’s must-win battles. The marketing manager of a startup might have a goal to attract 1 million unique visitors per month to the company’s website. To support that, however, she might have several key results — for example, “gain 100,000 followers on Twitter” or “restructure website architecture to optimize for search.” While the same objective might extend over several quarters, the key results will change as the team accomplishes them or learns that other approaches or metrics are more relevant.

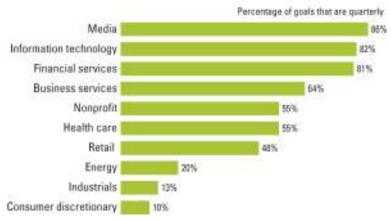
Discuss Goals Frequently

When we ask managers how often they look at their goals, most say twice per year — once when they set their objectives and again when they write up their performance self-appraisal. For many organizations, goal setting is an annual ritual that begins with a one-on-one meeting between an employee and his or her boss to agree on objectives for the year. [14] Employees dutifully enter their goals into a spreadsheet or performance management tool, and largely forget about them until year end. Come December, they revisit their objectives and are often surprised by the tenuous relationship between their stated goals and what they actually did in the meantime.

Even the most finely crafted objectives will have little impact if they are filed away for 363 days of the year. To drive strategy execution, goals should serve as a framework that guides key decisions and activities throughout the year. One way to make goals more relevant is to set them quarterly rather than annually — quadrupling the number of times teams evaluate progress, discuss unexpected challenges, and make real-time adjustments. We have found that companies in dynamic sectors (for example, media and information technology) often use quarterly goals, while companies in more stable industries tend to set annual goals. [15]

Companies in Dynamic Sectors More Likely to Set Quarterly Goals

Setting and reviewing goals on a quarterly basis provides more opportunities to make course corrections throughout the year. In our sample, companies in dynamic sectors such as media, information technology, and financial services were most likely to set quarterly goals. More stable industries favored annual goals.



Based on a sample of 79 BetterWorks customer companies' activity in the first quarter of 2017. Quarterly goals defined as those with a target completion date of 90 days or less when they are set.

Resetting goals on a quarterly basis can be useful. But it is not the only way to embed objectives in ongoing discussions. Employees at AB InBev, for example, set their targets annually, and Google, for its part, recently moved from quarterly to annual goals. [16] What really

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matters is not whether goals are set quarterly or annually, but whether they shape the key discussions for getting work done. LinkedIn CEO Jeff Weiner, for example, meets weekly with his executive team to discuss how his team members are doing against their goals and metrics. [17] Goals can also provide the framework for making difficult trade-offs regarding which initiatives to prioritize, how to allocate resources, and how to respond to requests from colleagues in other teams.

Feedback and coaching sessions provide another opportunity for managers and employees to discuss goals on an ongoing basis. Some 70% of the managers we surveyed said they want monthly updates on how they were doing against their goals. Unfortunately, less than half receive monthly feedback. Several high-profile companies, including Microsoft, IBM, and Accenture, have recently transformed their traditional performance appraisal process to incorporate ongoing discussions on how employees are doing against their goals, which keeps these objectives top of mind throughout the year. [18]

Set Ambitious Goals

A core tenet of the SMART framework is that goals should be achievable and realistic. Several recent articles have argued against stretch goals and recommended incremental targets instead. [19] The widespread practice of requiring employees to achieve 100% of their goals to earn a bonus or a positive performance review reinforces employees' tendency to set conservative goals that they are sure to achieve.

The temptation to play it safe when setting goals is understandable but often misguided. Recall that employees pursuing ambitious goals significantly outperform colleagues with less challenging objectives. The pioneers of FAST goals, moreover, emphasize the critical role of ambition in setting effective goals. In a new book titled *Measure What Matters*, Doerr discusses the value of pursuing order-of-magnitude improvements as opposed to incremental gains, supported by case studies from Google Chrome, YouTube, and the Bill & Melinda Gates Foundation. [20]

Ambitious goals minimize the risk that employees will sandbag by committing to overly conservative goals they are sure to achieve. The typical image of sandbagging is a sales representative setting a goal of $1 million when he is confident he could sell twice that amount. Sandbagging, however, manifests itself in more insidious ways that undermine experimentation and learning. When bonuses are tied to hitting targets, employees may opt for cost-reduction initiatives that are fully under their control, as opposed to growing sales, which depends on the actions of customers, partners, and competitors. Or they might attempt to wring incremental improvements out of existing products or business models rather than pursue a novel technology that offers a higher payoff in the long run. When the gap between the goals being set and current reality is wide, organizations need to search for creative or innovative ways to achieve their ambitious, overall objectives. [21] Insisting that employees achieve 100% of their goals, in contrast, can also deter employees from the trial-and-error experimentation required to innovate. [22]

When it comes to setting goals, more ambition is not always better — at some point, the objectives enter the realm of delusion. Striking the balance between ambition and achievability is a difficult but essential task for leaders at every level in an organization. "My biggest challenge,"

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AB InBev's Telles said, "is setting the right targets that are almost impossible but not impossible." [23]

Ambition is fiendishly difficult to measure. You can usually observe only what was achieved not what was possible. We have used multiple measures to estimate organizational ambition, and all point in the same direction — the typical company should focus on setting more ambitious goals. Our survey of more than 400 organizations asked managers what advice they would give a newly hired colleague on setting goals. They could advise new managers to (1) make conservative commitments they are sure to achieve, (2) set ambitious goals even if they are not sure how they'll achieve them, or (3) avoid committing to objectives whenever possible. In the typical organization, nearly two-thirds of managers would advise a new colleague to play it safe.

In the same survey, we asked respondents to choose three factors that most influence promotion decisions (from a randomly ordered list of 10 factors). Past performance, the most commonly cited factor, was selected by 61% of respondents. Setting ambitious goals, at 13%, was second from last, just ahead of innovating (12%). (See "How to Get Promoted.")

How to Get Promoted

In our execution survey, we asked managers to choose the three factors (from a randomized list of 10) that most influenced promotion decisions in their organization. Pursuing ambitious goals came second to last.

Based on a survey of 8,812 respondents in 363 companies.

How can leaders inspire people to set more ambitious goals? In Silicon Valley many companies encourage employees to set goals that they are unlikely to achieve in full. Google, for example, expects employees to achieve an average of 60% to 70% of their key results. In the eyes of Google executives, asking for more would prevent employees from thinking big enough when setting their objectives.

Google deliberately decouples goal attainment from performance reviews and compensation decisions, which may seem like heresy to managers steeped in traditional performance management philosophy. But it's consistent with research that shows financial rewards are not the only way to boost performance of an individual or team. Indeed, specific, ambitious goals (recall the research we mentioned earlier) spur performance on their own, without the need for financial incentives. A recent meta-analysis found that in motivating people to complete complex tasks that involved creativity, intrinsic motivation was nearly six times more effective than external incentives in motivating people to complete complex tasks that required creativity. [24]

Although Google's approach is common among Silicon Valley technology companies, it is not the only way to foster ambitious goals. At AB InBev, bonuses are tightly linked to targets for reducing costs, improving operations, and optimizing pricing. The brewer injects ambition by

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setting challenging objectives for the company as a whole, hiring highly motivated employees, and rapidly promoting those who deliver on their stretch targets. When it comes to injecting ambition, one size does not fit all.

Goals are a powerful tool to drive strategy execution. To harness their potential, leaders must move beyond the conventional wisdom of SMART goals and their entrenched practices. Instead, they need to think in terms of being FAST, by having frequent discussions about goals, setting ambitious targets, translating them into specific metrics and milestones, and making them public for everyone to see.

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About the Authors

Donald Sull, who tweets @simple_rules, is a senior lecturer at the MIT Sloan School of Management. Charles Sull is a partner at Charles Thames Strategy Partners LLC.

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