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Rules to Setting Business Goals and Objectives: Why and How to be SMART

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Setting objectives and milestones is of crucial importance for any planning activity and is the core of its success, or failure. Knowing how to set objectives is not exactly rocket science in terms of complexity, but any strategist should know the basic rules of how to formulate and propose objectives. We will see in this article why objectives play such a major role within a company's planning and strategic activities, how they influence all business processes, and we will review some guidelines of setting objectives.

The Importance of Setting Objectives

One might wonder why we need to establish objectives in the first place, why not let the company or a specific activity just run smoothly into the future and see where it gets. That would be the case only if we really do not care whether the activity in discussion will be successful or not: but then, to use a popular saying, "if something deserves to be performed, then it deserves to be performed well". In other words, if we don't care for the results, we should not proceed with the action at all.

Setting objectives before taking any action is the only right thing to do, for several reasons:

- it gives a target to aim to, therefore all actions and efforts will be focused on attaining the objective instead of being inefficiently used;
- gives participants a sense of direction, a glimpse of where they're going to;
- motivates the leaders and their teams, since it is quite the custom of establishing some sort of reward once the team successfully completed a project;
- offers the support in evaluating the success of an action or project.

The 5 Rules of Setting Objectives: Be SMART!

I am sure most managers and leaders know what SMART stands for, well, at least when it comes of establishing objectives. However, I have seen some of them who cannot fully explain the five characteristics of a good-established objective - things are somehow blurry and confused in their minds. Since they can't explain in details what SMART objectives really are, it is highly doubtful that they will always be able to formulate such objectives.

It is still unclear from where the confusion comes: perhaps there are too many sources of information, each of them with a slightly different approach upon what a SMART objective really is; or perhaps most people only briefly "heard" about it and they never get to reach the substance behind the packaging.

Either way, let us try to uncover the meaning of the SMART acronym and see how we can formulate efficient objectives. SMART illustrates the 5 characteristics of an efficient objective; it stands for Specific - Measurable - Attainable - Relevant - Timely.

1. Be SPECIFIC!

When it comes of business planning, "specific" illustrates a situation that is easily identified and understood. It is usually linked to some mathematical determinant that imprints a specific character to a given action: most common determinants are numbers, ratios and fractions, percentages, frequencies. In this case, being "specific" means being "precise".

Example: when you tell your team "I need this report in several copies", you did not provide the team with a specific instruction. It is unclear what the determinant "several" means: for some it can be three, for some can be a hundred. A much better instruction would sound like "I need this report in 5 copies" - your team will know exactly what you expect and will have less chances to fail in delivering the desired result.

2. Be MEASURABLE!

When we say that an objective, a goal, must be measurable, we mean there is a stringent need to have the possibility to measure, to track the action(s) associated with the given objective.

We must set up a distinct system or establish clear procedures of how the actions will be monitored, measured and recorded. If an objective and the actions pertaining to it cannot be quantified, it is most likely that the objective is wrongly formulated and we should reconsider it.

Example: "our business must grow" is an obscure, non-measurable objective. What exactly should we measure in order to find out if the objective was met? But if we change it to "our business must grow in sales volume with 20%", we've got one measurable objective: the measure being the percentage sales rise from present moment to the given moment in the future. We can calculate this very easy, based on the recorded sales figures.

3. Be ATTAINABLE!

Some use the term "achievable" instead of "attainable", which you will see it is merely a synonym and we should not get stuck in analyzing which one is correct. Both are.

It is understood that each leader will want his company / unit to give outstanding performances; this is the spirit of competition and such thinking is much needed. However, when setting objectives, one should deeply analyze first the factors determining the success or failure of these objectives. Think of your team, of your capacities, of motivation: are they sufficient in order for the objectives to be met? Do you have the means and capabilities to achieve them?

Think it through and be honest and realistic to yourself: are you really capable of attaining the goals you've set or are you most likely headed to disappointment? Always set objectives that have a fair chance to be met: of course, they don't need to be "easily" attained, you're entitled to set difficult ones as long as they're realistic and not futile.

Example: you own a newborn movers company and you set the objective of "becoming no. 1 movers within the state". The problem is you only have 3 trucks available, while all your competitors have 10 and up. Your goal is not attainable; try instead a more realistic one, such as "reaching the Top 5 fastest growing movers company in the state".

4. Be RELEVANT!

This notion is a little more difficult to be perceived in its full meaning; therefore we will start explaining it by using an example in the first place.

Imagine yourself going to the IT department and telling them they need to increase the profit to revenue ratio by 5%. They will probably look at you in astonishment and mumble something undistinguished about managers and the way they mess up with people's minds.

Can you tell what is wrong with the objective above? Of course! The IT department has no idea what you were talking about and there's nothing they can do about it - their job is to develop and maintain your computerized infrastructure, not to understand your economic speech. What you can do it setting an objective that the IT department can have an impact upon, and which will eventually lead to the increase you wanted in the first place.

What about asking them to reduce expenditures for hardware and software by 10% monthly and be more cautious with the consumables within their department by not exceeding the allocated budget? They will surely understand what they need to do because the objective is relevant for their group.

Therefore, the quality of an objective to be "relevant" refers to setting appropriate objectives for a given individual or team: you need to think if they can truly do something about it or is it irrelevant for the job they perform.

5. Be TIMELY!

No much to discuss about this aspect, since it is probably the easiest to be understood and applied.

Any usable and performable objective must have a clear timeframe of when it should start and/or when it should end. Without having a timeframe specified, it is practically impossible to say if the objective is met or not.

Short note about the author

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