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### Why Can Stretch Goals Have Unintended Effects?

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# Why Can Stretch Goals Have Unintended Effects?



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Written by Saeedeh Ahmadi, graduated at RSM and now Assistant Professor in Strategic Management at Amsterdam Business School, at the University of Amsterdam.

What business owner or executive hasn't dreamed of transforming an organisation by achieving seemingly

impossible goals through the sheer force of will?

We're not talking about simply challenging goals. We're talking about goals that seem impossible given current practices, skills, and knowledge. In the business world, these are often referred to as stretch goals.

For my PhD research at RSM, together with my advisors Prof. Justin Jansen (RSM) and Dr JP Eggers (New York University) we studied the effect of stretch goals on innovative behaviour and performance of more than 10,000 service employees of a tech Fortune 500 firm, using multiple sources of data from more than 100 service units.

Positive effect on behaviour

What we found was that stretch goals encourage participation (whether an employee submitted an idea) and engagement (how many ideas they submitted). They foster exploratory behaviour which fuels innovation processes in organisations, mainly by encouraging prior non-contributors to participate. However, stretch goals are less effective in increasing the effort of those employees who have already been participating in idea

generation. Therefore, stretch goals add the most value when a significant number of employees were not already participating in the relevant activity.

Effects on performance outcomes

Although stretch goals increase the volume of suggestions, the results of the research infer they don't necessarily increase the quality of those suggestions. Instead, our theory about the importance of quality discernment by the employee suggests that stretch goals only increase the submission of fruitful new ideas for employees with significant capabilities and knowledge.

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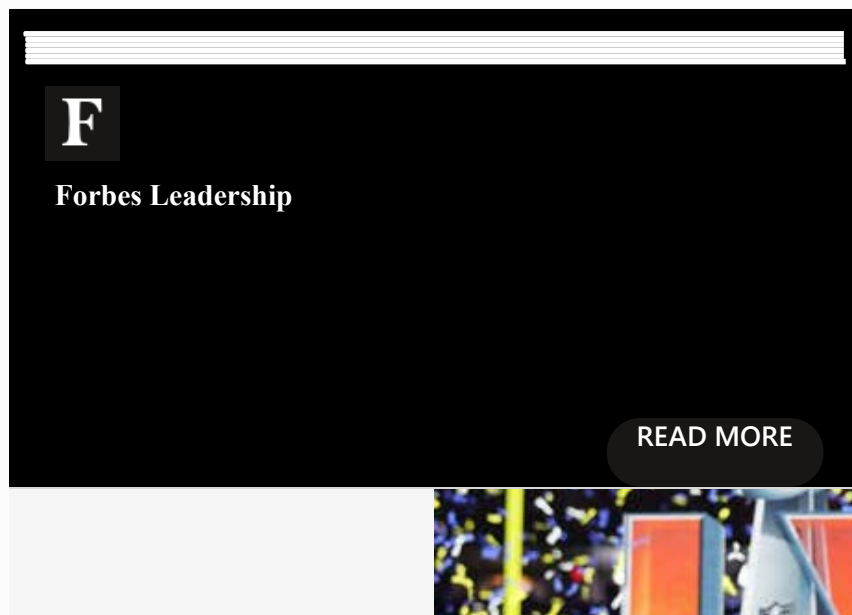
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Effective for experienced employees

During the research, my interviews with managers and employees uncovered that the longer an employee had been in the organisation the better they seemed to realise positive outcomes from stretch goals.

We analysed the data again and found evidence that

stretch goals only increase the submission of fruitful new ideas from employees who had submitted ideas in the past, those with substantial organisational experience, and those with senior positions in the hierarchy, otherwise stretch goals can result in a major waste of time and budget on ideas with no commercial value. Which means stretch goals can risk generating a lot of new ideas that are simply ‘shooting in the dark’.



### Managerial implications

So, if you’re launching stretch goals in sales, production, quality, or any other area, how can you be confident that your grand aspirations will lead to positive attitudes and actions rather than negative ones? Stretch goals primarily work on the motivation to increase the contribution to new ideas. However, these goals do not seem to provide employees the ability to discern which ideas are worth submitting, and may even encourage employees to submit any ideas irrespective of quality. So, managers need to consider the costs of unproductive initiatives, taking measures to reduce them when setting stretch goals encouraging specific activities. Related to this, we suggest that, if the task in question has a relatively high success

rate, then stretch goals may provide real benefits through increased volume of effort. But if the task has a low likelihood of success (e.g., radical innovation), stretch goals may create more work.

And stretch goals are mainly beneficial for employees who already possess the potential to know a good idea from a bad one and have had a longer experience in the company, so managers should not push stretch goals on very junior or unexperienced employees since this may lead to unintended results, and unfortunate effects on the all-important bottom line.

Saeedeh Ahmadi graduated at RSM, and she is now Assistant Professor in Strategic Management at Amsterdam Business School, at the University of Amsterdam. More about [Saeedeh Ahmadi](#).

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