



# Will Stretch Goals Help or Hinder Your Firm?

Many companies are setting internal or public goals around sustainability — for example, reducing environmental impacts or increasing employee participation in corporate citizenship activities. Some managers and executives think stretch goals can light a fire under the company, propelling the firm to new levels of performance. However, researchers from Duke, NYU, Penn State and the universities of Houston and Maryland suggest, that for many organizations, stretch goals can actually hurt performance.

Stretch goals are organizational objectives that seem impossible in light of current skills and knowledge. They serve as internally generated crises that shake up current operations and — ideally — incite collective enthusiasm, creativity and innovation.

Famous examples include John F. Kennedy’s goal of landing a man on the moon and Southwest Airline’s goal of executing an airport turnaround of only 10 minutes — a fraction of the industry standard at the time.

According to the research, two key factors determine whether or not stretch goals will help or hinder your organization: 1) the availability of slack resources and 2) recent performance.

For strong performers, stretch goals inspire energy, optimism and creativity among employees — producing game-changing products and processes needed to achieve the stretch goal. For organizations experiencing poor performance, however, stretch goals produce fear, helplessness and demotivation — crippling any efforts at innovation or creativity.

More critically, organizations with people, money or time at their disposal have the cognitive breathing room to systematically process and learn new information needed to help them achieve stretch goals.

The organizations most inclined to pursue stretch goals are, ironically, least likely to benefit from them — and vice versa. Failing companies typically set stretch goals in a last-ditch attempt at survival. And successful companies typically avoid stretch goals, choosing instead to maintain the status quo.

Are stretch goals appropriate for your organization now? Use the decision tree below to find out.

Researchers interested in this area might consider conducting empirical studies of the positive and negative effects of stretch goals. They could also analyze the underlying processes and mechanisms through which stretch goals influence organizational learning and performance.

## Are Stretch Goals Right For Your Firm?

