

Stretch Goals: Implications for Innovation

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Goals in Organizations

- Innovation is related to setting goals that promote breaking out of the box and finding creative new ways to do things.
- Much work has been done on the value of setting challenging goals – showing their benefits.
- But is setting goals higher always better?
- What leads to the setting of extremely high goals and what are the consequences of doing so?

Overview

- Conceptualization of Stretch Goals
- Mechanisms for Positive and Negative Effects
- Forces Affecting Adoption
- The Paradox of Stretch Goals
- Implications for Future Research

Stretch Goals in the Literature

Rousseau (1997): Stretch goals “motivate creativity and assumption-breaking thinking”

Kerr (1995): “gets your people to perform in ways never imagined possible . . . For instance . . . To cut costs by half or reduce product-development time from years to months”

Welch (quoted in Barlett, 1999): “budgets enervate and stretch energizes”

Southwest Airlines: 10 minute turnaround

Toyota: Demand for 100% near-term fuel efficiency improvement led to creation of Prius

Conceptualization of stretch goals

Definition - an organizational goal where the objective probability of goal attainment may be unknown, but is seemingly impossible given current practices, skills, and knowledge

Key Dimensions – extreme difficulty (seemingly impossible) and extreme novelty (no known paths to achievement)

Effects – organizational learning and performance

Mechanisms Through Which Stretch Goals Can Influence Organizational Learning and Performance

Facilitation

Disruption

Learning

Cognitive

- Vigilance (heedfulness/mindfulness)
- Systematic processing of new information
- Openness

Affective

- Enthusiasm, energy
- Optimism
- Sense of urgency
- Curiosity, playfulness

Behavioral

- Trial & error cycles
- Broad search for new sources & discontinuous advances

Cognitive

- Hypervigilance
- Inability to process new information

Affective

- Fear
- Helplessness
- Aversion to change
- Defensiveness

Behavioral

- Chaotic change
- Insufficient familiarity for interpreting feedback

Performance

Cognitive

- Focus on internal/controllable factors
- Opportunity interpretations
- Attention on usable new information sources and analyses

Affective

- Initiative to improve
- High resilience to negative feedback

Behavioral

- Effort and persistence
- Effective strategy selection

Cognitive

- Focus on external/uncontrollable factors
- Threat interpretations
- Attention on quick fixes

Affective

- Low commitment to goal
- Low resilience to negative feedback

Behavioral

- Threat rigidity
- Impaired coordination
- Resource diversion resulting in loss of beneficial routines

Mechanisms Through Which Stretch Goals Can Influence Organizational Learning and Performance

Facilitation

Disruption

Learning

Cognitive:

- Heedful info processing

Affective:

- Enthusiasm
- Urgency

Behavioral

- Trial & error experimentation
- Broad search

Cognitive

- Hypervigilance

Affective

- Fear & Helplessness
- Defensiveness

Behavioral

- Chaotic change

Performance

Cognitive

- Focus on internal/controllable
- Opportunity interpretations

Affective

- Initiative to improve
- High resilience

Behavioral

- Effort
- Persistence

Cognitive

- Focus on external/uncontrollable
- Threat interpretations

Affective

- Low commitment
- Low resilience

Behavioral

- Threat rigidity
- Impaired coordination



Factors Influencing Adoption

Slack Resources

"We have buffers allowing us to ride out anything"

Recent Performance

"We are doing well already"

What orgs should do to be effective:

Pursue when resources and performance are high

What orgs are hypothesized to do:

Pursue when recent performance is low; protect rather than leverage slack

Likelihood of Stretch Goal Use

Slack Resources

Low

High

High

Likelihood of Use: Low

Likelihood of Use: Lowest

Cell 1

Cell 2

Cell 3

Cell 4

Low

Likelihood of Use: Highest

Likelihood of Use: High

Recent
Performance

The Paradox of Stretch Goals

Slack Resources

Low

High

High

Effect of Use: Neutral to Disruptive

Likelihood of Use: Low

Effect of Use: Most Facilitative

Likelihood of Use: Lowest

Cell 1

Cell 2

Cell 3

Cell 4

Effect of Use: Most Disruptive

Likelihood of Use: Highest

Effect of Use: Neutral to Facilitative

Likelihood of Use: High

Low

Recent
Performance

Paradox of Stretch Goals

Stretch goals are least appealing to organizations most likely to benefit from them and are most seductive for organizations that can least afford the risks associated with them

Paradox of Stretch Goals

Stretch goals are least appealing to organizations most likely to benefit from them and are most seductive for organizations that can least afford the risks associated with them

**This does not imply that this is inevitable,
(though it is an accurate description).
Knowledge can help to overcome this trap.**

A Recent Example of Stretch Goals

Barack Obama's explanation for the pursuit of negotiations with Iran:

The United States is large and powerful economically and militarily. Iran is not a small country but is much smaller than the USA. We can afford to take risks and try for something that would be a big success for the US, Iran and the world. If it does not work, we are strong enough to recover – so we must try.

Application of Stretch Goal Research to Improved Practice

- Examples of impact
- Examples of opportunities

Do It Yourself: Save More Tomorrow

Automatic enrollment to 401(k)

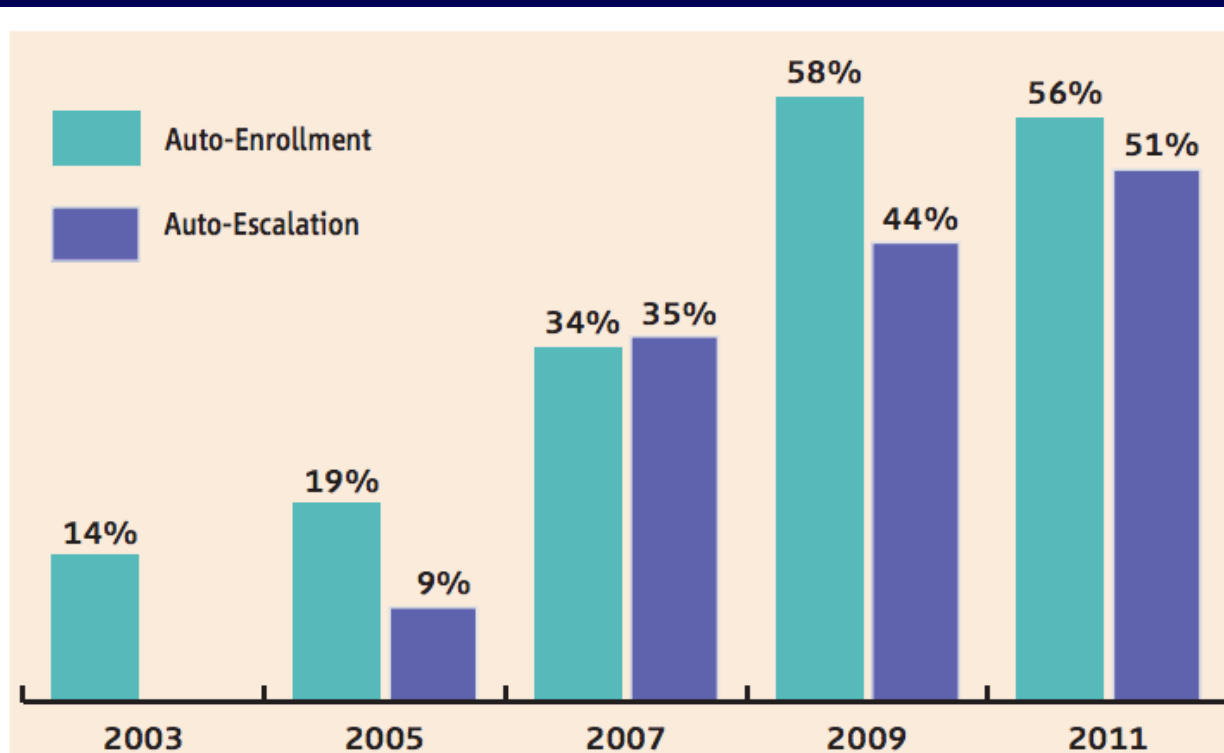
Pre-commitment

Escalation with future raises

(defaults)

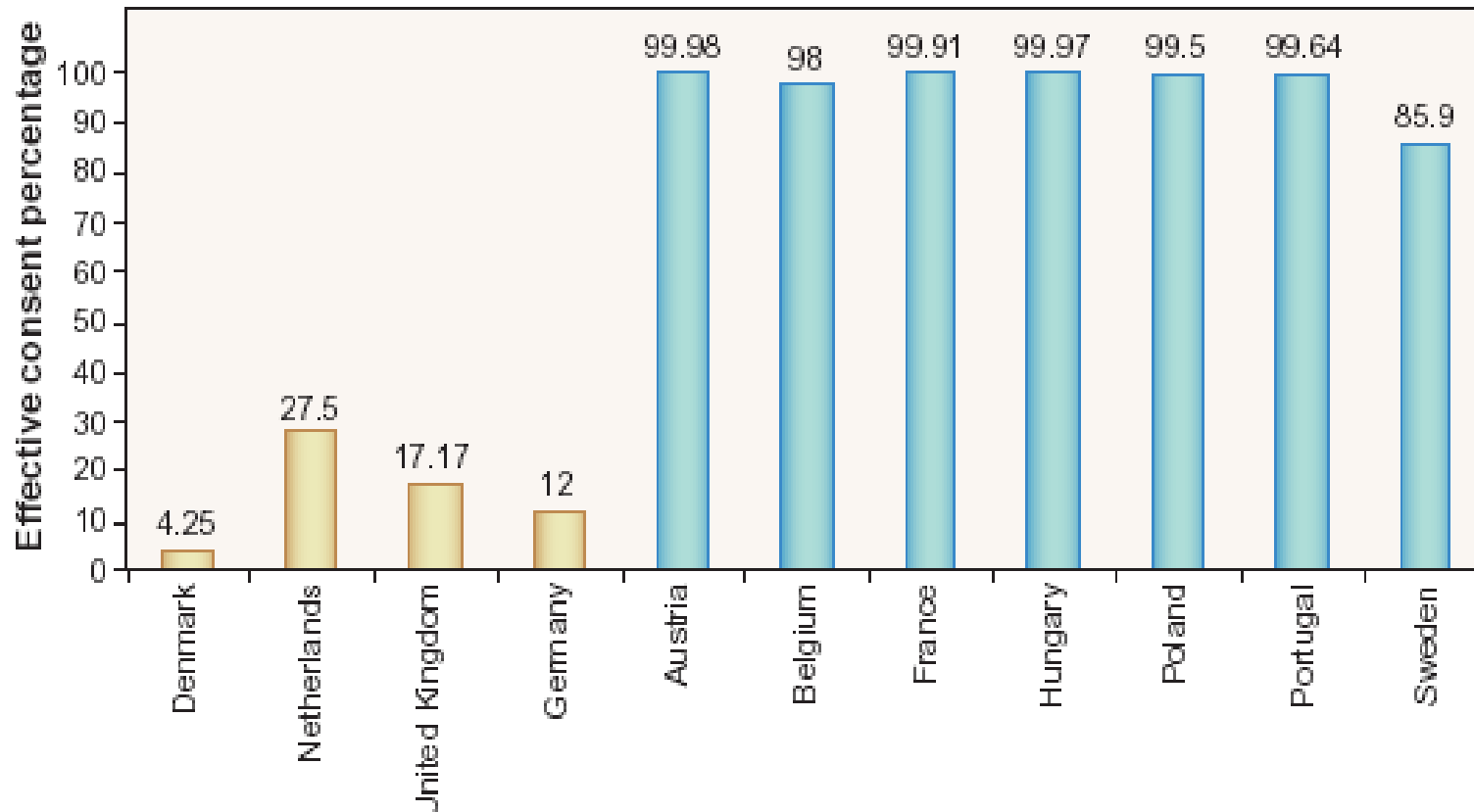
(present bias)

(framing)



The percentage of U.S. employers who offer 401(k) plans that automatically enroll employees and escalate savings rates. Automatic saving escalation programs are also shown. See (10).

Example: Organ Donation

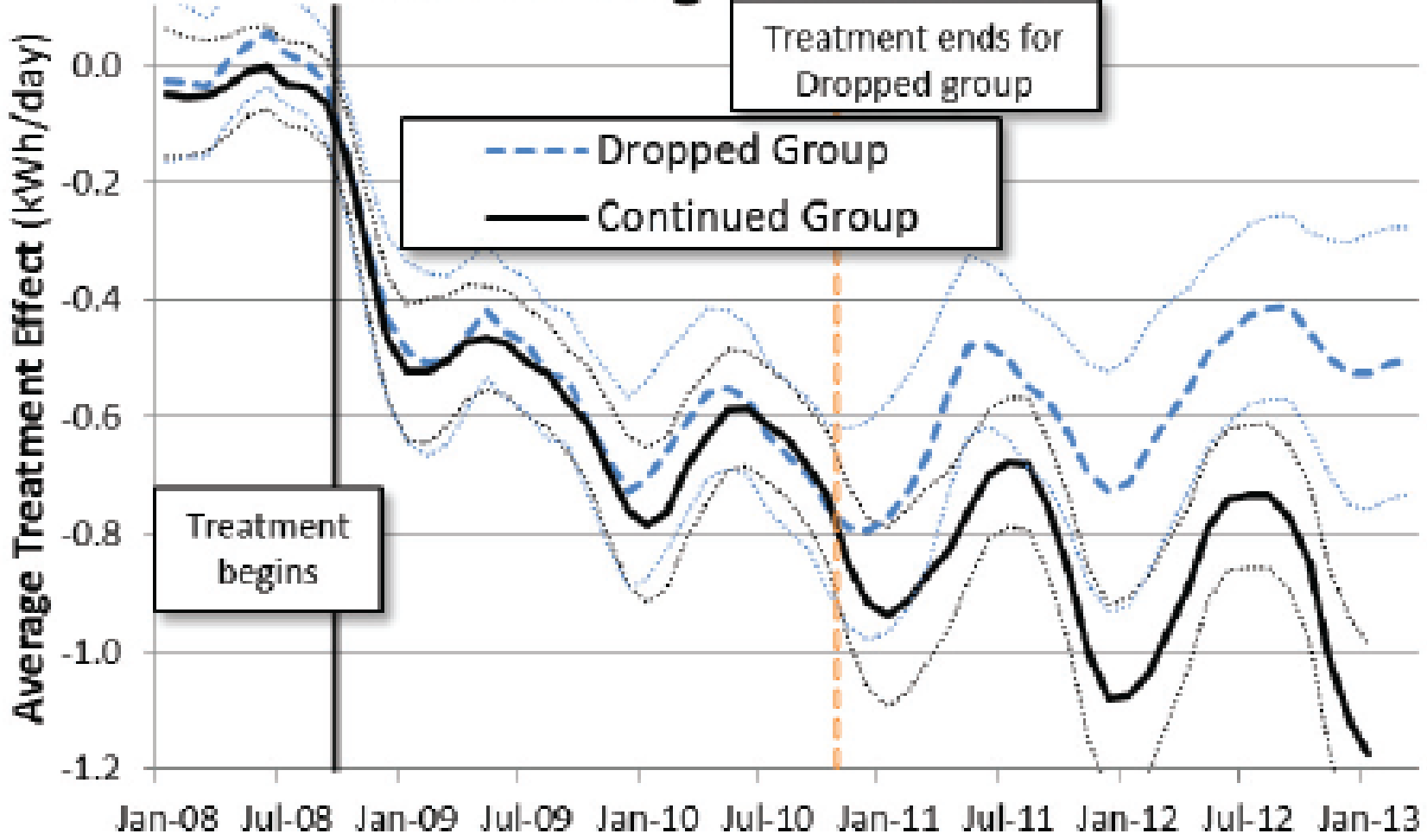


Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).

Using Social Norms to Reduce Energy Consumption

Schultz, Nolan, Cialdini, Goldstein & Griskivikius (2007)

Site 2: Long-Run Effects





theguardian

Sept 9, 2010

A "nudge unit" set up by David Cameron in the Cabinet Office is working on how to use behavioural economics and market signals to persuade citizens to behave in a more socially integrated way.



TIME

Aug 09, 2013

**'Nudge' Back in Fashion at White House
Barack Obama's newest initiative finds
inspiration from social scientists who are
trying to transform government throughout
the world**



Stretch Goals Merit Organizational Attention and Empirical Study

Observations

1. Used – but not understood – in many organizations (technology companies, military, health care organizations)
2. Not only entrepreneurial firms – also large companies

Questions

1. What do organizations actually do in adopting stretch goals, and what influences that decision?
2. What is the effect of stretch goal adoption on organizational effectiveness?
3. How do organizations differ in how they adopt and perform stretch goals at the individual, team and organizational levels?