

New research reveals when stretch goals work

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Stretch goals are meant to inspire a new level of commitment from employees to generate fresh ideas, and can lead to radical results. However according to new PhD research from the Rotterdam School of Management (RSM) Erasmus University, stretch goals are a double-edged sword, and firms need to be careful and judicious in deciding when and where to deploy them in order to benefit.

The research studied the effect of stretch goals at the individual level on innovative behaviour and innovation performance among service employees of a tech Fortune 500 firm, using multiple sources of data from more than 100 service units. The analysis focused on a multilevel contingency model with unique and detailed data on individual behaviour within the company.

According to Dr Saeedeh Ahmadi

“Many huge firms like Amazon and Tesla use stretch goals, but until now there has not been enough scientific analysis on the outcome of these goals. Stretch goals essentially means seemingly impossible targets – with no real idea how to get there.

“Together with my advisors, Justin Jansen (Erasmus University Rotterdam) and JP Eggers (New York University), we found that 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 provide qualified outcome (in our case the ability to discern which novel ideas are worth submitting), and may even encourage employees to produce more irrespective of the quality.”

Furthermore it revealed stretch goals are more effective in encouraging employees that didn't previously invest significant effort to take the goals seriously, by focusing their attention and motivating them more to generate ideas, compared to encouraging employees who have been involved in the task before.

Ultimately stretch goals are mainly beneficial for employees who already possess the potential to discern a good idea from a bad one and have had a longer experience in the company. So pushing stretch goals on very junior or inexperienced employees since can lead to unintended results.

Worryingly managers are not necessarily aware of the negative effects of these goals. Dr Ahmadi advises managers that set stretch goals to consider the costs of unproductive initiatives, taking measures to reduce them and also be aware that stretch goals work better for experienced employees and employees who have not been involved in the task before.

Read the full PhD by Saeedeh Ahmadi (<https://repub.eur.nl/pub/116727A>) motivational perspective to decision-making and behaviour in organisations. Dr Ahmadi is continuing her research as an assistant professor in Strategic Management at Amsterdam Business School, at the University of Amsterdam.

Video (<https://www.youtube.com/watch?v=3Zhk7t8k2zgof>) Dr Saeedeh Ahmadi about this research : When do stretch goals work?

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For more information, a copy of the study, or to speak to Saeedeh Ahmadi, contact Kate Mowbray at BlueSky PR on Kate@bluesky-pr.com or call +44 (0) 1582 790701

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