Ready, aim ... fail

Why setting goals can backfire

By Drake Bennett | March 15, 2009

IN THE EARLY years of this decade, General Motors had a goal, and it was 29. Determined to boost its flagging profits and reverse a long, steady fall from postwar dominance, the automotive giant did the natural thing: it set a goal. The company pledged to recapture 29 percent of the American market, the share it had ebbed past in 1999. The number 29 became a corporate mantra, and some GM executives took to wearing lapel pins with the number emblazoned on them.

It didn't work. GM never did regain 29 percent of the market, and today, facing the possibility of bankruptcy, it looks even less likely to do so. The lapel pins are gone, and that number isn't much heard from the company.

And while the causes of GM's woes are many - from poor design to high labor costs to a prostrate economy - industry analysts argue that one of the most damaging things the company did was to set that goal.

In clawing toward its number, GM offered deep discounts and no-interest car loans. The energy and time that might have been applied to the longer-term problem of designing better cars went instead toward selling more of its generally unloved vehicles. As a result, GM was less prepared for the future, and made less money on the cars it did sell. In other words, the world's largest car company - a title it lost to Toyota last year - fell victim to a goal.

It is a given in American life that goals are inseparable from accomplishment. President Kennedy's 1961 promise to put an American on the moon by the end of the decade is held up as an example of a world-changing goal, the kind of inspirational beacon needed to surmount immense societal challenges. Among psychologists, the link between setting goals and achievement is one of the clearest there is, with studies on everyone from woodworkers to CEOs showing that we concentrate better, work longer, and do more if we set specific, measurable goals for ourselves. Goal-setting is one of the seven habits of highly effective people, says self-help guru Stephen Covey, and even Henry David Thoreau, the philosopher of dropping out, celebrates the work of goal setting. "If you have built castles in the air, your work need not be lost; that is where they should be. Now put the foundations under them," he writes in Walden.

But a few management scholars are now looking deeper into the effects of goals, and finding that goals have a dangerous side. Individuals, governments, and companies like GM show ample ability to hurt themselves by setting and blindly following goals, even those that seem to make sense at the time. These skeptics draw on a broad array of large-scale failures - the design of the Ford Pinto, the Enron collapse, the rash lending practices of Fannie Mae and Freddie Mac - as evidence of the pernicious effects of goals. Outside the workplace, these thinkers point to the unintended consequences of high-stakes testing in grade schools, and psychological literature showing that goals and other incentives can constrict our thinking. Even the scarcity of cabs on rainy days, some argue, illustrates the ways that goals can blind people to their own best interests.

The argument is not that goal setting doesn't work - it does, just not always in the way we intend. "It can focus attention too much, or on the wrong things; it can lead to crazy behaviors to get people to achieve them," says Adam Galinsky, a professor at Northwestern University's Kellogg School of Management, and coauthor of "Goals Gone Wild," a paper in the current issue of a leading management journal.

"Goal setting has been treated like an over-the-counter medication when it should really be treated with more care, as a prescription-strength medication," he says.

Taking on goals in this way has proven controversial, and Galinsky and his coauthors have earned a withering response from the prominent psychologists responsible for much of the literature on goal setting. But at a time when we're left to wonder how smart, seemingly responsible leaders in business and government could make decisions that helped destroy trillions of dollars in wealth, there's a new appetite for reexamining the things that motivate us - and how they can go awry.

Our faith in goals long predates the psychological research. "First, have a definite, clear, practical ideal - a goal, an objective," advised Aristotle. Generations of managers and motivators have repeated Abraham Lincoln's line that "A goal properly set is halfway reached."

It wasn't until the 1960s, though, that scholars of human behavior began to try to figure out how goals really worked. Two organizational psychologists, Gary Latham and Edwin Locke, created a theory of human motivation with goals at its center, drawing on their own extensive research and that of others. They found that goal setting had dramatic positive effects on success in just about any arena: work, school, the playing field, even the doctor's office (people took better care of their own health if they had a goal).

"When people are asked do their best, they don't," says Locke, now an emeritus professor at the University of Maryland's R.H. Smith School of Business. "It's too vague." Giving people ambitious and specific goals directs their attention, energizes them, and keeps them engaged longer.

Latham and Locke's theory quickly permeated executive suites and business school classrooms. The success of General Electric, for example, was described both by the company and its many admirers as a matter of having set the right goals and made sure people reached them. Southwest Airlines earned a place in the annals of management for its use of the so-called "stretch goal," a theatrically improbable aim announced to jolt employees to new heights of productivity and creativity. In Southwest's case it was a promise to reduce turnaround times at the gate for its planes to an unheard-of 10 minutes. Defying the doubts of the rest of the industry - and many of its own employees - the company pulled it off.

Despite these successes, a few management experts began to wonder what sort of price we pay for our goals. Goals, they feared, might actually be taking the place of independent thinking and personal initiative. Goals gave us GE and Southwest, but they also gave us GM and Enron.

Two of these skeptics, business professors Maurice Schweitzer of the University of Pennsylvania and Lisa Ordonez of the University of Arizona, co-wrote a 2004 paper on what people do when they fall just short of their goals. According to Ordonez and Schweitzer's experiment, in which subjects played a word game and then reported how well they did at it, what people do is lie to make up the difference.

Schweitzer and Ordonez are also two of the coauthors of the "Goals Gone Wild" paper, in Academy of Management Perspectives, which takes the concern about cheating and broadens it. The new paper isn't based on original research but instead juxtaposes findings from the psychology and economics literature with a sort of greatest hits of disasters in goal setting. It recounts the hostile, dysfunctional, and ultimately criminal atmosphere created at Enron by its practice of rewarding executives based on meeting specific revenue targets. It describes how Sears, Roebuck and Co. started setting sales goals for its auto repair staff in the early 1990s, only to find out that its mechanics were overcharging customers and making unnecessary repairs to hit their numbers.

Narrow corporate goals can keep employees from asking important questions that they otherwise might. Take the notoriously combustible Ford Pinto. In the late 1960s, Ford CEO Lee Iacocca, determined to take back the market share the company was losing to smaller imports, announced a crash program to create a new car that would be under 2,000 pounds, under $2,000, and would go on sale in 1970. Desperate to meet the conditions and the deadline, company executives ignored and then played down questions about the safety of the car's design. As a result, the Pinto, with a fuel tank just behind the rear axle, was uniquely prone to igniting upon impact, and 53 people died in such fires.

The vaunted "stretch goals," meanwhile, come with their own red flags. Sim Sitkin, a business school professor at Duke University, has found in reviewing the management literature that stretch goals are most likely to be pursued by desperate, embattled companies - the sort least equipped to deal with the costs of ambitious failures.

These findings will come as happy reassurance to workers who have chafed, Dilbert-like, at the imposition of companywide goals that they found a nuisance and a distraction from the real job at hand. But we often embrace goals voluntarily, too, and even outside the business world there's evidence that goals can have strong and often negative effects on how well we perform basic tasks. In a famous 1999 study by the psychologists Daniel Simons and Christopher Chabris, subjects watching a video clip were told to count the number of times people in a group pass a basketball among themselves. Most concentrate so hard on the goal that they become blind to other information, utterly failing to notice when a woman in a gorilla suit walks through the middle of the group.

Other work suggests that goals with rewards, if not carefully calibrated, can short-circuit our intrinsic enthusiasm for a task - or even interrupt our learning process. Barry Schwartz, a social psychologist at Swarthmore College who has studied decision making, found that subjects paid money to complete a slightly confusing task were significantly worse at figuring out the rules, even after completing it, than those who had received no reward.

One seminal economics study even argued that the difficulty of finding a cab on a rainy day can be blamed on the personal goals of cabbies. The 1997 paper found that cab drivers tend to have a set amount of money they aim to make every day. When it's raining they hit that target faster, since more people want cabs, so the cabbies quit earlier in the day. This narrow focus on a goal hurts everybody in the system - it shrinks the taxi supply just when demand is highest, leaving more people standing on the curb getting wet, and it hurts the cabbies themselves, who miss a chance to maximize their income on their most lucrative days.

The new criticism of goals has elicited a spirited defense from several scholars of human motivation. Latham and Locke, among others, see the newfound skepticism about goals as an overreaction. Though their own work acknowledges that goals come with risks, they dismiss the Ordonez paper as an inflammatory hodgepodge of cherry-picked anecdotes. The other work, as they see it, doesn't indict all goals, just bad ones. The problem, Latham and Locke argue, is that ultimately goals can't protect us from ourselves.

"You know how Shakespeare wrote that the fault is not in our stars but in ourselves?" asks Latham, a professor at the University of Toronto. "Well, the fault is not in our goals but in our values."

Even the most vehement critics admit that sometimes nothing works like a goal. But ensuring that it doesn't backfire requires care.

Although simple numerical goals can lead to bursts of intense effort in the short term, they can also subvert the longer-term interests of a person or a company - whether it's a pharmaceutical firm that overlooks safety in the rush to get a drug approved, or a dieter who resumes smoking to help lose 20 pounds. In work requiring a certain amount of creativity and judgment, the greatest risk appears to lie in overly simplified goals. Reducing complex activities to a bundle of numbers can end up rewarding the wrong behavior - with engineers concentrating on less promising but more straightforward research, for example, to rack up more patents.

If you are GM, argues Schweitzer, "You clearly don't want 29 percent market share, you want something much more complicated than that."

To combat this, Latham, among others, argues that what's often required is a "learning goal" - one where someone pledges to come up with, for example, five approaches to a thorny problem - rather than a performance goal that assumes that the problem will automatically be solved.

And whatever they are, goals need to be flexible when circumstances change. Francis Flynn, an organizational psychologist at Stanford, says he always tells his students that "the best goal you can have is to reevaluate your goals, semi-annually or annually, to make sure they remain rational."

Rather than reflexively relying on goals, argues Max Bazerman, a Harvard Business School professor and the fourth coauthor of "Goals Gone Wild," we might also be better off creating workplaces and schools that foster our own inherent interest in the work. "There are lots of organizations where people want to do well, and they don't need those goals," he says. Bazerman and others hold up Google as an example of a company that manages to do this, in part by explicitly setting aside time for employees to pursue their own projects and interests.

Today, as the economic situation upends millions of lives, it is also forcing the reexamination of millions of goals - not only the revenue targets of battered firms, but the career aims of workers and students, and even the ambitions of the newly installed administration. And while it never feels good to give up on a goal, it may be a good time to ask which of the goals we had set for ourselves were things we really needed to achieve, and which were things we only thought we should - and what the difference has been costing us.

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