



The Entrepreneur Circle

The Truth about Goal Setting

By Mike Keiser

Goal Setting: Handle with Care

There are very few things in management literature, business coaching, self-help books, and consulting mentioned more often than setting goals. I'm sure you've heard them described in different ways...SMART goals, big hairy audacious goals, stretch goals. The right goals can definitely drive

prescribed activity that can potentially cause harm to a business organization. Goal setting should be done quite selectively, on a limited basis, and carefully monitored. The evidence shows that the harmful side effects of goal setting are far more serious and widespread than most business owners realize. Goal setting can undermine

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productive behavior and increase business performance. The big question, though, is when to use goal setting, how often, and in what circumstances. The truth of the matter is that goal setting is an over-

performance, cause us to focus on the wrong things, harm relationships and culture, demotivate us, and be the root of risky or even unethical behavior.

Without question, every organization must

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continually explore new ideas, innovate, research, and have strong objectives. We need to

always be thinking about what the possibilities are for our organization. We need to position ourselves

well in the short term while never losing sight of creating long term value and continuity

Understanding Goals

Under the right circumstances, at the right time, with the right company, the right people, and the right resources goal setting can be a powerful tool. Stretch goals can shift thinking, reenergize an organization, prompt innovation and learning, and enhance performance across all levels of the organization. Ironically, companies that are in the best position to achieve stretch goals almost never set them, while companies that have experienced recent failures and have a “nothing to lose” attitude are almost always more likely to set big goals. Sadly, the struggling companies are actually the ones that should avoid setting big goals completely. It almost seems backward but read on...

“As goals become extreme, there are complex yet predictable organizational effects that are likely to be negative except under a limited set of specifiable

circumstances” (Sitkin, See, Miller, Lawless, Carton 2011). One of the first ways that goals can inhibit our results is a phenomenon known as “inattention blindness”. With goals, we tend to narrow our focus. This narrow focus can often cause us to ignore other

that we are hyper focused on will often impede the way we process information and inhibit our ability to learn. For a major goal where the achievement of it is not well understood and there aren’t specific, concrete steps to reach it, we can become disorganized and

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important issues that are not related to the goal. So while we may actually accomplish the goal, it often becomes apparent that other aspects of our businesses or lives suffer because of it. Companies see this happen in a number of ways; shoddy products or services, a decline in service, unhappy customers, etc. As business owners, we need to continuously be aware of how every aspect of our business is functioning. A major goal

impulsive due to focusing too much attention on the goal. This hyper vigilance on the goal can also lead us to focus too much energy on outside ideas or quick fixes. As we’ve all experienced, quick fixes never turn into a solid long term solution.

In my experience and research, I’ve found that stretch goals can be devastating to motivation, morale, and performance. When we don’t have a clear set of steps to reach

a particular goal, a sense of fear or helplessness can set in. We will often start to see a seemingly impossible goal as unrealistic and we can quickly lose our commitment to the goal and our desire to pursue it. I have seen this happen countless times with business owners.

Someone convinces them that they should be setting huge, lofty goals that are out of their reach and abilities. Although the people giving this advice have likely never achieved any of their own stretch goals, it's in vogue to offer such advice. And what happens? Nothing. People quickly lose interest and find tons of reasons why they couldn't pursue that particular goal at this time. Less extreme goals that are difficult but still attainable are much more advised. Stretch goals that don't come to pass are a common source of poor morale in a person or an organization. Many well-meaning people claim that there is a correlation between the level of difficulty of a goal and a boost in our performance. This is not necessarily true. Goals should be at a high enough level of difficulty to inspire innovation,

energy, commitment, and motivation. However, when they are out of our current reach and ability level, there are some significant psychological costs related to failing to reach a goal. In pursuing a stretch goal, there is likely vague guidance at best. This affects coordination and performance and can leave people with a difficult time coping and a loss of intrinsic motivation.

As I alluded to prior, stretch goals will often lead businesses to adopt

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riskier strategies or take gambles that they shouldn't. There are glaring examples of this that we're all familiar with, i.e. Enron, the Ford Pinto, a number of banks, the mortgage meltdown, you name it. But don't think that this type of risky behavior is reserved only for large companies. I've observed it many times with very small companies

as well. The long term results are always the same. This risky type of behavior can also lead to competition and a lack of cooperation within an organization.

Things to consider

Two major areas that we need to consider when deciding what goals to pursue are recent performance and available resources. Studies out of Harvard, Duke, and other major universities have shown that companies that are in the best position to set and reach goals are companies that have had recent success stories and have the available resources to pursue the goal. When I speak of resources I mean money, people, information, knowledge, and skill. When an organization has had a recent history of success, this is a great time to go after larger goals and objectives. Success breeds success. It's been shown countless times that the best time to stretch ourselves even further is after a recent "win". Moreover, with the available resources behind us, they can act as a physical and psychological

buffer against potential failures (which there will continue to be many). If a person or company has experienced recent setbacks, they will be far better served by going after smaller wins, rather than the brass ring. It's vital to future performance.

Pursuing Goals

So how should you know what goals to pursue and when to pursue them?



First, decide if the goals are too specific. Make sure that goals are comprehensive and include all vital areas of the business. We want to avoid inattentive blindness.

Also, make sure that goals are challenging but not out of reach. We need to be sure that everyone involved in pursuing the goal has the knowledge, skill, training, and experience that will allow the company to reach the goal. If not, the goal is likely going to have detrimental effects on morale, motivation, and performance across the board.

Make sure that the goals have real meaning and will cause you to be intrinsically motivated to achieve them. When goals are set for the wrong reasons or by someone else, they almost always have a negative effect on a person or business.

It's also helpful to set learning goals rather than performance goals. I have observed that when a company sets a goal like reaching \$1,000,000 per year in revenue, they are far less likely to reach them vs. someone who has created learning goals, goals that are completely

within their control, and personal performance goals.

Make sure you question whether or not a goal could potentially cause you to engage in risky or unethical behavior. This needs to be constantly monitored, as it can sneak in to our behaviors without us realizing it. Understand what the potential negative side effects of the goal are.

Make sure that goals are geared toward your current level of ability or the ability of the organization. As counterintuitive as it may sound, attempting to stretch beyond what we are capable of is more often than not a recipe for failure and demotivation.

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Finally, take a close look at your recent success, failures, and available resources. If you have had recent setbacks, you need to set yourself up with some smaller wins before going after the loftier goals. The psychological benefits are huge. If you are on a roll, it's a time to look at bigger goals. And be realistic with yourself in regard to the resources

that are available to you in pursuing the goal. If you don't have the proper resources, the goal is likely not to come to fruition.

Goal setting is not a panacea and if not done properly can cause serious harm to an organization of any size. On the flipside, it can be a great motivator and source of innovation. Make sure you're setting

them in the right way and always handle them with care.

Key Points

- 1. Goal setting should be done quite selectively, on a limited basis, and carefully monitored.***
- 2. Be realistic when setting goals, make sure you:***
 - a. Have the resources to achieve them***
 - b. Have the necessary skills***
 - c. They are within your control***
- 3. Identify where the motivation of the goals you are setting is coming from. Internal or external?***

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