Goal setting is a very useful method of enhancing employee performance. From a motivational perspective, a goal is a desirable objective. Goals are used for two purposes in most organizations. First, they provide a useful framework for managing motivation. Managers and employees can set goals for themselves and then work toward them. Thus, if the organization’s goal is to increase sales by 10 percent, a manager can use individual goals to help attain an overall goal. Second, goals are an effective control device; control is monitoring by management of how well the organization is performing. Comparing people’s short-term performances with their goals can be an effective way to monitor the organization’s long-run performance.

degree of pride or disappointment is affected by their self-efficacy, the extent to which they feel that they can still meet their goals even if they failed to do so in the past.

**The Goal-Setting Theory**

Social learning theory provides insights into why and how goals can motivate behavior. It also helps us understand how different people cope with failure to reach their goals. It is the research of Edwin Locke and his associates that most decisively showed the utility of goal-setting theory in a motivational context.²¹

Locke’s goal-setting theory of motivation assumes that behavior is a result of conscious goals and intentions. Therefore, by setting goals for people in the organization, a manager should be able to influence their behavior. Given this premise, the challenge is to develop a thorough understanding of the processes by which people set goals and then work to reach them. In the original version of goal-setting theory, two specific goal characteristics—goal difficulty and goal specificity—were expected to shape performance.

**Goal Difficulty** Goal difficulty is the extent to which a goal is challenging and requires effort. If people work to achieve goals, it is reasonable to assume they will work harder to achieve more difficult goals. But a goal must not be so difficult that it is unattainable. If a new manager asks her sales force to increase sales by 300 percent, the group may become disillusioned. A more realistic but still difficult goal—perhaps a 50 percent increase—would be a better incentive. A substantial body of research supports the importance of goal difficulty. In one study, managers at Weyerhauser set difficult goals for truck drivers hauling loads of timber from cutting sites to wood yards. Over a nine-month period, the drivers increased the quantity of wood they delivered by an amount that would have required $250,000 worth of new trucks at the previous per-truck average load.²²

Reinforcement fosters motivation toward difficult goals. A person who is rewarded for achieving a difficult goal will be more inclined to strive toward the next difficult goal than will someone who received no reward for reaching the first goal.

**Goal Specificity** Goal specificity is the clarity and precision of the goal. A goal of “increasing productivity” is not very specific; a goal of “increasing productivity by 3 percent in the next six months” is quite specific. Some goals, such as those involving costs, output, profitability, and growth, are readily specified. Other goals, such as improving employee job satisfaction and morale, company image and reputation, ethics, and socially responsible behavior, are much harder to state in specific terms.


Like difficulty, specificity has been shown to be consistently related to performance. The study of timber truck drivers mentioned above also examined goal specificity. The initial loads the truck drivers were carrying were found to be 60 percent of the maximum weight each truck could haul. The managers set a new goal for drivers of 94 percent, which the drivers were soon able to reach. Thus, the goal was quite specific as well as difficult.

Locke’s theory attracted much widespread interest and research support from both researchers and managers, so Locke, together with Gary Latham, eventually proposed an expanded model of the goal-setting process. The expanded model, shown in Figure 6, attempts to capture more fully the complexities of goal setting in organizations.

**figure 5** Flexible Work Schedules

Flexible work schedules are an important new work arrangement used in some organizations today. All employees must be at work during "core time." In the hypothetical example shown here, core time is from 9 to 11 A.M. and 1 to 3 P.M. The other time, then, is flexible—employees can come and go as they please during this time, as long as the total time spent at work meets organizational expectations.

The expanded theory argues that goal-directed effort is a function of four goal attributes: difficulty and specificity, which we already discussed, and acceptance and commitment. Goal acceptance is the extent to which a person accepts a goal as his or her own. Goal commitment is the extent to which he or she is personally interested in reaching the goal. The manager who vows to take whatever steps are necessary to cut costs by 10 percent has made a commitment to achieve the goal. Factors that can foster goal acceptance and commitment include participating in the goal-setting process, making goals challenging but realistic, and believing that goal achievement will lead to valued rewards.

The interaction of goal-directed effort, organizational support, and individual abilities and traits determines actual performance. Organizational support is whatever the organization
does to help or hinder performance. Positive support might mean making enough personnel and raw materials available to meet the goal; negative support might mean failing to fix damaged equipment. Individual abilities and traits are the skills and other personal characteristics necessary to do a job. As a result of performance, a person receives various intrinsic and extrinsic rewards, which in turn influence satisfaction. Note that the latter stages of this model are quite similar to those of the Porter and Lawler expectancy model discussed earlier.

**Broader Perspectives on Goal Setting**

Some organizations undertake goal setting from the somewhat broader perspective of management by objectives, or MBO. MBO is essentially a collaborative goal-setting process through which organizational goals systematically cascade down through the organization. Our discussion describes a generic approach, but many organizations adapt MBO to suit their own purposes.

A successful MBO program starts with top managers establishing overall goals for the organization. After these goals are set, managers and employees throughout the organization collaborate to set subsidiary goals. First, the overall goals are communicated to everyone. Then each manager meets with each subordinate. During these meetings, the manager explains the unit goals to the subordinate and the two determine together how the subordinate can contribute to the goals most effectively. The manager acts as a counselor and helps ensure that the subordinate develops goals that are verifiable. For example, a goal of “cutting costs by 5 percent” is verifiable, whereas a goal of “doing my best” is not. Finally, manager and subordinate ensure that the subordinate has the resources needed to reach his or her goals. The entire process spirals downward as each subordinate meets with his or her own subordinates to develop their goals. Thus, as we noted earlier, the initial goals set at the top cascade down through the entire organization.

During the time frame set for goal attainment (usually one year), the manager periodically meets with each subordinate to check progress. It may be necessary to modify goals in light of new information, to provide additional resources, or to take some other action. At the end of the specified time period, managers hold a final evaluation meeting with each subordinate. At this meeting, manager and subordinate assess how well goals were met and discuss why. This meeting often serves as the annual performance review as well, determining salary adjustments and other rewards based on reaching goals. This meeting may also serve as the initial goal-setting meeting for the next year’s cycle.

**Evaluation and Implications**

Goal-setting theory has been widely tested in a variety of settings. Research has demonstrated fairly consistently that goal difficulty and specificity are closely associated with performance. Other elements of the theory, such as acceptance and commitment, 23. See Stephen J. Carroll and Henry L. Tosi, *Management by Objectives*. (New York: MacMillan, 1973).
have been studied less frequently. A few studies have shown the importance of acceptance and commitment, but little is currently known about how people accept and become committed to goals. Goal-setting theory may also focus too much attention on the short run at the expense of long-term considerations. Despite these questions, however, goal setting is clearly an important way for managers to convert motivation into actual improved performance.

From the broader perspective, MBO is also a very successful technique. Alcoa, Tenneco, Black & Decker, General Foods, and DuPont, for example, have used it extensively. MBO’s popularity stems in part from its many strengths. For one thing, MBO clearly has the potential to motivate employees because it helps implement goal-setting theory on a systematic basis throughout the organization. It also clarifies the basis for rewards, and it can spur communication. Performance appraisals are easier and more clear-cut under MBO. Further, managers can use the system for control purposes.

However, using MBO also presents pitfalls. Sometimes top managers do not really participate; that is, the goals really start in the middle of the organization and may not reflect the real goals of top management. If employees believe this to be true, they may become cynical, interpreting the lack of participation by top management as a sign that the goals are not important and that their own involvement is therefore a waste of time. MBO also has a tendency to overemphasize quantitative goals to enhance verifiability. Another potential liability is that an MBO system requires a great deal of paperwork and record keeping, since every goal must be documented. Finally, some managers do not really let subordinates participate in goal setting but, instead, merely assign goals and order subordinates to accept them.

On balance, MBO is often an effective and useful system for managing goal setting and enhancing performance in organizations. Research suggests that it can actually do many of the things its advocates claim, but that it must also be handled carefully. In particular, most organizations need to tailor it to their own unique circumstances. Properly used, MBO can also be an effective approach to managing an organization’s reward system. It requires, however, individual, one-on-one interactions between each supervisor and each employee, and these one-on-one interactions can often be difficult because of the time they take and the likelihood that at least some of them will involve critical assessments of unacceptable performance.

PERFORMANCE MANAGEMENT IN ORGANIZATIONS

As described above, most goals are oriented toward some element of performance. Managers can do a variety of things to enhance employee motivation and performance, including redesigning jobs, allowing greater participation, creating alternative work arrangements, and setting goals. They may also fail to do things that might have improved motivation and performance, and they may inadvertently even do things that reduce motivation and performance. Thus, it is clearly important that performance be approached as something that can and should be managed.
The Nature of Performance Management

The core of performance management is the actual measurement of the performance of an individual or group. Performance measurement, or performance appraisal, is the process by which someone (1) evaluates an employee’s work behaviors by measurement and comparison with previously established standards, (2) documents the results, and (3) communicates the results to the employee. A performance management system (PMS) comprises the processes and activities involved in performance appraisals, as shown in Figure 7.

Simple performance appraisal involves a manager and an employee, whereas the PMS incorporates the total quality management context along with the organizational policies, procedures, and resources that support the activity being approved. The timing and frequency of evaluations, choice of who appraises whom, measurement procedures, methods of recording the evaluations, storage and distribution of information are all aspects of the PMS.

Purposes of Performance Measurement

Performance measurement may serve many purposes. The ability to provide valuable feedback is one critical purpose. Feedback, in turn, tells the employee where she or he stands in the eyes of the organization. Appraisal results, of course, are also used to decide and justify reward allocations. Performance evaluations may be used as a starting point for discussions of training, development, and improvement. Finally, the data produced by the performance appraisal system can be used to forecast future human resource needs, to plan management succession, and to guide other human resource activities such as recruiting, training, and development programs.

Job performance feedback is the primary use of appraisal information. Performance appraisal information can indicate that an employee is ready for promotion or that he or she needs additional training to gain experience in another area of company operations. It may also show that a person does not have the skills for a certain job and that another person should be recruited to fill that particular role. Other purposes of performance appraisal can be grouped into two broad categories, judgment and development, as shown in Figure 8.

Performance measurement plays a variety of roles in most organizations. This figure illustrates that these roles can help managers judge an employee’s past performance and help managers and employees improve future performance.

Performance appraisals with a judgmental orientation focus on past performance and are concerned mainly with measuring and comparing performance and with the uses of the information generated. Appraisals with a developmental orientation focus on the future