

GOALS AND GOAL SETTING

Goals and objectives provide organizations with a blueprint that determines a course of action and aids them in preparing for future changes. A goal can be defined as a future state that an organization or individual strives to achieve. For each goal that an organization sets, it also sets objectives. An objective is a short-term target with measurable results. Without clearly-defined goals and objectives, organizations will have trouble coordinating activities and forecasting future events.

According to Barney and Griffin, organizational goals serve four basic functions; they provide guidance and direction, facilitate planning, motivate and inspire employees, and help organizations evaluate and control performance. Organizational goals inform employees where the organization is going and how it plans to get there. When employees need to make difficult decisions, they can refer to the organization's goals for guidance. Goals promote planning to determine how goals will be achieved. Employees often set goals in order to satisfy a need; thus, goals can be motivational and increase performance. Evaluation and control allows an organization to compare its actual performance to its goals and then make any necessary adjustments.

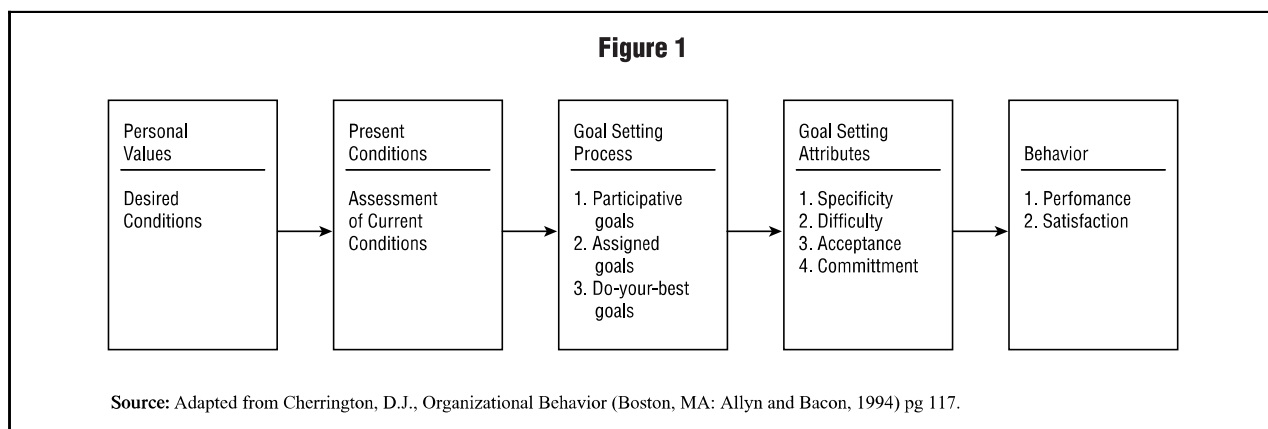
According to Locke and Latham, goals affect individual performance through four mechanisms. First, goals direct action and effort toward goal-related activities and away from unrelated activities. Second, goals energize employees. Challenging goals lead to higher employee effort than easy goals. Third, goals affect persistence. Employees exert more effort to achieve high goals. Fourth, goals motivate employees to use their existing knowledge to attain a goal or to acquire the knowledge needed to do so.

The elements of goal-setting theory are shown in Figure 1. The goal-setting model indicates that individuals have needs and values that influence what they desire.

A need is defined as a lack of something desirable or useful. According to Maslow's hierarchy of needs, all individuals possess the same basic needs. Individuals do, however, differ in their values. Values are defined as a group of attitudes about a concept that contains a moral quality of like or dislike and acceptable or unacceptable. Values determine whether a particular outcome is rewarding. Employees compare current conditions to desired conditions in order to determine if they are satisfied and fulfilled. If an employee finds that he or she is not satisfied with the current situation, goal setting becomes a way of achieving what he or she wants.

Research suggests that individual differences play a role in determining goal effectiveness. Individuals may differ in their goal orientations, priorities, and self-regulation ability. Research suggests that an individual's goal orientation may influence goal effectiveness. Employees with a learning orientation desire to acquire knowledge and skills, whereas employees with a performance goal orientation focus on the outcome rather than the achievement process. While employees with a learning goal orientation view goals as a challenge, employees with a performance goal orientation may view goals as a threat. Studies provide some support that assigned goals are more effective for individuals with a learning goal orientation. Personal and organizational goals are not always congruent. For example, as the number of two-income families increases, work-family conflicts increase. Employees now have to balance professional and personal goals. An employee's desire to achieve personal goals may affect his or her motivation to achieve organizational goals.

When organizational and personal goals are not aligned, it may have a detrimental effect on performance. Self-regulation is also important in goal setting and goal achievement. Research has shown that employees improved self-regulation when they were trained in self-management. Self-regulation training can provide employees with an opportunity to set specific high goals, to monitor ways



the environment may hinder goal attainment, and to identify and administer rewards for making goal progress, as well as assign punishments for failing to make progress.

GOAL-SETTING ATTRIBUTES

Goal-setting attributes have been the subject of extensive research. The four attributes are; specificity, difficulty, acceptance, and commitment. Studies show that there is a direct relationship between goal specificity and employee performance. The more specific the goal, the less ambiguity involved and the higher the performance. When employees are given do-your-best goals, they do not have an external reference by which they can measure their own performance. For example, telling a salesperson to “do the best you can” is an extremely vague goal that may not increase performance. However, “increase sales by 10 percent” is much more specific and encourages high performance because the employee has past sales as a reference point.

Goal difficulty also has a direct relationship with performance. Research shows that more difficult goals lead to higher performance, as long as the goals do not become so difficult that employees perceive them as impossible. Unreasonable goals frustrate, rather than motivate, employees. On the other hand, difficult but realistic goals lead to increased performance and motivation. Research suggests that employees are highly motivated when the probability of achieving a specific goal is 50 percent.

Goal acceptance is the degree to which employees accept a goal. Employees need to feel that the goal is fair and consistent in order to make it their own. Even if a goal is specific and attainable, individual acceptance is still necessary for effectiveness. Employees may reject goals for a multitude of reasons: they feel the work is meaningless, they do not trust the organization, or they do not receive feedback regarding their performance.

Finally, employees must be committed to the goal for it to be achieved. Commitment refers to the degree to which employees are dedicated to reaching the goal, and is determined by both situational and personal variables. Commitment to a goal can be increased by developing goals that appeal to employees’ values and needs. Employees must be convinced that the goal is important. It should be relevant and significant to some personal value. For example, goals that are tied to company success, and therefore job security, often appeal to employees’ need for security. It is also important that a leader or manager who is respected and credible convey the goal to employees. Goals must be attainable for employees to be committed. While goals may be challenging, employees should be convinced that goals are within reach. Research shows

that commitment to goals increases when employees have the opportunity to participate in goal setting. Additionally, developing strategies is useful in helping employees achieve goals. Organizations that provide continuous training for employees build confidence and increase commitment to organizational goals.

TYPES OF GOALS AND OBJECTIVES

Goals should be closely tied to an organization’s mission and vision statement. The strategic goals, tactical goals and objectives, and operational goals and objectives support the mission statement of the organization.

Strategic Goals. Strategic goals are set at the top of an organization and directly support the mission statement. Strategic goals are related to the entire organization instead of any one department. There are eight types of strategic goals found in organizations. The first type of strategic goal affects market standing, for example “to control 45 percent of the market share in the United States by the year 2014.” Strategic goals regarding market standing help position a company as a market leader in any given industry. An example of the second strategic goal, innovation, is “to develop three new applications for use in businesses in the United States over the next three years.” Productivity, the third type of strategic goal, involves reductions in manufacturing costs or increases in output. The fourth type of strategic goal is the efficient use of physical assets and financial resources, such as human resources. The fifth type of strategic goal involves the organization’s profits and is usually defined in terms of return on assets or market value of stocks. Management development and performance is the sixth type of strategic goal, which concerns the conduct of managers as well as their continuing development. An example of this type of strategic goal is “to increase the number of hours offered in management training courses by 15 percent over the next year.” The seventh type of strategic goal addresses the conduct of employees, as well as the concern for their attitudes and performance. An example of this type of strategic goal is “to reduce turnover by 12 percent over the next two years.” Finally, the eighth type of strategic goal is concerned with the public and social responsibility of the organization. These types of goals might be concerned with reducing pollution or contributing to different charities.

Tactical Goals. Tactical goals and objectives are directly related to the strategic goals of the organization. They indicate the levels of achievement necessary in the departments and divisions of the organization. Tactical goals and objectives must support the strategic goals of the organization. For example, if a strategic goal states that the organization is going to reduce total costs by 15

percent next year, then the different departments of the company would set tactical objectives to decrease their costs by a certain percentage so that the average of all departments equals 15 percent.

Operational Goals. Operational goals and objectives are determined at the lowest level of the organization and apply to specific employees or subdivisions in the organization. They focus on the individual responsibilities of employees. For example, if the department's tactical goal is related to an increase in return on assets by 5 percent, then the sales manager may have an operational objective of increasing sales by 10 percent.

Super-ordinate Goals. Super-ordinate goals are those goals that are important to more than one party. They are often used to resolve conflict between groups. Through cooperating to achieve the goal, the tension and animosity between groups is often resolved. Feelings of camaraderie are created along with trust and friendship. Super-ordinate goals can be powerful motivators for groups to resolve their differences and cooperate with one another. In order for them to be successful, the parties must first perceive that there is mutual dependency on one another. The super-ordinate goal must be desired by everyone. Finally, all parties involved must expect to receive rewards from the accomplishment of the goal.

GOAL-SETTING APPROACHES

When choosing goals and objectives, there are several approaches an organization can take. Three common approaches are the top-down approach, the bottom-up approach, and the interactive approach. In the top-down approach, goal setting begins at the top of the organization. Management by objectives (MBO) is a commonly-used top-down approach. This approach focuses on coordinating goal setting, incentives, and feedback. Studies suggest that approximately 50 percent of large organizations currently use or have used MBO. First, upper level managers (such as the CEO and other executives) establish the organizational mission and then determine strategic goals. The strategic goals determine the tactical goals and objectives as they are passed down to the next level of management.

The tactical goals in each department dictate the operational goals and objectives to individual employees. On the lowest level, the supervisor and employee agree upon performance objectives, as well as how goal attainment will be measured. This gives the supervisor a chance to address employee concerns or potential obstacles to goal achievement. When the next evaluation occurs, the supervisor and subordinate meet to assess to what extent performance objectives have been met. The top-down

approach has several advantages. It helps guarantee that the goals and objectives of the organization are directly tied to and support the mission statement. It increases the likelihood that ambitious goals set by upper-level managers will trickle down to lower levels of the organization; thus, ambitious goals will be set for everyone in the organization. However, the top-down approach has several disadvantages. Oftentimes, members of upper-level management are so far removed from the day-to-day activities of the employees that the goals may be overly ambitious and unrealistic. Goals set at the top of the organization do not change as quickly with the organization, so they are not as flexible as goals set at the bottom of the organization. Finally, the top-down approach does not always involve employee participation in the goal-setting process. Thus, employees may not have a sense of ownership.

The bottom-up approach begins at the lower levels of the organization. Individuals at the bottom of the organization's chart set the goals and objectives for members directly above. Operational goals and objectives determine the tactical objectives, which in turn determine the strategic goals and objectives. Finally, the organizational mission is defined according to the guidelines set by the employees. Goals determined by bottom-up goal setting are likely to be more realistic than those set at the top of the organization. They are more flexible and reflect the current situation of the organization. Finally, goals created by all levels of the organization, and by all types of employees, are more likely to encourage employee commitment. There are disadvantages to bottom-up goal setting. Goals and objectives formulated by bottom-up goal setting are not always in line with the organization's mission. Often, organizations that use a bottom-up approach lack clear direction and focus. There is no hierarchical alignment with the goals of the organization. Another disadvantage of this type of goal setting is that the goals created by employees are not always challenging and ambitious. Studies have shown that challenging (yet realistic) goals are more motivational than those that are not.

The third approach to goal setting is interactive. It is a process by which employees at different levels of the organization participate in developing goals and objectives. Top levels of the organization begin by developing a mission statement. Managers at different levels and departments of the organization then come together and determine the strategic goals. Next, discussions regarding the tactical goals and objectives are decided upon by including lower-level managers and supervisors. Finally, individuals contribute to the process by defining their own operational goals and objectives.

This approach to goal setting involves the consensus of many different levels of management and frontline employees. Interactive goal setting involves discussion

and cooperation among management and employees. The interactive approach enjoys the same advantages as bottom-up goal setting without many of the disadvantages. Goals are more realistic and current than in the top-down approach. Because it involves cooperation at all levels, employees feel valued and important. Their commitment to the organization, as well as the goals, is increased. Input from upper management helps to ensure that the goals are challenging and ambitious, which increases motivation. There are, however, a few disadvantages to the interactive approach. It is very time-consuming because of the cooperation and consensus involved. It is also difficult to manage and maintain. If managers do not stay actively involved, it can quickly turn into a top-down or bottom-up approach with the disadvantages of each.

FEEDBACK AND EVALUATION

Employees should be provided with specific performance-related feedback to help them determine if they are achieving their goals. Frequent feedback is beneficial because it allows employees to adjust their level of effort to achieve their goals. Feedback from management should consistently be provided. However, feedback can also come from coworkers or customers. It may be in the form of tallies, charts, or graphs that depict performance over time. Feedback not only allows employees to assess their accomplishments, but it also provides them with the continued motivation to achieve their goals.

Not only should the employees be evaluated, but goals should be evaluated periodically. Because organizations face many changes, goals need to be flexible enough so that organizations can respond to dynamic environments. Goals that were set at the beginning of the year may not be realistic at the end of the year. When organizations set goals that are unattainable or unrealistic in the long or short run, employees become unmotivated. When evaluating the appropriateness of a goal, managers should determine whether or not the goal covers the most important aspects of performance. Are the goals realistic yet ambitious enough to motivate employees? Objectives should be measurable and specific. Objectives that are not measurable are often not directly tied to the organization's overall mission. They should be linked to rewards that are valued by employees and associated with specific time periods.

Goal setting is a commonly used motivational approach. Numerous studies have shown that goal setting is related to profit and performance. In one study, goal setting led to improved productivity in 95 percent of the organizations. It also led to a 16 percent increase in worker productivity. Additionally, 61 percent of organizations surveyed used goal-setting theory specifically to increase performance. Organizations that set goals experienced higher levels of annual profit than those that did not.

Dissent to this opinion comes from a study conducted internally within Deutsche Telekom, an organization of more than 50,000 employees. As noted in 2008, the study found that goal setting was expensive and placed a huge drain on resources, thus decreasing productivity. The research identified large groups of employees within the organization who were not part of the goal-setting process. Dr. Christian Stein, the researcher in the study, lists several other flaws with the goal-setting approach. These include lack of proof of its positive cost-benefit ratio and the difficulty in setting goals that are mutual for employee and company. Stein also points to the extreme difficulty in coming up with a system that works for everyone without including a prohibitively large number of goals and subgoals. Stein concludes that in a time of high cost-pressure, abandoning goal-setting systems would do little harm and would, in fact, free up resources for processes that can be better controlled and managed.

As this study highlights, while goal setting may be advantageous to organizations, as well as employees, it is not an easy process to undertake. Managers sometimes underestimate the difficulty involved in setting goals. They are attracted to the benefits without understanding the limitations. Often beneficial are training courses on how to set goals, as well as a continuous follow-up process that involves all areas of the organization. Follow-up and refresher courses are often necessary to keep employees and managers focused on the goal-setting process. By offering courses that involve both managers and frontline employees, organizations are able to increase the level of consensus when it comes time to define goals.

SEE ALSO *Feedback; Management Styles; Mission and Vision Statements; Strategy Formulation; SWOT Analysis*

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GROUP DECISION MAKING

Group decision making is a type of participatory process in which multiple individuals—acting collectively—analyze problems or situations, consider and evaluate alternative courses of action, and select from among the alternatives a solution or solutions. The number of people involved in group decision making varies greatly, but often ranges from two to seven. The individuals in a group may be demographically similar or quite diverse. Decision-making groups may be relatively informal in nature, or formally designated and charged with a specific goal. The process used to arrive at decisions may be unstructured or structured. The nature and composition of groups, their size, demographic makeup, structure, and purpose, all affect their functioning to some degree. The external contingencies faced by groups (time pressure and conflicting goals) impact the development and effectiveness of decision-making groups as well.

In organizations, many decisions of consequence are made after some form of group decision-making process is undertaken. However, groups are not the only form of collective work arrangement. Group decision making should be distinguished from the concepts of teams, teamwork, and self managed teams. Although the words "teams" and "groups" are often used interchangeably, scholars increasingly differentiate between the two. The basis for the distinction seems to be that teams act more collectively and achieve greater synergy of effort. Katzenback and Smith spell out specific differences between decision-making groups and teams:

- The group has a definite leader, but the team has shared leadership roles.
- Members of a group have individual accountability; the team has both individual and collective accountability.
- The group measures effectiveness indirectly, but the team measures performance directly through their collective work product.
- The group discusses, decides, and delegates, but the team discusses, decides, and does real work.

GROUP DECISION-MAKING METHODS

There are many methods or procedures that can be used by groups. Each is designed to improve the decision-making process in some way. Some of the more common group decision-making methods are brainstorming, dialectical inquiry, nominal group technique, and the delphi technique.

Brainstorming. Brainstorming involves group members verbally suggesting ideas or alternative courses of action. The "brainstorming session" is usually relatively unstructured. The situation at hand is described in as much detail as necessary so that group members have a complete understanding of the issue or problem. The group leader or facilitator then solicits ideas from all members of the group. Usually, the group leader or facilitator will record the ideas presented on a flip chart or marker board. The "generation of alternatives" stage is clearly differentiated from the "alternative evaluation" stage, as group members are not allowed to evaluate suggestions until all ideas have been presented. Once the ideas of the group members have been exhausted, the group members then begin the process of evaluating the utility of the different suggestions presented. Brainstorming is a useful means by which to generate alternatives, but does not offer much in the way of a process for the evaluation of alternatives or the selection of a proposed course of action.

One of the difficulties with brainstorming is that despite the prohibition against judging ideas until all group members have had their say, some individuals are hesitant to propose ideas because they fear the judgment or ridicule of other group members. Some online tools attempt to change this equation. For example, VERN, a tool developed by researchers at UC Berkeley, allows users to make decisions using a visual interface so that all members of the group can contribute equally. Other tools, such as ThinkTank, provide anonymity in polling; this allows for more creativity with less fear of judgment.

Dialectical Inquiry. Dialectical inquiry is a group decision-making technique that focuses on ensuring full consideration of alternatives. Essentially, it involves dividing the group into opposing sides, which debate the advantages and disadvantages of proposed solutions or decisions. A similar group decision-making method, devil's advocacy, requires that one member of the group highlight the potential problems with a proposed decision. Both of these techniques are designed to try and make sure that the group considers all possible ramifications of its decision.

Nominal Group Technique. The nominal group technique is a structured decision-making process in which