LOCKE'S GOAL-SETTING THEORY: A TEACHING NOTE FOR THE SALES MANAGEMENT COURSE

Gary L. Karns, Seattle Pacific University

ABSTRACT

It is important that sales managers understand goal-setting in order to avoid reducing salesforce productivity by inappropriately employing it. Locke's Goal-Setting Theory, widely accepted as a framework for understanding the effects of goals on human behavior is explicated for the benefit of marketing educators, supplementing their teaching effort in the sales management course. Suggestions for integrating the theoretical framework into the sales management course are given.

INTRODUCTION

Goal-setting has been a popular tool for creating an environment of productivity among salespeople for many years. (Douthit 1976; Futrell 1988) Goals are set for level of sales volume, profitability, prospecting, calling and other selling and non-selling activities. (Stanton & Buskirk 1983) It is critical that sales managers be effective in employing goals as a productivity enhancement. Sales managers who understand goal-setting and use it appropriately can provide direction to their salespeople and stimulate higher levels of activity and performance. In contrast, misapplication of goal-setting can frustrate, confuse and demotivate salespeople so that their performance is diminished.

Understanding the practical importance of goal-setting, marketing educators have endeavored to describe its benefits and the keys for its successful implementation in their sales management classes. Sales management texts all discuss goals or quotas in their chapters on motivation, compensation and supervision. The purpose of this paper is to supplement these efforts of marketing educators to prepare students for careers in sales management by explicating Locke's Goal-Setting Theory and by suggesting ways to integrate an enriched coverage of goal-setting into the sales management course. All this is done in hopes of increasing the student's later effectiveness in using goals personally and as a sales manager.

FUNDAMENTALS OF LOCKE'S GOAL-SETTING THEORY

Locke's theory of goal-setting (Locke and Bryan 1967; Locke 1968) has been one of the primary frameworks for understanding the effects of goals on human behavior. According to Locke, goal-setting should help a salesperson see a clear purpose for his or her work and find appropriate behaviors to accomplish that purpose. As a result, goal-setting should improve both performance and satisfaction. (Latham and Lee 1986)

In order for goals to be effective, Goal-Setting Theory states that four conditions must be satisfied. First, the goal must be appropriately challenging, specific and consistent. Second, the goal must be accepted. Third, feedback on progress toward the goal must be given. Fourth, rewards must accompany goal achievement.

Characteristics of Effective Goals

Goals have been defined in terms of three basic characteristics. (Locke 1968; Locke et al. 1981) Sales managers can vary a goal's level of difficulty, its degree of specificity and its degree of consistency with other goals. The following discussion defines each characteristic and explains its function in creating an effective goal.

<u>Difficulty</u>. Locke et al. (1981) state that goal-difficulty is necessary if a salesperson is to be challenged to perform at a higher level than current performance. Difficulty has usually been cast in terms of higher levels of output, such as a sales quota which is 25% higher than sales for the same month in the previous year. Difficult goals require more effort, attention, knowledge, and skill. Goal-difficulty primarily stimulates more effort, or working harder. Facing a tough goal also causes a salesperson to rethink his or her action strategy, perhaps resulting in "smarter" as well as harder work. However, according to Locke et al. (1984), Erez and Zidon (1984), Futrell, Swan, and Lamb (1977) and Etzel and Ivancevich (1974), if the goal

is seen as unattainable, salespeople will react negatively out of frustration.

Specificity. Goal-specificity is necessary in order to communicate clearly the expectations against which a salesperson's performance will be evaluated. For example, "sell 15 units this month" is more specific than "sell more." Compared to a "do your best' approach, specific goals help salespeople develop action plans showing them what to do focusing effort on expected performance activities. (Stanton and Buskirk 1983) A salesperson's effort is focused on the expected performance activities. Terborg and Miller (1978) and Kim (1984) suggest that goals should be set for selling effort and for sales outcomes, with rewards for each.

Consistency. Goal-conflict inhibits performance. (Locke et al. 1981) Asking salespeople to invest time with clients to build relationships and to see as many clients as possible in a day are inconsistent for example. In such a situation, a salesperson's effort is dissipated and confused action strategies result. Further, conflicting goals may diminish a salesperson's beliefs that the goals are attainable. (Quick, 1979a,b; Latham and Yukl 1975a)

Effects of Goal-Setting

Role perceptions, motivation, performance and satisfaction have been the major focal points of interest for studying the consequences of goal-setting. The effects of goal-setting on these productivity factors have been reviewed by Latham and Yukl (1975a), Locke et al. (1981), Latham and Lee (1986) and by Tubbs (1986). These reviewers concluded that goal-setting is beneficial in many situations, but the effects for complex tasks, such as personal selling, are not fully understood.

Role Perception Effects. Perceived role ambiguity and role conflict are among the most important determinants of sales productivity, since salespeople must understand what they are expected to do. (Churchill et al. 1985) Goal-setting is a communication tool which helps clarify a selling task, thus reducing perceived role ambiguity and role conflict. (Doyle and Shapiro 1980; Quick 1979a,b; Anderson, Jerman, and Constantin 1979) The interaction between a sales manager and a salesperson in setting goals is a key opportunity for clarifying role perceptions through specific and consistent goals.

Motivation Effects. Goal-setting has generally been found to increase motivation. (Tubbs 1986; Locke et al. 1981; Terborg and Miller 1978) Salespeople should pay more attention to relevant tasks, work harder, develop action plans which help them work "smarter," and persist in directed effort as a result of goal-setting. (Terborg 1976; Lock et al. 1984) If goals are achievable, a salesperson should see that working harder will yield higher performance (expectancy) and that performing the task is linked with the rewards he or she wants (instrumentality). Also if goal-setting adds meaningfulness to a selling task, it will raise a salesperson's sense of reward from a job well done (valence). (Terborg 1976)

Performance Effects. Tubbs (1986), Latham and Baldes (1975), Latham and Lee (1986) and Locke et al. (1981, 1984) show that goals, together with feedback and rewards, provide stimulation and direction increasing motivation and clarifying role perceptions and, thus, increasing performance. Not all goal-setting studies show improved performance, however. Later, notable examples of performance degradation are discussed.

Satisfaction Effects. Goal-setting has positively affected job satisfaction in many situations. (Kim 1984; Latham and Yukl 1976; Wotruba and Thurlow 1979; Ivancevich and Smith 1981) The reduction of role ambiguity and role conflict seems to be the primary means through which goal-setting increases satisfaction. (Quick 1979a,b) Latham and Kinne (1974) suggest that satisfaction is also increased if tasks are more meaningful when goals are attached. Additionally, goal-setting increases satisfaction by increasing the interaction between sales managers and salespeople. (Umstot, Mitchell, and Bell 1976, 1978)

However, satisfaction may be adversely affected if salespeople are frustrated by goal-setting. A "coaching" approach is advocated by Ivancevich (1976) and Futrell (1988).

Situational Influences

The effectiveness of goal-setting, even when the goals are difficult, specific and consistent, depends on the situation. The situational factors which determine whether goal-setting will produce positive results are: the complexity of the selling task; the acceptance of the goal by the salesperson as something for which to strive; the association of feedback on goal progress and of rewards with goal achievement; individual characteristics, such as experience and need-for-achievement. (Latham and Lee 1986; Tubbs 1986; Earley 1985; Yukl and Latham 1978; Locke et al. 1984).

Task Complexity. Sales tasks range in their complexity from the relatively simple order-taking functions of a fast food service counter to the extremely complex job of coordinating a team-selling effort for high-technology capital equipment. (Futrell 1988; Stanton and Buskirk 1983) Task complexity is defined here as the required range of selling skills and creativity, the number of buyer-seller interactions and the length of the closing cycle inherent in the selling task. This definition incorporates the attributes of task complexity identified by Campbell (1988), namely multiple paths to a desired end, multiple ends, conflicting interdependency and uncertainty.

The effects of goal-setting for complex tasks have varied considerably from those discussed earlier. Earley (1985), Erez and Zidon (1984) and Buller and Bell (1986) attribute their observed decline in performance from goal-setting to task complexity. The more demanding role requirements for complex selling tasks make it difficult for goal-setting to effectively clarify role perceptions. Sales managers may need to explain how to achieve the goals as part of the goal-setting process. In addition, setting goals for a complex task can create inconsistency and increase conflict unless the goal targets are clearly interrelated and instrumental for selling success. (Locke et al. 1984; Kim 1984; Futrell 1988; Bavelas and Lee 1978) Terborg and Miller (1978) suggest that goals be very specific in order to overcome this problem, especially for less experienced salespeople.

Goal Acceptance. Goal-acceptance, or agreeing to work toward the goal, controls a salesperson's willingness to expend effort and his or her development of viable action strategies in pursuit of the goal. Acceptance depends on a salesperson's perception that the goal is attainable. Locke et al. (1984); Oldham (1975); Latham and Yukl (1975b, 1976); Ivancevich and Smith (1981); Douthit (1976); Wotruba and Thurlow (1979); and Cravens, Woodruff, and Stamper (1972) found that goal-difficulty and fairness, task complexity and meaningfulness, the salesperson's beliefs that he or she can do the job, supervision, and participation in setting the goals affect goal acceptance. Goals that are perceived to be reasonable for the situation and within a salesperson's perceived ability are readily accepted. Although participative goal-setting is not strictly necessary to attain acceptance, it does seem to foster acceptance and to stimulate the formation of harder goals, higher levels of commitment, and thus, higher performance. (Latham and Saari 1979; Latham, Mitchell, and Dossett 1978)

Feedback. Locke et al. (1981) showed that feedback, or knowledge-of-results, is critically important to the success of goal-setting. Information on goal progress helps a salesperson know whether he or she is exerting sufficient effort and whether the selected action strategies are effective. It provides both control and reinforcement. Feedback can come from the task itself, the sales manager or the compensation scheme. (Futrell 1988) Salespeople also need to see that goal accomplishment and rewards are tied together. Unfortunately, rewards are not often tied directly to each specific goal target but only to sales volume, diminishing the reinforcement and the feedback a salesperson receives. (Kim 1984; Stanton and Buskirk 1983)

Individual Differences. Experience, sense of ability to do the job, need-for-achievement and desire for autonomy have been mentioned as factors which influence a salesperson's response to goal-setting. (Yukl and Latham 1978; Carroll and Tosi 1970; Locke et al. 1984) A salesperson who has experience or a keen sense of ability to do the job will be more likely to produce effective action strategies. Salespeople who have a high desire for autonomy respond more positively to participative goal-setting and more negatively to imposed goals.

INTEGRATION INTO SALES MANAGEMENT COURSES

While goals and quotas are already presented in sales management texts, added coverage of Goal-Setting Theory will benefit students by enriching their understanding of the three aspects of goals and of the importance of situational factors in setting goals. In short, students will have a more realistic view of goal-setting. They must be made sensitive to the problems of crafting effective goals which requires the coverage of detail not often provided in sales management texts. This will enable them to be better sales managers and to better articulate their own personal goals. The added detail and the resulting benefits can be obtained with minimal additional educational investment of class time or study effort.

Learning Objectives

The learning objectives for this additional coverage are of two types, knowledge and skill objectives. The knowledge objectives are to comprehend the role of goal-setting in influencing productivity and to understand the relationship between the goals and the salesperson sales task situation so that the goals are fair and productivity enhancing. The skill objectives are for the students to apply this knowledge to actual cases and to themselves.

Coverage Method

The background has been discussed above for the benefit of the instructor's preparation of explanatory comments. The key points that need to be made are that goal-setting is an important overall link between compensation, motivation and supervision for sales managers, an opportunity for productivity enhancing communication and requires a balance of difficulty, specificity and consistency appropriate for the situation.

Accomplishing the skill objectives can be done by assigning students additional case preparation questions. For example, students could be asked to evaluate the goals which the salesperson in the case is expected to achieve. Were they too easy or too hard? Were they adequately specific without being too restrictive? Were they consistent? What organizational and personal situational factors were at play? In addition, students could be asked to play the role of sales manager and have a goal-setting meeting with the salesperson(s) in the case. The students would have to deal with the thorny issues facing "real" sales managers in either approach and a deeper discussion would be launched.

Asking the students to apply the goal-setting framework to their own goals for graduation, job placement or current job (even studying) in a journal writing activity personalizes the goal-setting framework, may move them to a more effective current goal articulation and helps equip them for developing personal goals throughout life. This would be especially helpful for students who have vaguely defined goals that are loosely connected with their current feedback, reinforcement and task situation.

Timing

This material on goal-setting provides an opportunity to connect several related topics in the sales management course. While the nature of the motivation, compensation and supervision chapter material in texts promotes connectedness, covering goal-setting provides a clear mechanism for vividly drawing the connection in students' minds. It is suggested that the normal coverage of quotas in the compensation or motivation chapter be continued and come prior to covering the Goal-Setting Theory framework. Further, covering this material should come after the students have examined some comprehensive model of salesperson productivity, such as the Walker, Churchill and Ford (1977) model.

SUMMARY

Goal-setting is widely used among sales managers and is thus one of the important topics covered in a sales management course. Used effectively, goal-setting enhances both performance and satisfaction. Used ineffectively, productivity and morale are reduced. Applying goal-setting to salespeople requires careful understanding of the situation and careful articulation of the goals since selling is a relatively complex task where well intended, but inadequately informed, goal-setting may do more harm than good. While marketing educators have exposed sales management students to goals, quotas and management-by-objectives, there remains the need to convey additional detail about goal-setting. This detail is captured quite well by Locke's Goal-Setting Theory.

Enhancing the coverage of goal-setting in the sales management course with Locke's framework is relatively easy to accomplish. The framework conveniently lends itself to integration with the productivity oriented discussions of compensation, motivation and supervision already used by marketing educators. Conveying the information and stimulating its application to case studies will yield considerable benefit for the student with minimal investment of educational effort.

REFERENCES

(Available on Request)