

Modes of Goal Setting and Performance Management: A Framework model for Human Resource Management

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Abstract: Goal setting is a key link in human resources management chain. Goal is set reasonably, which helps to make the human resources yield well and the management operate effectively, and in the end high performance is attained. Many researches' findings indicate that goal setting has an important effect on performance. However, few researches explore how individuals and organizations set their goals. At present, there exist two different theories in modes of goal setting: rational expectations model and incremental adaptation model. The present studies examine modes of goal setting systematically. In study, 106 participants are required to write a specific goal in some subjects in a questionnaire, including Chinese, Mathematics and English, and a correlative analysis of temporal sequence is conducted with performance obtained subsequently. Results show that, modes of goal setting has an significant positive effect on performance; modes of goal setting in individuals neither belong to rational expectations model, nor incremental adaptation model, but belong to inherent unite of two models, that is, rational expectation model and incremental adaptation model affect modes of goal setting together. The further implications of findings for goal setting and performance management are discussed, and some suggestions are also put forward.

Keywords: modes of goal setting, performance management, human resource management

INTRODUCTION

Human capital has long been a critical resource in most firms [1]. Firms may have the capital and technology, but it is human resource (HR) that will help firms face the challenges of business globalization [2]. Capital can be regenerated, and technology can be innovated, but human capital will perform its function fully on basis of scientific management and efficient strategy. Firms and organizations must adopt sorts of strategies and techniques to optimize the performance of their HR in order to achieve high levels of productivity and efficiency. As a result, an scientific, operational, effective human resources management (HRM) system needs to be established for development of the different sections, such as competency-based human resource development strategy [3], human resource management control [15] framework of strategic HRM [4]. More and more governmental leaders, business executives and firm managers now recognize that HRM may be ultimate determinant factor of organizational performance. A great number of studies show that there exists a positive relationship between HRM and organizational performance [2,15,5,6]. Centrally important human resources activities including job selection, orientation, skill - training, performance appraisal, compensation, human

resource planning and career development [13]. These practices are all close related to improving and sustaining organizational performance.

In recent years, goal setting is an incentive theory widely accepted by many researches in the area of work and learning motivation, and performance management. Locke [7]. proposed that goals affect action by affecting the intensity, duration, and direction of action. Goal setting is a process exploring, negotiating and establishing to build up challenge goal for individuals and organizations, including identification of job responsibility, establishment of performance criterion each section, specific representation of work plan of attaining goal [15]. General model of goal setting theory considers that, the effect of goal setting as a strong stimulation on performance lies on two major factors: goal specification and goal difficulty [8]. As general model of goal setting theory is applied to practices, researches find that there exist some mediators affected attainment of goal between goal setting and performance [16] involving goal commitment, goal importance, self-efficacy, duration, effort, strategy. To date, a lots of studies have documented that goal setting has a positive influence on performance [9,10]). Characteristics of goal setting, types, modes, persistence, strategies, task

complexity are all close related to improving and sustaining individual and organizational performance.

Goal setting is a key link in HRM chain. Sections in HRM are organized on basis of ultimate goal set by firms and organizations. Goal is set reasonably, which helps to make the human resources yield well and the management operate effectively, and in the end high managerial efficiency, high effectiveness and high performance are attained. In terms of performance actualization, this process of goal setting had significant implications for the HRM process [13]. However, a review of literature indicates that previous studies in the area of the HRM focused on effect of sections in HRM on firms and organizations. Moreover, these goals had been pre-assigned. A serious lack of studies designed to investigate process of goal setting, in other words, few studies explored how individuals and organizations set their goals.

Theoretical framework of modes of goal setting and hypothesis

There are two different theoretical explanations on how individuals or organizations set their attainable goal: rational expectations model (REM) [11] and incremental adaptation model (IAM) [12]. The former emphasizes decision-makers put forward attainable performance (goal, or ambitious level) some time in future according to understanding of their competency or strength of their departments, and making full use of external related information. This view originates from economic theory. The later emphasizes feedback of performance is determinant of goal setting. Managers establish next expectation goal depending on whether past performance attains given goal. Fundamental difference between two models is whether learning process is an organic element as process of goal setting. REM is exclusive of learning process, while IAM is inclusive of learning process, emphasizing the role of performance feedback [17].

Human is not only rational, but also realistic. The nature trait that human differ from animals is that human is always intentional and planned to their next actions. A field research conducted in a factory, showed that goal setting process could be well explained by REM when the task is less uncertain and rather easy, but in a highly uncertain situation, managers tend to follow IAM to set their next goal [17]. So we theoretical assume that individuals or organizations establish their next attainable goal on basis of past performance (IAM) and their competency (REM). that is, REM and IAM affect modes of goal setting together. As such, the focus in this study is on the relationship between modes of goal setting and performance management. Specifically, the objectives of this study are as follows:

- To examine the relationship between modes of goal setting and performance.
- To identify which modes of goal setting might

lead to better performance.

- To provide some practical implications on performance management for individuals and organizations.

METHOD

Participants

106 students from middle school are selected at random to participate in this investigation in Chongqing city in China, and their intelligence is equilibrium. 63 of them are male, and the rest are female. The range of age is 15-17.

Procedure and Design

All participants are required to write their expectation goal expressed by a grade (one means point from 90 to 100, and two means point from 80 to 90, and three means point from 70 to 80,.....) in three subjects including Chinese, Mathematics and English in a questionnaire at the early period of term (a month after semester beginning), and this expectation goal is what they may achieve in mid-semester exam. A month after mid-semester exam, these students are required to write their expectation goal in final exam again, and the method is like previously. Meanwhile, performance is collected in final exam in past term, and in mid-semester exam and final exam in this term, this performance is also changed into a grade correspondingly.

A correlative analysis of all collected temporal sequence data is conducted by Spearman' rank correlation method. The model on five variables shows in Figure 1 (relationship between expectation goal and performance).

From this figure 1, if R_1 is significant in statistical significance testing, and R_2 is not significant, goal setting process can be well explained by REM; if R_2 is significant in statistical significance testing, and R_1 is not significant, goal setting process can be well explained by IAM; if R_1 and R_2 are significant in statistical significance testing, goal setting process can be well explained by REM and IAM; if R_1 and R_2 are not significant, REM and IAM can not explain goal setting process effectively.

RESULTS

General analysis

All data expressed by a grade are divided into five variables: performance in final exam in past term (PFPT), expectation goal in mid-semester exam (EGME), performance in mid-semester exam (PMSE), expectation goal in final exam (EGFE), performance in final exam (PFE) (see figure 1). A general correlative analysis in three subjects is conducted by Spearman's rank correlation method according to character of data. Table 1 shows correlation matrix for all variables.

Figure 2 shows concise relationship between five variables.

In Table 1, there exists significant correlation between five variables ($p < 0.01$), except PFPT and EGME, PFPT and PMSE ($p > 0.05$). It can be seen from figure 2 that correlative coefficients between EGME and PMSE, between EGFE and PFE, and between PMSE and EGFE are very large. This indicates that expectation goal that individuals established in two periods of time has a significant effect on the performance obtained subsequently, while past performance affects partly next expectation goal.

Specific analysis

A specific correlative analysis of five variables in each subject (Chinese, Mathematics and English) is also conducted by Spearman's rank correlation. Table 2, table 3 and table 4 show correlative matrix for all variables in each subject. Figure 3, figure 4 and figure 5 show concise relationship between five variables.

In Chinese subject, there exist significant correlation between five variables ($p < 0.01$), except PFPT and EGME, PFPT and PMSE ($p > 0.05$) (see Table 2). It can be seen from figure 3 that correlative coefficients between EGME and PMSE, and between EGFE and PFE, and between PMSE and EGFE are very larger. This indicates that expectation goal has a significant effect on the performance obtained subsequently, while past performance affects partly next expectation goal.

In Mathematics subject, there also exist significant correlation between five variables ($p < 0.05 \sim 0.01$), (see Table 3). It can be seen from figure 4 that correlative coefficients between EGME and PMSE, between EGFE and PFE, and between PMSE and EGFE are very larger, which indicates that expectation goal has a significant effect on the performance obtained subsequently, while past performance affects significantly next expectation goal. This differs from other two subjects.

In English subject, the results resemble Chinese subject (see Table 4 and figure 5).

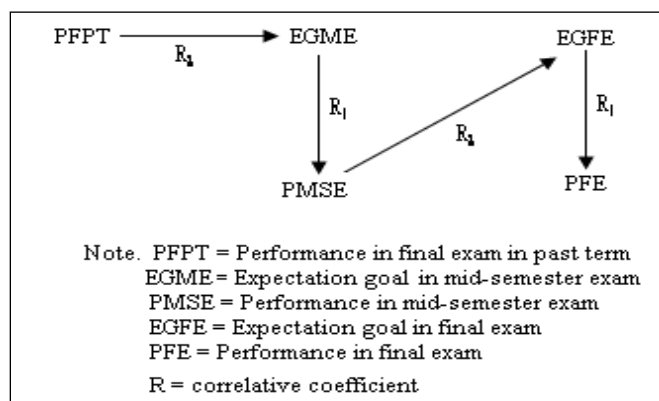


Fig-1: Relationship between expectation goal and performance

Table-1: correlation matrix for all variables

	EGFE	PFE	EGME	PMSE
PFE	.848**	1.000		
EGME	.544**	.469**	1.000	
PMSE	.568**	.615**	.781**	1.000
PFPT	.420**	.504**	.101	.180

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

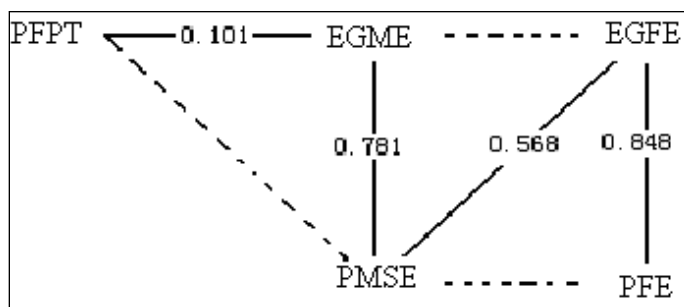


Fig-2: Concise relationship between five variables

Table-2: Correlation matrix for all variables in Chinese subject

	EGFE	PFE	EGME	PMSE
PFE	.853**	1.000		
EGME	.338**	.298**	1.000	
PMSE	.339**	.391**	.661**	1.000
PFPT	.196*	.227*	.147	.139

Table-3: Correlation matrix for all variables in Mathematics subject

	EGFE	PFE	EGME	PMSE
PFE	.708**	1.000		
EGME	.510**	.426**	1.000	
PMSE	.466**	.452**	.763**	1.000
PFPT	.373**	.495**	.196*	.293**

Table-4: Correlation matrix for all variables in English subject

	EGFE	PFE	EGME	PMSE
PFE	.821**	1.000		
EGME	.572**	.525**	1.000	
PMSE	.614**	.592**	.825**	1.000
PFPT	.249*	.285**	.080	.125

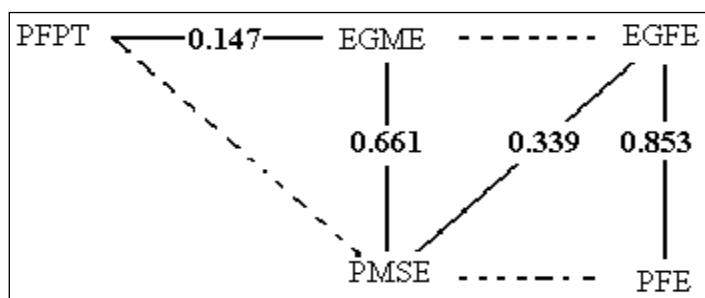


Fig-3: Concise relationship between five variables in Chinese subject

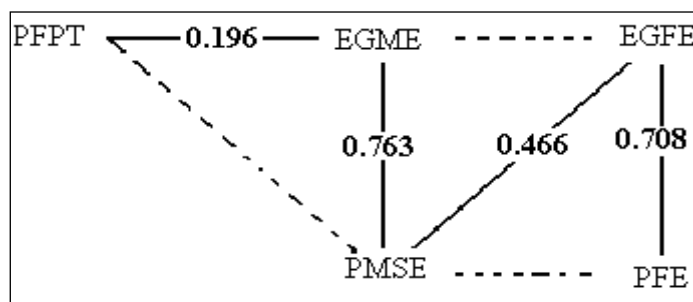


Fig-4: Concise relationship between five variables in Mathematics subject

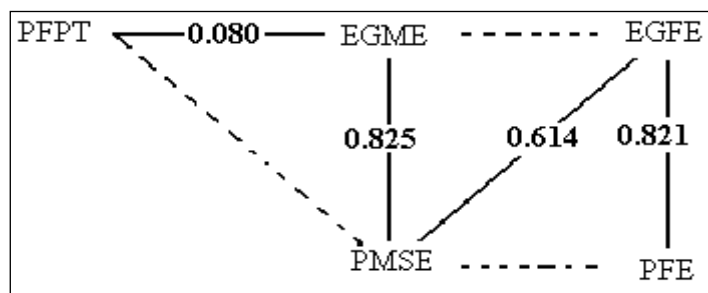


Fig-5: Concise relationship between five variables in English subject

DISCUSSION

Interpretation of research findings

One of the objectives of this study is to examine the relationship between modes of goal setting and performance. The findings show that several different connections to performance (learning achievement).some of these indicate a direct significant relationship between modes of goal setting and performance, while others show no significant effect. This supports findings of previous researches. Many studies findings show that HRM has a positive effect on organizational performance [2, 5], furthermore[13] indicated that process of goal setting had significant implications for the HRM process in terms of performance actualization. It is suggested that, some mediatorial variables, such as modes of goal setting, persistence, strategies, task complexity, affect attainment of goal[16]. Goal setting process as an important element in HRM, may affect attainment of performance. From this research's findings, the correlative coefficients between EGME and PMSE, and between EGFE and PFE in general analysis and three subjects are significant larger, which indicates there exists close positive relationship between modes of goal setting and performance, Implicating significance of modes of goal setting. Thus, that Goal is set reasonably, may predict performance as an effective index.

The second objective of this study is to identify which goal setting process might lead to better performance. The findings show that the correlative coefficients between the correlative coefficients between EGME and PMSE, between PMSE and EGFE, and between EGFE and PFE in general analysis and three subjects are significant in statistical significance testing, while the correlative coefficient between PFPT and EGME doesn't reach significance (except Mathematics subject). This indicates that, goal setting process can be well explained by REM, but IAM

demonstrates goal setting process in part. It is inconsistent with the known facts. Because, goal setting process of individuals and organizations depends on either REM [11] or IAM [12] and [17]. indicated that, when the task is certain and rather easy, REM can predict goal setting process well, but in a highly uncertain situation, IAM can explain goal setting process efficiently. The findings of this research indicate that goal setting process can be well explained by REM and IAM together. Additionally, the more past performance is far from the goal that established at present, the less its impact on the set goal is; contrarily, the more is. This is consistent with hypothesis of the research.

As far as individual goes, he is always developing and changing as time, and there exists definite difference in characteristics, competencies, developing levels, aims through certain education, training and learning in different terms. So the development of firm and organization do. Thus, past performance has significant effect on the established goal at present only if the distance between them is not large. This has been confirmed in the research. Today, managers think much of HRM strategies in HRM practices, and good HRM strategies can result in better performance [2]. Strategic HRM emphasizes more broadly bundles of human resource practices that are implemented in combination rather than focusing on particular human resource practices that are used in isolation [15]. Generally speaking, modes of goal setting are also a strategy of performance control. Different modes of goal setting require different behaviors and different HRM practices to elicit and reinforce behaviors of individuals and organizations. In a short steady period, individuals and organizations should use REM and IAM to set their next expectation goal. Figure 6 shows the framework of model:

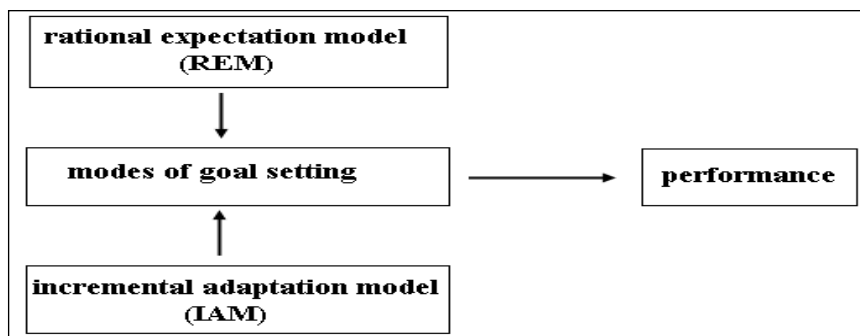


Fig-6: A framework of modes of goal setting and performance

Suggestions

Another objective of this study is to provide some practical implications on performance management for individuals and organizations. The ultimate purpose of HRM is to attain high performance, while how to establish organizational goal plays an important role in

HRM process. The findings show that there exists significant positive correlation between goal setting process and performance. It suggests that, individuals, firms, and organizations should consider modes of goal setting as a key link in HRM and performance

management, emphasizing its role in attaining and improving performance.

Besides, Human trait, as mentioned early in this study, makes them always depend on past performance and estimation of self-competency to establish expectation goal in future. So the firms and organizations do. Rational modes of goal setting will make individuals and organizations concentrate their behaviors on the established goal, and finally high performance is attained. The practical implication of this study lies in the finding that individuals, organizations and firms should use an appropriate combination of modes of goal setting in order to improve their performance.

Limitations and future directions

As a guide to future empirical research, it is necessary to also explore some of the key limitations of this study. Firstly, perhaps the most obvious limitation in methodology is that this study is a correlative research. So, causality between modes of goal setting and performance is less than experimental research, but owing to the temporal sequence data, its results are more reliable than general correlative research. Future research might try to use experimental study approach to examine specific causality between modes of goal setting and performance.

Secondly, the participants of this research are not firms and organizations but students. HRM and performance management practices focus mainly on firms, organization and governmental department. Future research might examine extensively other individuals and organizations to interpret the validity of the findings

Thirdly, this study examines only individual learning achievements (performance), while lots of studies focused on business and organization performance, as mentioned previously in this research. Future study might explore the effects of modes of goal setting on firms, organizations and government performance.

Fourthly, focus of this research is on effects of modes of goal setting on individual performance. HRM includes many practices [15]. and there are many factors that affected attainment of goal [16] Furthermore, a combination of HRM practices has been to a trend. So, future study might examine the colligation of more factors affected performance, including types of goal setting, goal importance, goal persistence, plan, training, task complexity.

Finally, the data are collected from the middle school students in China. As we know, the difference of culture in different countries and areas may lead to be different of thinking and behavior. As the trend of economic globalization strengthens gradually, it is necessary to

know how the different industrial organizations and firms in different countries and geographical areas would influence this study's findings. So, future research might focus on examine the applicability of these findings with other industrial organizations and firms in different culture.

CONCLUSION

The present studies examines the relationship between modes of goal setting and performance, and the results didn't support former findings fully. The findings indicate that, how individuals establish their goal significantly affects performance attained subsequently; besides, modes of goal setting did not depend on single model but two models together. The practical implication of this research's findings is that, Individuals and organizations should emphasize the role of goal setting process in HRM and performance management practices, and when setting next expectation goal, they should consider two models synthetically using goal setting to manage performance, which helped to make full use of human resources, and finally high performance was attained.

Acknowledgement

Fund project: Chongqing Development and Reform Commission: Research on standardization in Chongqing urban and rural primary and secondary school; Central University Special Funding for Basic Scientific Research Business: Discipline team research project (No.: 2362014 xk03); Central University Special Funding for Basic Scientific Research Business: Research on the public values of employment in Chongqing hukou reform (No.: SWU1109061); Team Research Project from Faculty of Education in Southwest University: The Future Learning Environment Research (No:2014CXTD07)

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