

# Organizational Psychology Revisited. Goal Setting Theory in Recent Years: A Systematic Literature Review

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Recently, setting goals has received a lot of attention. Studies show that not all goals are the same, not all goals are suitable for every situation. Interesting findings have emerged over the past 20 years regarding demanding versus realistic goals, generic versus more precise goals, assigned versus participative goals, and finally learning versus performance-based goals. This systematic literature review aims to highlight the importance of goal setting theory in business and explore its fundamental concepts, by reviewing and evaluating the most recent studies, finally, to discuss potential applications and offer suggestions for further research.

*Keywords:* goal-setting theory, systematic review, performance management, motivation

## Introduction

In business, goal setting theory is a theory of motivation that explains why some people perform better than others on tasks related to their jobs. The goal-setting theory has had a significant impact on organizational behavior theory and practice since the late 1960s (Latham & Yukl, 1975; Locke, 1968). A goal is simply what a person is intentionally attempting to do and in a professional situation there may be a performance standard to meet (Locke & Latham, 2013).

Why could setting goals succeed? The fundamental ideas are that goals energize performance by inspiring people to put effort corresponding with the demands or difficulties of the goal or activity. Thus, they control the intensity of effort, which in turn affects arousal. Furthermore, goals focus people's attention on relevant behaviors or results and away from non-goal-relevant activities, which encourages people to continue with activities over time. As a result, they direct people toward activities that serve the objective, and they activate knowledge and abilities that are thought to be important to the work (Miner, 2005).

Goal studies revealed that choice and attention, effort, and persistence are goal mediators. Goals have also been proven to inspire people to apply previously established goal-achieving strategies or to come up with new ones (Locke & Latham, 2019).

Based on Locke and Latham (2006), successful goal setting depends on five key components: clarity, challenge, commitment, feedback, and task complexity. A goal that is clear is one that can be reached within a given time frame and set of objectives that are specific and quantitative. In addition, a challenge is a set of objectives that can be achieved with a tolerable degree of difficulty, inspiring people, and organizations to pursue

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success. Commitment motivates groups or organizations to collaborate to accomplish their objectives. When a goal is challenging to achieve, commitment is especially crucial since it calls for more perseverance and effort in the face of unavoidable setbacks. Values, including rewards, and self-efficacy have an impact on commitment. Additionally, feedback shows how successfully objectives are being achieved. In order to improve performance, goals and feedback complement one another better than they do separately. In addition, individuals and organizations can modify their objectives in response to feedback. Finally, task complexity makes it easier to achieve goals by outlining processes and phases. Setting goals can be accomplished by carefully following all the instructions and ensuring that all objectives take the fundamentals into account. Therefore, effective goal setting can be used in all situations where successful outcomes are necessary (Locke & Latham, 2013).

While goal setting theory is proved to be inductively based, new discoveries have been and will continue to be made leading to additions to the theory. As a result, even if there is a plethora of goal-setting theory, it is crucial to review and analyze the most recent studies. Goal-setting theory's core ideas and major findings are examined and addressed in the current systematic literature review. Limiting factors, moderator variables, and exciting potential research topics are attempted to be identified.

### Basic Concepts of the Theory

As already mentioned, Locke and Latham have offered a well-developed goal-setting theory of motivation. The theory places a strong emphasis on the critical connection between performance and goals. According to research, performance seems to be most effective when goals are clear and difficult, when they are used to measure performance and provide feedback on results, and when they foster commitment and acceptance. Goals' effectiveness to motivate people may be moderated by factors like self-efficacy and ability and having deadlines. Setting goals for learning rather than performance improves performance and setting goals for groups is equally important to setting goals for individuals. Setting goals may be a powerful strategy for inspiring employees in an organization when done correctly. The most important elements of goal setting, which may be used to improve motivation and performance in businesses, will be further discussed.

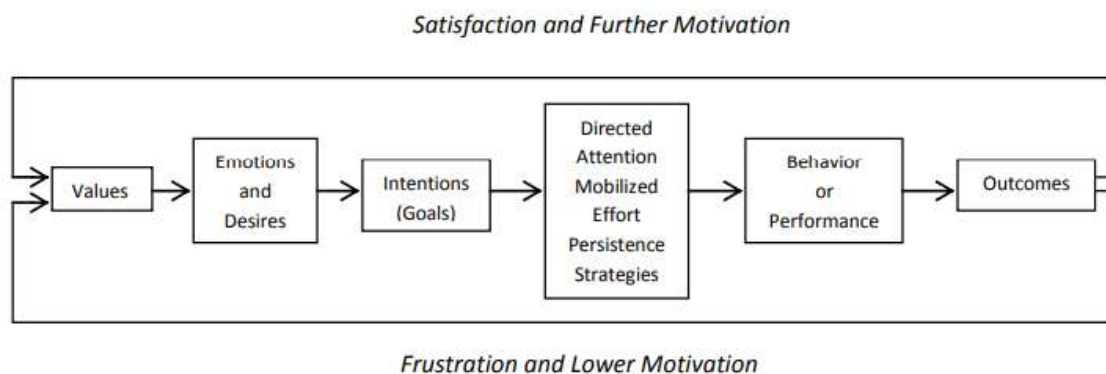


Figure 1. General model of goal-setting theory (Lunenburg, 2011).

First of all, when challenged to achieve a specified high-performance goal, organization members perform at higher levels. Asking team members to work better, longer, or harder is ineffective because it leaves them without a clear target in mind. Organizational members can set and evaluate their own progress toward specific goals that are frequently quantified. According to research, achieving specified goals might facilitate the

achievement of other desirable organizational goals, such as lowering absenteeism, tardiness, and turnover (Locke & Latham, 2002). In addition, employees can improve their performance using feedback which helps in self-evaluation and generally promotes better results. Feedback also helps individuals in identifying the type of performance modifications needed to advance.

Most employees find that goals that have a completion date are more effective. The impact of goals on motivation is increased by deadlines, which act as a time-control mechanism. The usual employee will work harder to finish the task when they are aware of an impending deadline. In contrast, if there is still plenty of time to complete the task, the employee is more likely to slow down in order to occupy the remaining time. However, when deadlines are pushed too close together, especially with difficult jobs, the quality of the work could suffer.

Furthermore, achieving a target too quickly won't result in the anticipated improvements in performance. The important thing to remember is that for a goal to improve performance, it must be challenging and specific. However, goals that are too demanding are rejected by employees as being unreasonable and unachievable, which negatively affects performance. Goals should therefore be doable for them (Lunenburg, 2011).

Self-efficacy is a key aspect in whether a goal can be attained (Bandura, Freeman, & Lightsey, 1999). Employees that have strong levels of self-efficacy will typically set more ambitious personal goals because they think they can achieve them. Building and enhancing employees' self-efficacy is the first step in effective goal setting.

Moreover, members of an organization may not be committed to the goals that are simply assigned to them, particularly if they would be challenging to achieve. Allowing employees to take part in the goal-setting process is an effective way to acknowledge the goals and enhance commitment to them.

### **Methodology**

The idea of setting goals has gotten a lot of attention lately, for a clear reason, as the results showed that setting goals can increase productivity and performance by 11% to 25%. Unfortunately, as simple as this idea might seem, there are several difficulties. And according to studies, not all goals are the same, not all goals are appropriate for every circumstance, and most crucially, the wrong target in the wrong occasion can significantly impair performance and possibly reduce production.

The purpose of this literature review is to emphasize the significance of goal setting theory in business, to investigate the core ideas and major findings of the theory, and to underline the importance of the mediators in order to overcome any difficulties in applying the theory, finally, to discuss areas where it might be used, and to make recommendations for additional studies.

### **Sample**

The sample was gathered after extensive research in the libraries of the American College of Greece and Google Scholar. The articles were chosen based on their date of publication and the authors who wrote them. The theory was presented using older studies, while the major findings were captured in more current studies. The references included in each study also followed a strict exclusive-inclusive standard. As both Locke and Latham are goal setting theory's founders, it was crucial to select research that is primarily based on their own findings. Overall, two books were also chosen in addition to a few papers.

### Major Findings

Goal setting is an open theory, therefore there is no limit on how many new things can be learned about it or how goal theory can be integrated with other theories. Over the past 20 years, intriguing discoveries have emerged regarding challenging versus realistic goals, generalized versus more precise ones, assigned versus participative goals, and finally learning versus performance-based ones.

On the basis of many studies, it has been determined that people who are given specific, challenging, but attainable goals do better than those who are given easy, ambiguous, or no goals at all. Locke and Latham compared the impact of precise, challenging goals with the advice to “do one’s best”, which is frequently used in corporate contexts. They discovered that setting concrete, challenging goals frequently resulted in better performance than just encouraging others to do their best. In other words, even when urged to perform their best, people often fall short. This is due to the fact that do-your-best goals are idiosyncratically defined because they lack an external referent. Since no specific goal level is set, a wide range of acceptable performance levels are possible. Goal specificity alone does not guarantee excellent performance because the complexity of individual goals varies (Locke & Latham, 2002). However, sometimes setting clear, challenging goals doesn’t provide greater results than just telling individuals to do their hardest. When working on a new, complex activity, concentrating on achieving a certain performance outcome might cause a focus on the end result rather than developing the abilities needed to get there (Locke & Latham, 2006). Moreover, when given challenging targets with limited time, people frequently neglect to consider other options. The best outcomes in these situations are obtained when a learning goal, or a goal to acquire the necessary task knowledge, is assigned. On the other hand, when people view a task as a danger, learning goals are especially helpful. The best course of action in this situation is to set clear, difficult learning goals. As long as the cognitive load is not too high, learning and performance goals can actually be assigned simultaneously (Locke & Latham, 2019).

Setting challenging goals that others see as threatening may not be helpful. A person’s performance depends on whether they view a high goal as a challenge or a danger. People who are made to view a situation as a threat and focus on failure will do much worse than those who are made to view a situation as a challenge and focus on success and the value of effort when a task is changed to pose new challenges (Locke & Latham, 2006). Goal effects rely on the ability to identify suitable task strategies when task complexity increases and higher level abilities and techniques have not yet been automated (Locke & Latham, 2002).

Moreover, Latham and his colleagues conducted a series of 11 studies to compare the performance effects of goals that are assigned with those that are set collaboratively. The findings demonstrated that given goals, as long as the justification or explanation was also given, were just as effective as participative goals if both were at the same level of difficulty. Additionally, for people with low rather than high power distance, participative goals had a noticeably higher impact on performance and goal commitment than assigned goals. Participation can also improve comprehension of how to do the assignment (Locke & Latham, 2013).

Assigned learning goals and performance goals had the same level of commitment. Other research has discovered that people are substantially more committed to their learning goals than to their performance goals. Differences in self-efficacy and the novelty of the activity may be the cause of the differences in commitment (Locke & Latham, 2013). Goals that are given to someone, for instance by his/her supervisor, only have an impact on behavior to the extent that the person consciously accepts them.

### Suggestion for Application and Future Research

Setting goals as a stand-alone process for performance improvement is the most significant application of goal setting in organizations. In general, goal-setting methods seem to have a lot of motivational potential when used with the appropriate people in the proper situations. Whether the goals are self-made, set collaboratively, or assigned, goal setting can be a very effective motivating factor for success when done appropriately. Setting goals can help in any situation where an individual or group can have any impact on the outcome.

The theory has already been applied to a wide range of business and non-business things. However, goal setting in relation to contemporary issues will become more essential as companies, and subsequently employees, deal with new realities and challenges.

Other goals dimensions, such as shared goals, are likely to be relevant for understanding the goal-performance link in modern times where people have the ability to work in a global work environment that is culturally varied and geographically diverse. Goals that stimulate people's culturally diverse selves may be more difficult for those working in a multicultural environment to agree on. Goal setting theory, which activates action plan goals, has huge consequences for motivating international employees who must cross cultural and geographic barriers.

Goal setting theory is a very broad theory that can bring great results; thus, research can be done on a variety of subjects. The effects of goal hierarchies, macro goal studies with organizations of various sizes, and additional investigations of the connection between conscious and subconscious goals are all potential topics for future research. Studies on how goal setting affects job performance in hybrid work might be interesting in these unstable times when this style of work has become the new reality. Finally, in the business environment, studies on how goal-setting impacts employee's wellbeing and burnout would be interesting.

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