THE EFFECT OF GOAL-SETTING ON THE PERFORMANCE OF INDEPENDENT SALES AGENTS IN DIRECT SELLING

by Thomas R. Wotruba

Most sales organizations use goals. Studies show that the majority of industrial and consumer goods manufacturers use some type of quota, and that these goals are used in both large and small firms (Douthit 1976; Dubinsky and Barry 1982). Many of these managers assign quotas or other objectives to their sales force, while in other cases salespeople jointly determine their performance goals with their managers. Even firms which use sales agents such as manufacturers' representatives often provide them with targets of desired performance.

A substantial number of salespeople work as agents for direct selling firms, such as Mary Kay, Tupperware, and Amway. In 1986 the Direct Selling Association reported that a total of 5, 130,000 salespeople worked for these firms and produced over $8 billion in sales (Direct Selling Association 1986). Sales agents in the direct selling industry work under somewhat different conditions from their counterparts in industrial selling, however. Job entry is quite easy, and the work of many direct salespeople is part-time, frequently a second job to create additional income or to gain other nonfinancial benefits. For many, direct selling involves temporary or discretionary effort which is modified frequently during the course of the job. Because direct salespeople are not company employees, but rather independent agents, they can take on the product line of more than one direct selling firm. Because of their independence and varying degrees of work commitment, specific quotas or objectives are seldom assigned to direct salespeople by their firms. Since management has no direct control over the day-to-day efforts or commitments of these salespeople, such goals, even if assigned, might have little bearing on their individual achievement because they value the flexibility and independence of being their own boss. In fact, the assignment of goals by management might discourage many from entering this job, and might cause greater attrition among those already engaged in the work. Compensation of direct salespeople is tied specifically to sales results, however, with the aim of encouraging these salespeople to seek greater levels of achievement if they want greater income.

Thus, a direct salesperson can set a particular earnings goal and, at least informally, use the compensation plan to determine what performance results are needed to realize those earnings. To some extent, this is true for all sales forces, whether they include agents or company employees. Direct selling firms, however, in a conspicuous and formal way, generally urge their salespeople to devise plans and set personal goals to guide their efforts and spur on their achievements. These urgings occur in literature provided to the salespeople in start-up kits, training programs, bulletins, and in face-to-face meetings with managers.

The major purpose of this paper is to determine how goal setting relates to the behavior and performance of these salespersons. As a by-product, this study will document the extent to which goal setting is done among sales agents for direct selling firms. In addition, the findings suggest some avenues for further research on goal setting for company salespeople, manufacturers' representatives, and other types of sales agents. Specific hypotheses are presented after the following brief review of background literature.

Goal-Setting Literature

The impact of goals and goal setting on performance and related variables has been the subject of

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extensive study. The most widely-quoted and tested theory of goal setting is Locke's (1968). Research based on this theory, as summarized in Latham and Yukl (1975) and in Locke et al. (1981), indicate that, in general, persons with specific and challenging goals work harder and perform better than those with easy goals, do-your-best goals, or no goals at all. In their comprehensive review of more than one hundred goal-setting studies, Locke et al. stated that "The beneficial effect of goal setting on task performance is one of the most robust and replicable findings in the psychological literature" (Locke, et al. 1981, p. 145). A more recent metaanalysis of the goal-setting literature suggested that there is little need to continue conducting studies solely concerned with testing the effects of goal difficulty and goal specificity on performance, since the evidence supporting these relationships is generally well established (Tubbs 1986, p. 480).

Very few of these studies involved tasks as complex as personal selling, however. More typical were studies involving tasks such as addition of numbers, reaction time, card sorting, and prose reading. But some studies have occurred in a retail store sales context. For instance, a study of retail sales personnel by Ivancevich did support the positive effect of goal setting on selling performance (Ivancevich 1976). Goal setting was also shown to increase sales of wine in a restaurant by increasing the incidence of wine suggestions given to the patrons by the waiters and waitresses (Ralis and O'Brien 1986). A study of salespersons in a major metropolitan area department store showed that goal level related positively with performance, and that this relationship was even stronger for individuals attributing greater importance to goals (Hollenbeck and Williams 1987). Thus, goal importance may be a useful variable in assessing the goals-performance relationship.

A major difference among many goal-setting studies concerns the impact of goals on effort put forth versus the performance which results. Although Locke's theory proposed that goal setting leads to greater performance, some subsequent studies have not supported that relationship. Terborg found that goal setting was related to both effort and performance, but concluded that, without increased effort, goal setting may not lead to greater performance (1976, p. 620). Hall and Foster's findings showed that goals lead to greater effort, but that effort was not related to performance (1977, pp. 285–286). A possible explanation for these differences is that, when tasks are complex, performance may depend on more than just effort—factors such as skills and the development of a strategy to guide performance, for example (Terborg 1976). Locke et al. note that "Individuals must have the ability to attain or at least approach their goals.... Exerting more effort will not improve task performance if improvement is totally beyond the individual's capacity" (1981, p. 146).

Another aspect of the goals-performance relationship involves whether goals are assigned, set participatively, or self-assigned. Most goal-setting studies involved goals which were assigned by superiors or arrived at jointly through participation by subordinate and superior. But one study by Mento et al. included self-assigned (personal) goals, and found that these predicted performance better than goals assigned by superior (Mento et al. 1980). The study of department store salespeople involved self-assigned goals, which were found to relate to performance as already noted. In addition, this study found that salespeople attributing greater importance to goals also set their own goals at higher levels, which subsequently lead to greater achievement (Hollenbeck and Williams 1987).

Hypotheses

To guide an investigation of the relationship of goal setting to behavior and performance in direct selling, the following hypotheses were formulated:

1a. Salespeople who set specific goals will devote greater effort to their work than salespeople who set general goals or no goals at all.

1b. Salespeople who set specific goals will exhibit better performance than salespeople who set general goals or no goals at all.

While past research stresses that specific "hard" goals are better than "easy" goals, there is no way to delineate objectively between hard and easy goals which are self-assigned by sales agents in the direct selling situation as described earlier. Instead, the types of goals included in this study are defined in three categories as specific, general, and no goals. The effect of goals will be assessed separately on effort and on performance.

2a. Salespeople who believe goals are more important to success in their work will devote greater effort to their work than salespeople who believe goals are less important.

2b. Salespeople who believe goals are more important to success in their work will exhibit better performance than salespeople who believe goals are less important.

If goals are developed by a salesperson, but that person does not believe that goals are important in job success, the impact of those goals on both effort and performance is hypothesized to be less than for persons who do believe that goals are important to job success. This follows from prior research suggesting that goal importance relates to the size of the goal as well as to goal achievement.

Method

Data were obtained from a mail study of 491 sales agents in direct selling firms in mid-1986. Four participating firms—Mary Kay, Saladmaster, Tupperware, and United Consumers Club—supplied a total of 1, 600 names and addresses of salespeople across the total U.S. who had affiliated with their firms within the previous few months. The relative proportions of respondents from each firm cannot be disclosed based on an agreement with the participating companies, but no single firm represented more than one-third of the respondents. The average respondent had been in direct selling for 8.6 months. It was desirable to reach those who were quite new in this job, since they would have the best recall of their goal-setting activities resulting from their early training and communications with their employing firms. Other general information about the sample included the following: 80% had previous work experience prior to becoming a sales agent; 53% currently had other employment in addition to their direct selling job; 85% were female; median age was 27; 62% were married; median education was some college; and median annual household income was $27,000. There were no major differences among the four participating companies on these results, except that one firm had a significantly larger percent of males than did the other three.

Table 1 describes the variables used in the study, along with summary measures of the results. Three specific goal areas were investigated: (1) dollar earnings within the first few months after starting; (2) number of new potential customers or leads identified; and (3) year-end earnings (for the first year on the job). The indirect wording of the goal importance question was based on the advice of managers in the participating firms, who believed it would reduce nonresponse.

Effort measures to test hypothesis 1a were of two types. One was the number of hours per week devoted to all activities involving the direct selling job. Since some respondents had other jobs, and therefore differed in the amount of time devoted to this job per week, a second measure used was a percentage of total selling job time devoted to the effort in question—locating new potential customers or leads.

Performance measures to test hypothesis 1b were of three types. The first was earnings per hour, calculated by dividing the respondent's total earnings from the direct selling job by the product of number of hours worked per week times number of weeks in this job. The second was a self-rating of satisfaction with the performance of the activity in question. These self-ratings used different scales because, to minimize any halo effect from method bias, they were positioned in different sections of the questionnaire. In addition, the earnings satisfaction question was taken from the job satisfaction subscales of the Job Diagnostic Survey devised by Hackman and Oldham (1974) which employs a seven-point scale, while the prospecting satisfaction question was one of a series developed specifically for this study to parallel the components of job performance recommended by management of the participating companies.

These self-ratings of satisfaction and the measure of propensity to quit are not traditionally categorized as performance measures, but they were used that way in this study for two reasons. First, the performance of direct salespeople is not formally evaluated by management other than by earnings and by activity (i.e., not quitting), so additional alternatives were not available in company records. Second, direct salespeople have varying motivations for taking this job, and correspondingly varying standards for assessing their own success. The self-ratings should reflect these personal standards. Propensity to quit was measured with a six-point scale as indicated in Table 1. Since a number of respondents were anticipated to have already quit at the time of this study, this scale incorporated that option. Respondents who had already quit their direct selling job were instructed to answer the other questions based on their time and experience while in the job.

Results

The percent of respondents setting no goals, general goals, and specific goals in each of these goal areas is indicated in Table 1. For instance, 19.9% of respondents set a specific goal for dollar earnings in their first few months of work, while 44.6% set a general goal and 35.5% set no goals in this area. Goals were least likely to be set for year-end earnings and most likely to be set for earnings in the first few months. There is relatively strong agreement about the importance of goals. The average respondent spent 21.9 hours per week on that job, of which about 25% was devoted to prospecting. Average

Table 1
Summary Measures of Study Variables

Goal Setting:

Some people set goals for themselves and others do not. Please try to think back to when you first started in your direct selling job, and answer the following questions regarding goal setting.

	Percent of Respondents
1. Did you set any goals for yourself in terms of dollar earnings within the first few months?	
No, I didn't	35.5%
Yes, I set a general goal for myself regarding earnings	44.6
Yes, I set a goal for a specific monetary amount that I wanted to earn	19.9
	100.0%
2. Did you set any goals for the first few months regarding the number of new potential customers or leads that you should be able to identify?	
No, I didn't	36.0%
Yes, I set a general goal for new prospects or leads	47.6
Yes, I set a goal for a specific number of new prospects or leads that I would identify	16.4
	100.0%
3. Did you set a goal for yourself regarding what you would be earning by the end of the first year of your direct selling job?	
No, I didn't	59.5%
Yes, I set a general earnings goal	32.2
Yes, I set a specific dollar earnings goal	8.3
	100.0%

Goal Importance:

Setting goals is very important to success in this job for people like me (1 = strongly disagree; 5 = strongly agree):	mean = 4.40	s.d. = .84

Effort: Number of Hours Worked:

How many hours per week do you devote to your direct selling job?	mean = 21.9	s.d. = 18.1

Effort: Percent of Time Devoted to Tasks:

Typically, what percent of your time is devoted to the following activities in your job?	Mean	s.d.
locating new potential customers or leads	25.6	20.4

Performance: Earnings:

Earnings per hour:	mean = $15.93	s.d. = $46.60

Performance: Self-ratings of satisfaction:

How satisfied are you with each aspect of your job:

The degree to which my contributions to my company result in earnings to me (1 = extremely dissatisfied, 7 = extremely satisfied):	mean = 4.67	s.d. = 1.93
Locating new potential customers or leads (1 = not at all satisfied, 5 = completely satisfied):	mean = 2.53	s.d. = 1.17

Performance: Propensity to quit:

Which of the following statements best describes your feelings right now about continuing in your direct selling job?

I have never thought about quitting	21.1%
I seldom think about quitting	17.8
I sometimes think about quitting	17.6
I frequently think about quitting	5.2
I am just about ready to quit	4.3
I am no longer active in the job	34.0
	100.0%

[a] Earnings per hour was calculated by dividing the respondent's total earnings from the direct selling job by the number of hours worked per week times number of weeks in this job.

hourly earnings were $15.93 but with substantial variation within the sample. Average satisfaction self-ratings were somewhat positive for earnings but somewhat negative for prospecting, and 34% of the respondents had already quit their direct selling job.

Findings for Hypotheses 1a appear in Table 2. Total hours worked per week vary significantly among the three categories of goal setters, with those setting specific goals working the most hours. When the percentage-of-time measure is analyzed, it is clear that time devoted to locating new customers or leads shows a strong relationship to setting goals for that activity. There are no percentage-of-time measures which relate specifically to the two goal areas involving earnings. Thus, based on all these findings, hypothesis 1a is supported.

Table 3 shows no statistically significant relationships between types of goals set and earnings per hour for any of the goal areas. While there were some large differences in means, the variances around those means were too large to allow these means to be significantly different. For instance, those who set specific goals for dollar earnings within the first few months averaged $10.23 per hour earnings, while those who set no goals for dollar earnings within the first few months averaged $20.95. This suggests that goal setting is related to lower earnings in the first few months, even though the differences in means are not statistically significant. This pattern is reversed for year-end earnings, but again the differences are not large enough to be statistically significant.

Table 2
Relationships Between Goals and Effort

Types of Goals Set in these Goal Areas	Effort Measures: Total Hours Worked Per Week mean	s.d.	Percent of Time Devoted To Task mean	s.d.
Dollar earnings within first few months:				
no goals	16.6	14.7		
general goals	23.1	18.4		
specific goals	28.7	29.9		
(significance[a])	(.0001)			
Number of new potential customers or leads				
no goals	15.0	13.6	19.83	15.45
general goals	21.8	17.2	25.65	20.43
specific goals	35.7	20.2	37.03	24.64
(significance)	(.0001)		(.0001)	
Year-end earnings				
no goals	16.8	15.0		
general goals	27.5	18.7		
specific goals	36.6	21.0		
(significance)	(.0001)			

[a] Significance of differences between means on Tables 1 and 2 were determined with a one-way analysis of variance in the SPSS BREAKDOWN procedure.

The self-ratings show that goal setting is related to dissatisfaction for both dollar earnings in the first few months and for year-end earnings, but there is a positive relationship between goal setting and satisfaction with regard to number of new customers or leads. In other words, those who set specific goals for the number of new customers or leads to be identified were more satisfied with their performance in this area than were those setting general or no goals.

Relationships between goal setting and propensity to quit are strong but somewhat mixed. Those who set specific goals for dollar earnings in the first few months are most predisposed to quit their job, while those who set no goals in this area are least likely to be thinking about quitting. A similar pattern is seen for number of new potential customers or leads. In the case of year-end earnings, there is a statistically significant difference among the mean propensity-to-quit measures. The pattern was not clear-cut, however, since the greatest propensity to quit occurred among those who set general goals and the least propensity to quit occurred with those setting no goals.

In general, hypothesis 1b is not supported by these results. In fact, there is evidence that the opposite of hypothesis 1b holds true—that setting their own goals, at least in the first few months on the job, leads to poorer performance as measured by self-ratings and by propensity to quit.

Table 4 shows results to test hypotheses 2a and 2b. These correlation coefficients indicate that belief in the importance of goals is positively related to effort as measured by total hours worked per week. The correlation coefficient is small (.096) but statistically significant. Thus, hypothesis 2a is mildly supported.

The relationship between goal importance and performance is not quite as clear. When performance is measured in earnings per hour, no relationship is apparent. When performance is measured as a self-rating of total satisfaction (a summation of responses to seven satisfaction scales including planning and goal-setting, locating new potential customers or leads, sales presentations, recruiting new salespersons, meetings, follow-up after sales, and

Table 3
Relationships Between Goals and Performance

Types of Goals Set in these Goal Areas	Dollar Earnings Per Hour mean	Dollar Earnings Per Hour s.d.	Self-Ratings of Satisfaction mean	Self-Ratings of Satisfaction s.d.	Propensity to Quit mean	Propensity to Quit s.d.
Dollar earnings within first few months:						
no goals	20.95	58.08	5.03	1.74	3.10	1.86
general goals	14.67	47.73	4.64	1.91	3.55	2.03
specific goals	10.23	13.58	4.02	2.20	4.28	1.98
(significance)	(.2388)		(.0002)		(.0001)	
Number of new potential customers or leads						
no goals	19.39	54.00	2.36	1.05	3.14	1.85
general goals	15.56	46.97	2.57	1.18	3.58	2.03
specific goals	9.58	25.55	2.79	1.33	4.25	2.06
(significance)	(.3924)		(.0231)		(.0003)	
Year-end earnings						
no goals	14.38	41.99	4.91	1.77	3.33	1.92
general goals	17.79	57.17	4.33	2.04	3.86	2.02
specific goals	18.12	35.69	4.28	2.41	3.67	2.32
(significance)	(.7718)		(.0041)		(.0323)	

Table 4
How Goal Importance Relates to Effort and Performance

	Total Hours Worked Per Week	Dollar Earnings Per Hour	Self-Rating of Satisfaction	Propensity to Quit
Importance of goals to success:				
correlation	.0960	.0158	.1492	−.0728
(significance)	(.022)	(.377)	(.001)	(.059)

administration), the relationship to goal commitment is positive and highly significant. When performance is measured as the propensity to quit, the correlation is significant at only the .06 level, and shows a very modest negative relationship between goal importance and propensity to quit. On balance, hypothesis 2b gets some, but not overwhelming, support.

Discussion

This study of sales agents adds to the evidence that goal setting relates to greater effort. In contrast to previous studies, however, goal setting does not relate to greater performance in this occupational task. Perhaps one reason is that these respondents were relatively new in their jobs and lacked the experience or ability to meet their performance expectations, especially if these expectations were unrealistically high. Since selling is a complex task, done independently by sales agents often without frequent and direct guidance, the increased effort induced by goal setting may not pay off in greater achievement. In fact, it may even cause frustration which leads to increases in the propensity to quit.

The negative (though not statistically significant) relationship between goal-setting and earnings per hour within the first few months also fits this scenario, since earnings per hour will decline when more time is spent on the job without corresponding increases in sales and earnings. The very large dispersion around mean dollar earnings per hour suggests that some moderating variables may be at work clouding this relationship. For instance, an analysis of variance was performed in which earnings per hour were compared among the three goal-setting categories using a covariate measuring ability. The ability measure was a self-rating by respondents of how well the job made use of their skills. The result showed that the introduction of the covariate produced a significant relationship ($p = .028$) between goal setting and earnings. In other words, the negative association between goal setting and earnings per hour became significant when it was moderated by how closely the job fit the salesperson's skill level. Thus, differing ability levels appear to explain a substantial part of the large variance shown in Table 3 under the "dollar earnings per hour" column heading.

This study also supports prior research concerning the positive relationship between performance and goal importance, and adds evidence that goal importance relates to effort as well. Only in the case of earnings per hour did goal importance not relate in the hypothesized way. This suggests that goal importance is not a significant moderating variable explaining the dispersion around mean dollar earnings per hour (as does the self-rating of ability), but rather a factor independent from earnings. Using the other performance measures of self-ratings of satisfaction and propensity to quit, however, goal importance appears to be positively related to performance. Thus, while setting goals, especially specific goals, is not an effective predictor of higher performance and may even lead to lower performance, goal importance shows the opposite pattern.

Caution must be used in generalizing these results, of course, since they relate to a specific category of salespeople—those in direct selling. Further, different measures of performance or effort might lead to different conclusions. Goal importance, in particular, was measured with only one questionnaire item, so any conclusions drawn regarding goal importance must remain tentative until reinforced in other research. Finally, the data collected for this study all come from self-reports, and thus involve the usual opportunities for bias. A review of these results by executives in the participating companies did not reveal any evidence of major distortions, however, based on their experience and understanding of their sales operations.

Conclusions

It appears from these results that direct selling firms must be careful in encouraging their new sales agents to set specific goals. Since goal-setting does relate to efforts, goal setters may need more guidance in how to turn their increased efforts into earnings, thereby improving their self-assessed performance and lowering their propensity to quit. Perhaps greater emphasis should be placed on the importance of goals than just on the level of goals. For instance, recruiting efforts should seek persons who believe in the importance of goals, and company literature, training programs, and bulletins should persuade sales agents as much in the importance of goals as in setting high goal levels. This study provides some indication that setting longer-range goals (i.e., for one year rather than for the first few months) might be associated with higher performance, but these results were mixed and not statistically significant. Future research should investigate the effects of moderating variables. It seems reasonable that factors such as the salesperson's ability, training, and experience (both in the job tasks themselves and in goal setting) may determine what kinds of goals are motivating and reachable versus ineffective and possibly contributors to turnover.

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