Enhancing performance through goal setting, engagement, and optimism

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Abstract
Purpose – The purpose of this paper is to investigate the relationships among goal setting, employee engagement, workplace optimism, and individual performance constructs. Goal setting is hypothesized as positively impacting employee engagement, employee engagement as positively impacting workplace optimism, and workplace optimism as positively impacting individual performance.

Design/methodology/approach – Data collected from a sample of 426 full- and part-time employees are analyzed following a structural equation modeling methodology.

Findings – The measurement and structural models fit the data relatively well. Goal setting positively impacts employee engagement, employee engagement positively impacts optimism, and optimism positively impacts individual performance, as hypothesized.

Research limitations/implications – Although data are collected from a relatively diverse group of respondents, the ability to generalize the findings is limited because the results are derived from a non-random sample. All measures are based on the perceptions of the respondents. Job performance is reported by each respondent may not reflect the supervisor’s performance rating and is not necessarily consistent with objective performance indicators such as sales generated by a marketing employee.

Practical implications – Results indicate that formal, structured goal setting processes lead to higher levels of employee engagement, that higher levels of engagement lead to improved workplace optimism, and that improved optimism in turn leads to higher levels of individual performance.

Originality/value – The paper provides empirical support for the implementation of management programs that foster goal setting, employee engagement, and workplace optimism for the purpose of enhancing the performance levels of individual employees.

Keywords Targets, Performance management, Employee behaviour

1. Introduction
A tremendous amount has been written in this decade regarding the concept of employee engagement. An ABI Inform search using the term “employee engagement” results in a list of 927 papers since 2000. Most of these papers offer either:

• anecdotal (along with some empirical) evidence that employee engagement results in improved employee performance (Smythe, 2008; Walters, 2008; Chang,
Optimism, while not discussed nearly as much in the literature, has also been linked to higher levels of employee performance (Jensen et al., 2007; Dixon and Schertzer, 2005; Green et al., 2004; Chemers et al., 2000; Schulman, 1999; Sujan, 1999a, b; Rich, 1999; Scheier et al., 1994; Strutton and Lumpkin, 1993; Seligman and Schulman, 1986). This study examines the relationship between the constructs of employee engagement and employee optimism as a means to improve employee performance.

A structural model with goal setting as antecedent to employee engagement, employee engagement as antecedent to optimism, and optimism as antecedent to individual performance is theorized and assessed. Data from a convenience sample of 426 full- and part-time employees are analyzed following a structural equation modeling methodology. The study empirically investigates the efficacy of the development of programs that foster goal setting, employee engagement, and optimism as management practitioners strive to improve the performance levels of their individual employees.

A review of the literature and discussion of the study hypothesis follows in the next section. A discussion of the methodology employed in the study is then presented followed by a description of the results of the scale assessment and the structural equation modeling results. Finally, a conclusions section incorporating discussions of the contributions of the study, limitations of the study, recommendations for future research, and managerial implications follows.

2. Literature review and hypotheses development

The concepts of goal setting, optimism, and employee engagement as mechanisms to improving employee performance have all been discussed fairly extensively in the management literature. Goal setting has been explored in terms of both motivational impact toward improving performance (Locke, 1968; Latham and Yukl, 1975; Matsui et al., 1987; Tubbs, 1986, 1993; Knight et al., 2001; Dweck et al., 1993; Sujan et al., 1994) and as being integral parts of management systems or processes designed to improve performance (Zabbaracki, 1988; Odiore, 1978; Maczyk and Reimann, 1989; Ivancevich, et al., 1978; Walton, 1986). Though fewer studies exist concerning optimism in the workplace, evidence certainly exists linking the concept to improvement in worker performance (Jensen et al., 2007; Dixon and Schertzer, 2005; Green et al., 2004; Chemers et al., 2000; Schulman, 1999; Sujan, 1999a, b; Rich, 1999; Scheier et al., 1994; Strutton and Lumpkin, 1993; Seligman and Schulman, 1986).

Significantly more has been written, particularly in this decade, concerning employee engagement. Since the Gallup Organization’s development of the Q12 (a survey instrument to measure employee engagement) almost a decade ago (Buckingham and Coffman, 1999), papers in the area of employee engagement – ranging from the organizational benefits of increased employee engagement (Heger, 2007; McBain, 2007; Mathieson, 2006; Saks, 2006; Garvey, 2004; Harter et al., 2002) to ways to improve the level of engagement (Fenci and Masarech, 2008; Cartwright and Holmes, 2006; Konrad,
2006; Robison, 2006; Seijts and Crim, 2006; Harley et al., 2005; Sensis, 2005; Erickson, 2004; Tritch, 2003a, b) – has increased and intensified dramatically. Though relatively few empirical studies exist, the evidence appears clear that high levels of employee engagement are associated with improved individual employee performance (Smythe, 2008; Walters, 2008; Chang, 2006; Crawford, 2006; Echols, 2005; Tasker, 2004; Luthans and Peterson, 2002; Tritch, 2003a, b).

We theorize a structural model incorporating goal setting as antecedent to employee optimism, employee optimism as antecedent to workplace optimism, and workplace optimism as antecedent to individual performance. This theorized model with individual hypotheses is shown in Figure 1.

2.1 Goal setting and employee engagement
Numerous studies (Locke, 1968; Latham and Yukl, 1975; Matsui et al., 1987; Tubbs, 1986, 1993; Knight et al., 2001; Dweck et al., 1993; Sujan et al., 1994) have discussed effective goal setting’s positive impact on employee outcomes within organizations. Many management systems or processes, such as management by objectives, total quality management, and continuous improvement initiatives, feature goal setting as a critical element for success (Zabarak, 1998; Odiome, 1978; Muczyk and Reimann, 1989; Ivancevich et al., 1978; Walton, 1986). Given this, it should not be surprising that of Gallup’s Q12 survey instrument questions that are used to measure the level of employee engagement, four are related to the idea of goal-goal setting (Buckingham and Coffman, 1999). This leads to our first hypothesis:

H1. Organizational goal setting is a significant and positive predictor of employee engagement.

2.2 Engagement and optimism
Since 2000, a tremendous number of papers have been written about employee engagement. A cursory online search of ABI Inform using the term employee engagement results in over 900 publications. Many of these papers have focused on how to define the term. Definitions of engagement have primarily been offered by consulting houses or in practitioner publications. Perhaps, the most extensively used definition of an engaged worker was offered by the Gallup organization. They define an engaged employee as a worker who is fully involved in and enthusiastic about his or her work (Tritch, 2003a, b). HR Magazine’s February cover story (Bates, 2004) focused on employee engagement and its role in the workplace. Engagement was essentially defined as “an innate human desire to contribute something of value in workplace.” The paper stressed clearly that diminished individual performance was a consequence of lack of employee engagement. Gubman (2004) defined engagement as a heightened personal attachment to the organization. Harley et al. (2005), while not specifically defining the term, did identify a profile of an “engaged work” and also listed various aspects of engagement that have been used within organizations the measure engagement. The Conference Board examined published data concerning engagement and offered the definition as “a heightened emotional connection that an employee feels...
for his or her organization, that influences him or her to exert greater discretionary effort to his or her work.” Also identified were the key drivers or engagement. Konrad (2006), while not providing a definition, discussed engagement as having a cognitive, an emotional, and a behavioural aspect. The cognitive concerns employee beliefs about the organization, its leaders, and working conditions. The emotional aspect is about how employees feel about each of those three factors. The behavioural aspect concerns the discretionary effort provided by engaged employees. Seijts and Crim (2006) defined an engaged worker as one who is “fully involved in, and enthusiastic about, his or her work.” Furness (2008) noted a number of definitions that have been used to define employee engagement. These basically center upon “the extent to which workers’ are prepared to offer discretionary effort” and “the willingness of employees to go the extra mile.”

Generally speaking, optimism is the tendency for an individual to believe in the best possible outcomes in the face of uncertainty (Peale, 1956). Furnham (1997) states that optimists emphasize favorable aspects of situations, actions, and events while believing in the best possible outcomes in the future. Optimism is closely related to the concept of self-efficacy – a belief in how successful one can be in terms of task accomplishment (Gist and Mitchell, 1992).

The various definitions and explanations of employee engagement, as well as seven of the 12 engagement drivers on Gallup’s Q12 employee engagement survey, are related to optimism. And as will be discussed in the following section, significant evidence exists to support the idea that optimism leads to higher levels of individual performance. This study investigates the relationship between the two constructs: do enhanced levels of engagement lead to higher levels of optimism – and ultimately to improved performance? This leads to our second hypothesis:

**H2.** Employee engagement is a significant and positive predictor of employee optimism.

### 2.3 Optimism and performance

Intuitively, it is easy to accept a link between optimism and employee performance. In practice, this relationship has rarely been examined. Certainly, studies exist that indicate that performance outside of the workplace (athletically, academically, etc.) is positively associated with optimism (Lee et al., 1993; Windschitl et al., 2003; Norem and Chang, 2002; Wilson et al., 2002; Siddique et al., 2006; Norlander and Archer, 2002). Studies that have focused on the optimism-performance have primarily been in the sales literature (Seligman and Schulman, 1986; Rich, 1999; Schulman, 1999; Scheier et al., 1994; Sujan, 1999a, b; Dixon and Schertz, 2005; Strutton and Lumpkin, 1993). Each reports that positive performance outcomes are associated with salespeople who are optimists. Chemers et al. (2000) concluded that optimism can positively affect leadership effectiveness. Jensen et al. (2007) concluded that there is a positive relationship between self-reported optimism and performance of employees in the banking industry. Green et al. (2004) examined the relationship between optimism and performance in manufacturing settings. Results indicated that there is a “very positive link” between employee optimism and level of performance. This leads to our third hypothesis:

**H3.** Individual optimism is a significant and positive predictor of employee performance.
3. Methodology

Data related to goal setting, employee engagement, organizational optimism, and individual performance were collected from a sample of full- and part-time employees in the southern USA. Students in a graduate research class were asked to identify potential respondents and have the those respondents complete the study survey.

Measurement scales for the goal setting and individual performance constructs were previously developed and assessed by Green et al. (2004). The employee engagement scale was previously developed and assessed by Buckingham and Coffman (1999). It was necessary to develop a new scale to measure workplace optimism. The items in this new scale were derived from Green et al. (2004).

The measurement scales are individually assessed for unidimensionality, reliability, and validity. The measurement model incorporating the resulting re-specified scales is then subjected to confirmatory factor analysis. The structural model is then assessed for fit and the individual hypotheses are tested following a structural equation modeling methodology.

4. Results

4.1 The sample

In total, 426 employees responded to the survey. About 72 percent are full-time employees, and 28 percent are part-time employees. Approximately, 60 percent are compensated on an hourly basis, 36 percent are salaried, and 4 percent are compensated on a commission basis. Respondents work for organizations spread across ten different categories. The most frequently identified categories are local, state, or federal government (27 percent), retail trade (20 percent), finance, insurance, and real estate (17 percent), and lodging, personal, and business services (16 percent). Of the respondents, 20 percent indicated that they hold management level positions, 34 percent supervisory level positions, and 46 percent operational level positions.

These demographics indicate that the sample is considerable diverse. The means of study variables were compared for full-versus part-time employees with no significant differences indicated.

4.2 Common method bias

Common method bias may lead to inflated estimates of the relationships among variables, when data are collected from single respondents (Podsakoff and Organ, 1986). Mossholder et al. (1998) recommend assessing common method bias through single factor confirmatory factor analysis. This analysis with all items loading on one factor does not fit the data well with a relative $\chi^2$ value of 24.09, a goodness-of-fit (GFI) of 0.47, a root mean square error of approximation (RMSEA) of 0.27, a non-normed fit index (NNFI) of 0.74, and a comparative fit index (CFI) of 0.78. This lack of fit indicates that common method bias is not a significant concern with the data set.

4.3 Measurement scale assessment

Measurement scales are assessed for reliability, validity, and dimensionality. The scales as re-specified based on the process of assessment are presented in Table I. Relative $\chi^2$, GFI index, RMSEA, NNFI, CFI, and normed-fit index (NFI) values are used to assess unidimensionality. Relative $\chi^2$ values of less than or equal to 2.00, RMSEA values less than or equal to 0.08, and GFI, NFI, NNFI, and CFI values greater
than or equal to 0.90 indicate reasonable fit (Garver and Mentzer, 1999; Ahire et al., 1996; Koufteros, 1999). Kline (1998) recommends relative $\chi^2$ values of less than the 3.00, while Marsch and Hocevar (1985) apply a somewhat less stringent cut-off of 5.00. Table II displays the results of the assessment for unidimensionality for each of the study scales. With the exception of relative $\chi^2$ (5.198) and RMSEA (0.099) for workplace optimism, all scales meet the criteria supporting claims of unidimensionality.

Garver and Mentzer (1999) recommend computing Cronbach’s coefficient alpha to assess scale reliability, with $\alpha$ values greater than or equal to 0.70 indicating sufficient reliability. Nunnally and Bernstein (1994) recommend $\alpha$ values greater than the 0.80 for basic research. Alpha scores for the goal setting, employee engagement, workplace optimism, and individual performance scales are 0.93, 0.86, 0.87, and 0.88, respectively. The study scales are sufficiently reliable.

Garver and Mentzer (1999) recommend reviewing the magnitude of the parameter estimates for the individual measurement items to assess convergent validity, with a
strong condition of validity indicated when the estimates are statistically significant and greater than or equal to 0.70. All parameter estimates for all study scales are statistically significant and exceed the recommended 0.70 level. Figure 2 incorporates the parameter estimates and accompanying t-values. The study scales exhibit sufficient convergent validity.

Discriminant validity was assessed using a $\chi^2$ difference tests for each pairing of study scales as recommended by Garver and Mentzer (1999). Statistically significant difference in $\chi^2$ indicates sufficient discriminant validity (Garver and Mentzer, 1999; Ahire et al., 1996; Gerbing and Anderson, 1988). The $\chi^2$ difference tests for each pairing of scales indicate statistically significant differences indicating sufficient discriminant validity. The results of the difference tests are presented in Table III.

Figure 2. Measurement model with coefficients and (t-values)

Notes: Relative $\chi^2$, 3.75; GFI, 0.90; NNFI, 0.97; CFI, 0.97; RMSEA, 0.08
Koufteros (1999) recommends that the individual scales be incorporated together in a measurement model and that this model be subjected to confirmatory factor analysis. Results of the analysis indicate that the measurement model fits the data relatively well with a relative $\chi^2$ value of 3.75, RMSEA of 0.08, a GFI of 0.90, an NFI of 0.86, an NNFI of 0.97, and a CFI of 0.97. Only the relative $\chi^2$ value does not meet the criteria for good fit. The measurement model is shown in Figure 2.

The individual measurement scales are sufficiently unidimensional, reliable, and valid to support further analysis. Additionally, the measurement model fits the data sufficiently well to support further analysis.

4.4 Descriptive statistics and correlations
Scale item values were averaged to obtain summary variables for goal setting, employee engagement, workplace optimism, and individual performance. Descriptive statistics and correlations for the summary variables are presented in Table IV. Summary variable means for goal setting, employee engagement, workplace optimism, and individual performance are 4.29, 5.25, 5.72 and 5.63, respectively. Goal setting is positively related to employee engagement with a correlation coefficient of 0.499 significant at the 0.01 level in support of $H1$. Employee engagement is positively related to workplace optimism with a correlation coefficient of 0.575 significant at the 0.01 level in support of $H2$. Workplace optimism is positively related to individual performance with a correlation coefficient of 0.637 significant at the 0.01 level in support of $H3$.

4.5 Structural equation modeling results
The structural model is shown in Figure 3. The model fits the data relatively well with a relative $\chi^2$ of 3.67, RMSEA of 0.08, GFI of 0.89, NFI of 0.97, NNFI of 0.97, and CFI of 0.97. The path from goal setting to employee engagement ($H1$) is significant at the 0.01 level with a standardized coefficient of 0.58 and an associated $t$-value of 11.04.

### Table III.
Discriminant validity assessment results (pairwise CFAs)

<table>
<thead>
<tr>
<th>Pairing of scales</th>
<th>$\chi^2_{\text{free}}$</th>
<th>$\chi^2_{\text{fixed}}$</th>
<th>Difference (df = 1)</th>
<th>Significant at p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal setting and employee engagement</td>
<td>60.56</td>
<td>897.94</td>
<td>837.38</td>
<td>&lt; 0.01</td>
</tr>
<tr>
<td>Goal setting and workplace optimism</td>
<td>88.46</td>
<td>1,987.68</td>
<td>1,899.22</td>
<td>&lt; 0.01</td>
</tr>
<tr>
<td>Goal setting and individual performance</td>
<td>101.82</td>
<td>1,009.19</td>
<td>907.37</td>
<td>&lt; 0.01</td>
</tr>
<tr>
<td>Employee engagement and workplace optimism</td>
<td>96.53</td>
<td>809.00</td>
<td>712.47</td>
<td>&lt; 0.01</td>
</tr>
<tr>
<td>Employee engagement and individual performance</td>
<td>78.70</td>
<td>631.56</td>
<td>552.86</td>
<td>&lt; 0.01</td>
</tr>
<tr>
<td>Workplace optimism and individual performance</td>
<td>122.22</td>
<td>380.27</td>
<td>258.05</td>
<td>&lt; 0.01</td>
</tr>
</tbody>
</table>

### Table IV.
Descriptive statistics and correlation matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>GS</th>
<th>EE</th>
<th>WO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal setting (GS)</td>
<td>4.29</td>
<td>1.77</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee engagement (EE)</td>
<td>5.25</td>
<td>1.49</td>
<td>0.499*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Workplace optimism (WO)</td>
<td>5.72</td>
<td>1.25</td>
<td>0.261*</td>
<td>0.575*</td>
<td>1</td>
</tr>
<tr>
<td>Individual performance (IP)</td>
<td>5.63</td>
<td>1.17</td>
<td>0.291*</td>
<td>0.482*</td>
<td>0.637*</td>
</tr>
</tbody>
</table>

**Notes:** $n = 426$; *correlation is significant at the 0.01 level (two-tailed)
from employee engagement to workplace optimism ($H_2$) is significant at the 0.01 level with a standardized coefficient of 0.65 and an associated $t$-value of 11.17. The path from workplace optimism ($H_3$) is significant at the 0.01 level with a standardized coefficient of 0.77 and an associated $t$-value of 13.05.

All study hypotheses are supported. Goal setting directly and positively impacts employee engagement. Employee engagement directly and positively impacts workplace optimism. Workplace optimism, in turn, directly and positively impacts individual performance.

5. Conclusions
We assessed the relationships among goal setting, employee engagement, workplace optimism, and individual performance constructs with the purpose of identifying management programs that can be implemented with positive effect on the individual performance of an organization’s employees. The data supporting the structural equation methodology is from a relatively large, diverse sample. Study scales assessed as reliable and valid. Both the measurement and structural models fit the data relatively well supporting all study hypotheses leading us to conclude that:

- goal setting leads to engaged employees;
- engaged employees exhibit higher levels of workplace optimism; and
- higher levels of workplace optimism improves the individual performance of an organization’s employees.

5.1 Limitations of the study
While we believe that the purpose of the study is successfully completed, there are limitations to the study that should be considered. The data supporting the statistical analysis are derived from a convenience sample, rather than a random sample, which may limit the ability to generalize from the results. Additionally, all study measures are based on the perceptions of the respondents. Job performance reported by each respondent may not reflect the supervisor’s performance rating and is not necessarily consistent with objective performance indicators such as sales generated by a marketing employee. Interpretation of the results should be made considering these limitations.

5.2 Future research
We recommend that future research aim to evaluate the impact of constructs such as goal setting, employee engagement, and workplace optimism on traditional outcomes such as turnover, absenteeism, organizational commitment, and job satisfaction. Should such research further support the implementation of management programs designed to develop goal setting, engagement, and optimism, it will then be desirable to more specifically detail the characteristics of “best practice” programs. These data

Figure 3.
Structure model with coefficients and ($t$-values)
were collected prior to the current recession and reflects relationships among the constructs in relatively good times. An investigation of the relationships among the study constructs during the economic downturn is desirable. Another interesting direction would be to investigate and compare the relationships among these constructs in various industrial and service sectors.

5.3 Managerial implications
Managers desire to identify and implement programs that enhance the performance levels of the employees under their supervision. Managers can have confidence that their efforts to set goals, enhance engagement, and develop optimism will result in improved performance. Sufficient time should be spent setting goals for and with individual employees to ensure that each employee has a clear understanding of the organization’s expectations for their success. Focused employees will be more engaged and more optimistic and more productive.

6. Discussion
Effective goal setting has been shown to be a driver of performance for decades. Managers striving to improve the performance of individual workers should implement the goal setting process. This process informs workers of their specific responsibilities and ensures that necessary resources are identified and provided. Goal setting serves to engage employees in the workplace which enhances their belief (or optimism) that they and their co-workers will be successful in reaching their goals.

As noted earlier, significant evidence exists that employees with high levels of optimism tend to perform at higher levels than other employees. Evidence also exists that engaged employees perform at higher levels than those who are not engaged. This study focused on the relationship between these two constructs. Conclusions suggest that optimism can be enhanced through engagement – thus indicating that engagement not only has a direct impact on performance, but also an indirect impact through the impact on optimism. The message to management should be that it is important to hire optimists and attempt to develop optimistic subcultures within their organizations. Additionally, managers should be vigilant about ensuring that these workers are engaged.

With the current economic challenges facing organizations, it is critical that management be more aware than ever regarding avenues to improve the performance of employees. As firms attempt to cut costs by eliminating staff, workers will take on more responsibilities with higher productivity and performance expectations. As this study indicates, enhancing optimism through engagement can aid in that process.

References


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