JIWAJI UNIVERSITY
SOS BUSINESS ECONOMICS

TOPIC

GOAL SETTING THEORY AND EQUITY THEORY

MBA- II nd sem

SUB- Organisational Behaviour (204)

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Topics to be discussed:

- GOAL SETTING THEORY
- EQUITY THEORY

GOAL SETTING THEORY

In 1960's, **Edwin Locke** put forward the Goal-setting theory of motivation. This theory states that goal setting is essentially linked to task performance. It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance.

Features of Goal-setting Theory

(i) Specific and clear goals lead to greater output and better performance

(ii) Goals should be realistic and challenging.

(iii) It helps employees to work with more involvement and leads to greater job satisfaction.

(iv) The more challenging the goal, the greater is the reward

Advantages of Goal Setting Theory

- Goal setting theory is a technique used to raise incentives for employees to complete work quickly and effectively.
- Goal setting leads to better performance by increasing motivation and efforts, but also through increasing and improving the feedback quality

Limitations of Goal Setting Theory

- Very difficult and complex goals stimulate riskier behaviour.
- If the employee lacks skills and competencies to perform actions essential for goal, then the goal-setting can fail and lead to undermining of performance.

EQUITY THEORY OF MOTIVATION

- An individual's motivation level is correlated to his perception of equity, fairness and justice practiced by the management. Higher is individual's perception of fairness, greater is the motivation level and vice versa.

Features

1. Equity is perceived when this ratio is equal. While if this ratio is unequal, it leads to "equity tension".

2. J.Stacy Adams called this a negative tension state which motivates him to do something right to relieve this tension

3. An employee's choice of the referent will be influenced by the appeal of the referent and the employee's knowledge about the referent.

4. An employee might compare himself with his peer within the present job in the current organization or with his friend/peer working in some other organization or with the past jobs held by him with others.

5. employees with less experience rely on their personal experiences and knowledge for making comparisons.

Moderating Variables:

The gender, salary, education and the experience level are moderating variables. Individuals with greater and higher education are more informed. Thus, they are likely to compare themselves with the outsiders.

Assumptions of the Equity Theory

- The theory demonstrates that the individuals are concerned both with their own rewards and also with what others get in their comparison.
- Employees expect a fair and equitable return for their contribution to their jobs.
- Employees decide what their equitable return should be after comparing their inputs and outcomes with those of their colleagues


Thank you ...
For your attention!!