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Development and validation of Organisational Target Index (OTI) among Nigerian workers

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ABSTRACT

The aim of this study was to develop and validate a scale to measure targets set for employees in organisations. The scale is named Organisational Target Index (OTI). Using a sample of 219 employees in Nigeria, internal consistency and factor structure of the 13-item OTI were determined. A sample size of 219 workers was drawn from commercial banks located in Enugu metropolis of South Eastern Nigeria. The reliability coefficient Cronbach alpha was .82, indicating a good degree of internal consistency. Principal axis factoring with oblique rotation was used to determine the factor structure. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (>.7) and Bartlett's test of Sphericity (p<.001) showed that the data was enough to test for factorial validity of the scale. The results of the PAF revealed that the communality of each item was greater than .5, which implied a satisfactory quality. A three- factor structure of the OTI emerged, namely, aversiveness, management involvement, and goal focus. The study concluded that OTI instrument was valid and reliable for measuring organisational target, especially in the Nigerian financial services sector.

Introduction

Globally, productivity is paramount to every organization, whether in terms of goods or services. In simpler terms, every business aims at making profits. Whatever is the nature of any organization, it strives at achieving its corporate mandate. Otherwise, its chances of survival are doubtful. Consequently, in achieving this herculean task, some organizations set specific, measurable, time-targeted goals commonly known as 'targets' or 'performance targets', which are imposed on employees such as employees in the banking sector. These targets could be in monetary values, unit sales, clients etc. Hoyle (2011) defined target as the level of performance required; the criteria that will indicate whether performance is acceptable for a quality product. Target is the criteria that will indicate whether performance is acceptable for a quality characteristic (Hoyle, 2011).

In Nigeria, the use of targets has become quite fashionable and is applicable to different sectors such as the financial services, pharmaceutical, and bottling companies. Many commercial banks for example adopt performance targets as a means of getting their employees to achieve corporate mandate. This development was not the case two decades ago. Prior to the 1990s, banks were basically funded by public parastatals, hence they operated in a rather uncompetitive atmosphere. The Federal Government of Nigeria owned and managed these as government entities. State governments were majority shareholders. An example is the NAL Bank (Nigeria Acceptances Limited now Sterling Bank Plc). However, by the year 1986, the Structural Adjustment Programme (SAP) was introduced by the Babangida administration aimed at deregulating the economy, and this paved the way for the liberalisation of bank licensing and privatization of banks. Licenses were granted to individuals and corporate organizations to own banks. In the 1990s, the banking industry experienced a boom in the private ownership of banks. The emergence of these 'New Generation' banks (as they are commonly called) set in place an atmosphere for a competitive market in quest for viable customers. In a bid to tackle this challenge, 'targets' were introduced as a marketing strategy in sourcing for depositors as well as loan seekers.

In recent times, target setting as a marketing strategy has taken a more dramatic turn. This could be attributed to the crusade of the Central Bank in the year 2004. As part of its first phase of reform, the Central Bank of Nigeria embarked on the recapitalizing and restructuring of Nigeria's commercial banks. The reform was designed to ensure a diversified, strong and reliable banking sector that guarantees. In the Special Meeting of the Bankers' Committee held in 2004, Professor Soludo the governor of Central Bank, explicitly stated that there was the need to combat spates of frauds, ethical misconduct, falsification of returns by the banks to the central bank, and the *unprofessional use of female staff in some banks in the name of "marketing"* (Soludo, 2004). The challenge was for the then existing 89 deposit money banks to raise their capital base to a minimum of 25 billion naira; either by injecting fresh capital or mergers and acquisitions, or both. The reform programme drove some of the commercial banks into a survival race and by the end of the 31st of December 2005, twenty-five (25) banks emerged from 75 banks out of a total of 89 banks (Soludo, 2006). The outcome of the reform in the banking industry did not only yield the required minimum capital base, but it widened the scope of shareholders making claims to banks. The reforms led to some changes in the banks such as restructuring, re-engineering and downsizing. The implication of this is that the management of banks now mount pressure on the employees in order to satisfy/meet the demands

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placed on them by the shareholders. As posited by Chovwen (2013), commercial bankers in Nigeria are exposed to a high level of occupational stress as they are exposed to excessive and unpredictable work schedule occasioned by an ever-increasing competition in the industry.

Besides profit making, the business enterprise is faced with a global challenge - the need to be strong players in a manner that will ensure longevity amidst the fast-growing global economy, rapid technological change, increased international competition and globalization of business and organization which constantly call for changes in the dynamics of operation by enterprises. Furthermore, there are higher customer demands for products and services with increased emphasis on environmental issues. These have in no little ways, placed much pressure on enterprises. To maintain some competitive edge, many banks in Nigeria have introduced 'targets' as a motivational drive for employees. Unquestionably, challenging targets may motivate effort toward production efficiencies and provide opportunity for display of talents. Research has shown that difficult and specific goals when accepted by employees lead to higher task performance than when goals (targets) are undemanding, non-specific, or simply 'do your best' (Luthans, 2005). However, when target goals are too difficult to attain or unrealistic, pursuing them could become frustrating. This scenario is not distinct from the normal occurrences in the financial services sector. The targets usually issued are quite difficult and so much pressure is mounted on these employees to achieve these targets.

The use of targets is also a means by which organizations assess the performance of its employees. Simply qualifying performance as poor, average, good or excellent may not suffice. There is the need to rate or quantify performance outcomes. So, targets not only serve as a motivational tool for managers, they provide the ground for performance appraisal (Beekes, Otley, & Ururuka, 2007). In the past, focus was on the use of financial targets in appraisals. Today, interest is growing on the implications of non-financial targets in performance evaluation systems. Likewise, in the banking industry particularly among the 'new generation' banks, the attainment of imposed targets serves as a measure for performance appraisals on individual employees with a view to rewarding or punishing affected ones. The challenge that this poses as noted by Beekes, Otley, and Ururuka (2010), is that an excessive focus on targets in the organization's performance evaluations may have a de-motivational impact on employee behaviour. Consequently, imposed targets could be a frustrating and anxiety-provoking organizational practice to employees resulting in high turnover intentions and low levels/absence of commitment (Awasthy et al., 2010; Beekes et al., 2010; Bishop & Scott, 1997).

Imposed targets on employees is likely to affect employees' attitude and psychological well-being. In the study conducted by Awasthy and Gupta (2010), it was found that as a result of the undue pressure mounted on employees to achieve their targets, they were most stressed out. Also, there was fear of losing one's job if targets were not realized. The anxiety could have a negative response on the well-being of employees. Eysenck (1982) suggests that the pressure experienced in attempting to attain challenging targets can have dysfunctional consequences. Also, the stress and anxiety induced by the assignment of challenging targets can reduce attention resources and impair cognitive performance (Markman, Maddox, & Worthy, 2006). The use of targets has equally been found to demotivate employees while increasing turnover rate (Awasthy et al., 2010). On this ground it can be pointed out that the negative outcomes of unachieved imposed targets (such as poor performance appraisal, salary cut and threat of job loss) could result in undesirable outcomes such as high turnover and unwarranted absenteeism, which are indicators of low levels of commitment and low levels of unpleasant affects in employees (Awasthy et al., 2010; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002).

While the attainment of targets leads to some forms of reward such as promotions, bonus or increase in salary; at the same time, failure could attract penalties. Penalties could be in form of salary cut, performance-based salary or it could be as severe as job loss. This could leave a sense of job insecurity and fear of been the 'next in the line to go' among these workers. These reactions to their job conditions are unpleasant and point toward negative affects/emotions. Joshi (2010) points out that the major forms of negative or unpleasant reactions include anxiety and worry, sadness, stress, guilt, frustration and anger which are important indicators of ill-being. He further stated that while some negative emotions are part of life, frequent and prolonged negative emotions indicate that a person's life is proceeding badly. These are indices of low subjective well-being and could be experienced by employees of commercial banks.

The concept of 'target' has its origins in the goal setting theory (Locke, 1968). Goal setting is a commonly used motivational approach. Researches in the area of goals and goal setting have been spear-headed by Edwin Locke and his associates (Luthans, 2005). Goals affect individual performance through four mechanisms namely: Goals direct action and effort toward goal-related activities and away from unrelated activities; goals energize employees (Challenging goals lead to higher employee effort than easy goals); goals affect persistence (high goals cause employees to exert more effort); employees are motivated to use present knowledge (the attainment of goals or to obtain necessary knowledge when goals are in place).

Luthans (2005) holds that goals provide a pathway for behavioural patterns to follow and serves as a guide for their thoughts and actions. The goal setting approach has four attributes. The attributes are specificity, difficulty, acceptance and commitment. Studies have shown that there is a direct link between goal specificity and employee performance. Specific goals have been found to be more effective than vague or general goals. The more specific the goal, the less ambiguity involved and the higher the performance. For example, salespeople should have goals in monetary amounts or units of volumes instead of being told, "Try as hard as you can" "or try to do better than last year". Goal difficulty has a direct relationship with performance. Goals should be challenging but not so difficult that the employees would view it as impossible or unreachable. Unreachable or unrealistic goals frustrate rather than motivate employees. However, difficult but realistic goals lead to increased performance and motivation. In research, perceived goal difficulty had negative effects on self-reports of job performance (Rasch & Tosi, 1992).

The inclusion of Locke's (1968) goal-setting theory hinges on the fact that the principle of organizational imposed targets stems from the concept of goal setting. Establishments recognize that a key factor that influences the success levels of an individual employee, departments, business units and the overall organization is goal achievement. Consequently, targets are imposed to employees as a motivational drive to achieve overall organizational goals. Goal setting theory relevant to this study because it would provide background information that would guide our articulation of the concept of targets.

The present study

The researchers have investigated organisational targets in organisations especially the financial services sector in Nigeria and found it to relatively understudied. A measurement instrument was equally lacking. Items of the questionnaire were developed based on available literature on the use of targets (Beekes et al., 2010; Hoyle, 2011; Webb et al., 2011) and on the theoretical framework of goal setting (Locke et al., 1984; Locke, 2000; Locke et al., 2002). It is important to develop a measurement which could guide organisations' management to gauge when they are pushing their staff over unrealistic targets or when the unattainable goals are demotivating their staff than motivate them. The objectives of this study was to: (1) develop an organisational target measure; (2) determine the reliability of the scale; and (3) establish the factor structure of the scale.

Method

Participants

Participants in this study comprised 219 employees drawn from 10 commercial banks located in Enugu metropolis of South Eastern Nigeria. They are as follows: Access Bank Nig Ltd; Diamond Bank Plc; Ecobank Nigeria PLC; Enterprise Bank Ltd; Keystone Bank Ltd; Skye Bank Nigeria Ltd; Sterling Bank Nig Ltd; United Bank for Africa; Zenith Bank PLC; and First City Monument Bank Plc. Age of the participants ranged from 20-50 years with a mean age of 33.4 years. They consisted of 107(49%) women and 112 (51%) men drawn. These levels are presented in three broad categories namely: Trainees (61, 27.8%), banking officers (126, 57.5%), and managerial cadre (32, 14.6%). These were selected from 4 work sections: Marketing (110, 50%), operations (77, 35%), Information Technology (15, 7%), and internal control (17, 8%). On length of service, 95 (43.3%) have worked for less than 5 years while 124 (56.6%) have been bank staff for more than 5 years.

Instrument

The Organizational Target Index is a 13-item scale developed by the researchers. It was designed to measure employees' attitude towards use of targets in their organizations. The items were developed based on review of relevant literature on goal setting as well as interviews and informal discussions with bankers on their experiences at work. Initially, the instrument consisted of 19 items. Item analysis as well as a factor analysis was conducted which led to the dropping of 6 items. Finally, 13 items were selected for the instrument. The items are scored using a five-point response format namely: Strongly Disagree (1), Disagree (2), Undecided (3), Agree (4) and Strongly Agree (5). Item 7 "The target imposed to me is easy to meet", was reverse scored. Scores on the questionnaire can be as high as 70 or as low as 14. High scores on the scale indicate displeasure with the use of targets in an organization while low scores indicate non-displeasure on the use of targets.

Procedure

A set of questionnaires consisting of a biographical data sheet, and the organizational target index was administered to participants in commercial banks. Participation in the study was voluntary. Due to the sensitive nature of some of the items/ statements, the questionnaire was completed anonymously by participants. The researcher co-opted 2 research assistants who assisted in the distribution and collection of the questionnaires. To distribute the questionnaires to volunteers in the various banks, the researcher sought permission from relevant bank authorities. A total of 300 copies of the questionnaires were administered, but 232 copies were completed and returned, representing a response and return rate of 77% while sixty-eight (23%) were lost in transit. From these returned copies, 13 (4%) were discarded due to improper completion. Two hundred and nineteen (73%) copies were used for data analysis.

Design/Statistics

A cross-sectional survey design was employed for the present study. Exploratory factor analysis and reliability analysis was conducted using SPSS version 23.

Results

To determine the factor structure of the organisational target index construct, an exploratory analysis (EFA) using the original 19 items was conducted. The result of the EFA using principal axis factoring with oblique rotation revealed three factors with 13 items clearly loading on three factors. The other six items loaded poorly or had high cross-loading on two factors and were therefore removed.

The factor analysis yielded three factors explaining a total of 53% of the variance for the entire set of variables. An examination of the Kaiser-Meyer Olkin measure of sampling adequacy suggested that the data was adequate for the factor analysis (*KMO* = .68) and Bartlett's Test of Sphericity was significant. From the orthogonal rotation, five items loaded on loaded on factor one (F1) which explained 30.64% of the variance in the entire scale. Four items loaded on factor two (F2) which explained 13.77% of the total variance in the scale. Four items loaded on factor three (F3) which explained 9.43% of the variance in the scale. The principal component analysis released three components which jointly attributed to 53.84% of the total variance in the entire OTI.

Table 1: Factor loadings of items of the Organisational Target Index

s/n	Item	F1	F2	F3
1	I like organisations that set 'targets' for its employees			.71
2	I feel these targets should be specific, measurable and time-dependent			.70
3	It is good to set targets in monetary values (hit a target of 10, 000, 000 in a month)			.68
4	When these targets are not achieved there should be penalties for that			.71
7	The target assigned to me is easy to meet			.31
5	Management should negotiate with employees before targets are set		.85	
6	I don't like working under targets if they are too difficult		.66	
8	My organisation doesn't provide facilities which enhance the achievement of assigned targets		.62	
11	The management threatens to sack me if I fail to meet my target		.67	
9	It is unfair to evaluate an employee's performance based on target achievement	.71		
10	The target assigned to me is unrealistic	.85		
12	I detest being pressured to meet organisational set targets	.66		
13	When I remember the set targets, I become nervous	.55		

Note-F1- aversiveness, F2 - management involvement, F3 - goal focus

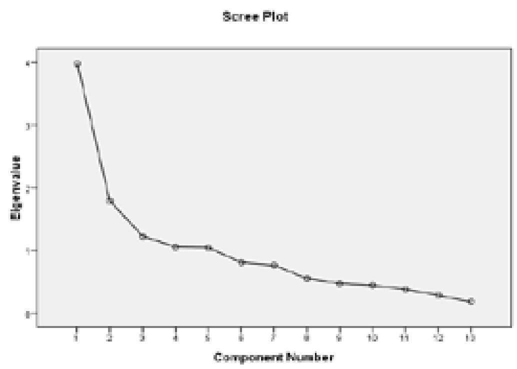

Figure 1: Scree plot on Organisational Target Index.

The scree plot (figure 1) revealed the releveance of each factor in the entire componetnts of the analysis. The eigen value was plotted against the number of components included in the analysis., the eigen value was above 1.00 only among the first three factors, indicating that only three factors have significant contribution in the items used the analysis.

Reliability of OTI

Cronbach's α reliability of .74, .70 and .71 were obtained for aversiveness (Factor 1), management involvement (Factor 2), and goal focus (Factor 3), respectively. The overall reliability (Cronbach α = .82) indicated a good internal consistency for the OTI. The other dimensions also had reliability values which were acceptable (Anastasi & Urbina, 2010).

Discussion

The aim of this study was to develop and validate a scale to measure targets set for employees in organisations - Organisational Target Index (OTI). Internal consistency of the organisational target index (OTI) also suggested that the 13 items, even though multi-dimensional, was internally consistent. Results indicated that the Organisational Target Index (OTI) which was developed and validated was a valid and reliable instrument for measuring organisational target among the banking population. The three components released by the Principal Component Analysis (PCA) which were tagged aversiveness, management involvement and goal focus. We consider this study to be an important contribution to literature and will be relevant to researchers, banking organisations, insurance companies and team builders.

Since the present study sampled only bankers, future research will be aimed at testing the reliability and factorial structure of the newly developed scale among workers in other financial and non-financial organisations. This study is also cross-sectional in nature. As with any cross-sectional study, this study investigated only what was happening at the point of the research. Further studies that adopt a longitudinal approach could help us understand how those who reported high or low in the Organisational Target index fared in their work commitment. Future research can also test the contributions of demographic variables, organizational variables (and psychological factors in perceptions of organisational target among workers in private and public sectors.

Conclusion

This study is one of the first attempts to develop a measure for assessing organisational target, and therefore provides important extensions to previous research in this area. The research provides a useful platform for empirical investigation of the impact of setting targets in organisations.

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