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GOAL CONFIGURATION IN A GLOBAL INDUSTRY CONTEXT

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This study analyzes the goal configuration of 126 firms, based in Japan, U.K. and U.S., competing in global industries. The results indicate that firm nationality and internationalization do not affect the firm's goal configuration. The breadth of the firm's reward system was found to be related positively to a dispersed goal configuration and, within global and multifocal industry segments, a congruence between goal configuration and industry position was found to be associated positively with performance.

Contingency theory and resource-based theory recognize that environmental characteristics, while alterable by the firm, establish the primary constraint on strategic choice. In particular, the interaction between the firm and its context, as specified through the firm's strategy, is determinant to the firm's survival or economic performance (Bourgeois, 1985). This is because the external context provides the firm its legitimacy as well as its accumulated resources (Pfeffer and Salancik, 1978; Wernerfelt, 1984). As a consequence, the firm must be responsive to the stakeholder groups that control or provide these resources and legitimacy (Freeman, 1984). More specifically, Mitroff (1983) suggests that increased complexity and pluralism of the environment leads to multiplying the number of interest groups or stakeholders that have an interest in or influence on the firm's activities. Given that the activities of the firm must remain responsive to additional stakeholders, changes in the policies and design of the organization are often necessary. As stated by Dastmalchian (1986: 389), as the dependence on environmental agents or sectors increase, '. . . more emphasis on goals relating to those environmental sectors are likely to be placed by management.' Consequently, strategic management models incorporating environmental influences generally relax the assumption that the firm is a maximizing entity, allowing the firm to pursue *multiple* objectives so as to satisfy its multiple stakeholders.

The preceding view of the firm suggests that certain conditions will require organizations to have multiple goals. Within the global industry context, empirical studies have not, however, examined environmental and organizational characteristics that affect the need for multiple goals. Furthermore, studies have yet to determine the performance outcomes associated with multiple goals. Rather, most empirical studies have been concerned with either examining the importance of specific goals (Francis, 1980) or differences in the goal preferences of managers from different country locations (Budde *et al.*, 1982; England, 1967; England and Lee, 1971). This suggests that an opportunity exists for further understanding the specific characteristics that are associated with alternate goal configuration types. The purpose of this study is to examine the effect of four dimensions that are suggested by theory as possibly impacting the goal configur-

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ation of the firm within a global industry. In addition, an attempt is made to understand the normative implications of alternate goal configurations.

BACKGROUND AND HYPOTHESES

From a resource-based theory of the firm, the specific direction of a firm depends on accumulated resource stocks (Collis, 1991). Tangible and intangible resources are acquired over time and thereby reflect the firm's historical development. These resources are considered a primary source of the firm's distinctive competency as the asset accumulation process is idiosyncratic to a firm and therefore largely nonimitable. In addition, the process is in response to the firm's particular host market(s), location factors, and unique skills. Thus it is assumed that the firm develops a firm-specific set of strategic capabilities and priorities based on its interactions with the *external context* (Dastmalchian, 1986; Thompson and McEvan, 1958). It is further assumed in this study that the firm-specific strategic priorities are directed by management through the specification of the firm's goal configuration. An organizational goal is defined as 'a desired state of affairs which the organization attempts to realize' as espoused by top management (Etzioni, 1964: 6). The term *goal configuration* refers to the scope or breadth of the goals of the organization. Goal configuration options range from *concentrated*, emphasizing a single goal or objective, to *dispersed*, where the firm emphasizes a comprehensive set of goals.

In the following section, four dimensions are related to the goal configuration of a firm. The dimensions are *firm nationality, industry position, firm internationalization*, and *rewards/compensation criteria*. The first three dimensions potentially alter the external context to which the firm must respond. The fourth dimension, the rewards/compensation criteria, affects goal configuration through the firm's internal context.

Firm nationality

National culture is often thought to influence the way that the environment is interpreted, resulting in different strategic responses by organizations in different country locations (Schneider, 1989; Schneider and DeMeyer, 1991). For example, Japanese and Latin European managers have been found to more likely interpret strategic issues as threats, as compared to American managers (Sallivan and Nonaka, 1988). However, within a global industry, the nationality of the firm is not expected to influence the goal configuration of the firm. This position is based on theoretical discussions regarding the nature of global industries. A global industry may be defined as an industry in which the industry structure transcends national boundaries. Consistent with this conceptualization, Kobrin (1991) has found that integration across country locations, in the form of intrafirm product flows, exists in global industries. Furthermore, case studies have noted that within a global industry competitive rivalry is characterized by *multipoint* competition (Bartlett and Ghoshal, 1989; Prahalad and Doz, 1987; Porter, 1980; 1986). Competitive actions in one country location have effects in other country locations (Ghoshal, 1987). Thus, at the extreme, in a global industry the nation-state context is of little relevance to the industry structure. The industry structure is essentially homogeneous across country locations. Kobrin (1991: 18) argues this point rather persuasively:

> In these global industries there has been a revolutionary change in the relationship between economic and political geography. Political units—nation-states—no longer encompass sufficient territory to serve as minimally efficient markets. [As in most matters, Kindleberger (1969) foresaw this quite early, observing (perhaps a bit too strongly) that 'the nation-state is about through as an economic unit']. The production of affordable goods or the development of competitive technology requires the linking or transnational integration of nation markets.

Preliminary evidence supporting this argument is found in Budde *et al*'s (1982) study of British and West German managers. Although the study did not examine global industries, considerable similarities between the organizational goals espoused by managers from both countries were found. The researchers attributed this similarity to the 'strong influence from the capitalistic economic system in which both groups were located' (1982: 18). Essentially, similarity in economic structures placed similar performance demands or expectations on firms. They con-

cluded that, given the dominance of this influence, there is 'little room for cultural influences upon the relative importance that senior managers attach to primary corporate goals' (1982: 18). Therefore, it is hypothesized:

> *H1: For firms competing in a global industry, goal configuration will be invariant across country locations.*

Industry position

Conceptual arguments by Bartlett and Ghoshal (1989), Porter (1986) and Prahalad and Doz (1987) suggest that within a global industry, the firm may strategically position itself in different industry segments. Fundamentally, the firm may compete in: (1) a *global* segment, in which industry forces span national boundaries thereby requiring the firm to 'integrate its activities on a worldwide basis' (Porter, 1986: 19), (2) a *multidomestic* segment which allows for differentiated strategic approaches across country locations, or (3) a *multifocal* segment in which the firm simultaneously responds to local market conditions in each country while integrating activities worldwide. Empirical support for these industry positions within a global industry may be found in Roth and Morrison's (1990) study and the case analyses of Bartlett and Ghoshal (1989), Collis (1991), Cvar (1984) and Prahalad and Doz (1987).

In this study, it is posited that competing in multidomestic and multifocal segments will require more dispersed global configurations than in a global segment. This proposition is based on two theoretical arguments. The first argument concerns the complexities associated with competing in the different segments. Prahalad and Doz (1987) assert that the complexity confronting an international firm is determined by the (1) rate of change in the competitive dynamics, (2) strategic variety, and (3) geographic variety of the firm's activities. While it is not expected that the change in competitive dynamics would differ systematically by industry segment, strategic and geographic variety varies substantially by segment and thereby influences the complexity associated with competing in different segments.

Strategic variety is defined by the degree to which business units within the firm pursue different international strategies (Prahalad and Doz, 1987: 145). Competing in a global segment implies that a unitary strategy underlies the firm's activities across locations, whereas in multidomestic and multifocal segments business units must have considerable strategic autonomy so as to respond effectively to local conditions. Consequently, in multidomestic and multifocal segments, while elements of the value-adding process may remain integrated across locations, strategy at the business unit level is driven by local conditions. Business strategies for firms in these segments will, therefore, have greater across-unit variance than in the case of the firms competing in a global segment.

Geographic variety is determined by the degree of market differences across geographic locations (Prahalad and Doz, 1987: 145). Competing in a global segment is based on the identification and cultivation of common intermarket segments, defined as 'the presence of well-defined and similar clusters of customers across national boundaries' (Samiee and Roth, 1992: 2). Thus, competing in a global segment implies that business units will be competing in relatively homogeneous market conditions that span country locations. In contrast, the multidomestic and multifocal segments necessitate the identification of markets that allow for some degree of differentiation across locations. Greater market differences will exist, therefore, for firms competing in multidomestic and multifocal industry segments as compared to global industry segments. Given greater geographic and strategic variety, it is expected that competing in multidomestic and multifocal segments results in these firms confronting greater complexity than firms competing in global segments.

The second argument is based on the resource requirements associated with competing in global versus multidomestic and multifocal industry segments. As stated previously, competing in multidomestic and multifocal segments is based on differentiation, which necessitates location-specific sources of advantage. Location-specific sources of advantage are developed by allowing operations in different markets the capability to monitor and respond to local conditions (Prahalad and Doz, 1987). This implies that for firms in multidomestic and multifocal segments, a larger portion of the value-adding process must reside in each country location, as compared to firms competing in global segments. For example, in

Collis' (1991) case study, Minebea produces precision ball bearings standardized to global specifications. These bears are 'sold off the shelf without a requirement of location production' as highly automated and dedicated production facilities are required (1991: 54). In contrast, SKF custom designs the 'optimal bearing' to particular needs and this customization demands local production (1991: 55).

Increased autonomy and the ability to perform major portions of the value-adding process in each country location implies that competing in multidomestic and multifocal segments will depend more on locally-sourced resources, as compared to competing in global segments. Firms in multidomestic and multifocal segments will have to compete for resources in locations that vary in resource abundance, particularly in respect to the different activities of the value-adding process. Consequently, these firms will be more dependent on *each* local environment for resources. In contrast, the firm in a global position will configure its activities based on comparative advantages of different country sites, locating activities where factor costs may be minimized or where abundant resources exist. This configuration may be continually altered as local conditions change. As a result, the firm in a global segment will not be dependent on each location in which it operates for resources.

The preceding arguments suggest that a global industry position will be comprised of a less pluralistic and more homogeneous environment, as compared to a multidomestic and multifocal segments. The global segment of an industry is less complex than the multidomestic and multifocal segments and requires negotiation with fewer external constituents in order to secure resources. The reduction in complexity and resource dependencies decreases the number of stakeholders to which the firm must respond (Dastmalchian, 1986; Mitroff, 1983), allowing the firm to utilize a more concentrated goal configuration. In contrast, multidomestic and multifocal segments require the firm to manage stakeholders within each context, increasing the stakeholders groups to which the firm must respond.

It could be argued further that the multifocal segment may imply more complexity than the multidomestic segment. However, this complexity would be essentially operational in nature, not significantly increasing the stakeholder groups to which the firm must respond. That is, the firm in the multifocal segment must manage complex interdependencies *within* the firm so as to simultaneously integrate activities across locations and respond to the local markets. This complexity would not result in additional stakeholders, however, as the firm would presumably have to respond to stakeholders within each context, as would the firm competing in the multidomestic segment. While the objectives with respect to managing each stakeholder group may be different in the multidomestic and multifocal segments, the number of stakeholders groups would essentially remain constant. Therefore, it is hypothesized:

> *H2: For firms competing in a global industry, goal configuration will be associated with industry positioning. Competing in multidomestic and multifocal segments will be associated with a dispersed goal configuration. Competing in a global segment will be associated with a concentrated goal configuration.*

Firm internationalization

Two different views may be suggested regarding the relationship between firm internationalization and the goal configuration of an organization. First, given the initial conceptual arguments presented on the industry position of a firm as well as the definition of a global industry, it follows that there should not be a relationship between firm internationalization and goal configuration. This is because a global industry is viewed as homogeneous across country locations. Regardless of the level of international involvement the firm is, therefore, confronting essentially the same industry context. As a consequence, the dominant stakeholders to which the firm responds would be consistent regardless of the level of international involvement. While it was also argued that within the global industry context firms may be positioned in different segments, the particular segment is invariant to the internationalization of the firm. Firms competing in a multidomestic segment and firms competing in a global segment have been found to be equally international (Roth and Morrison, 1990). Thus, although the number of stakeholders or interest groups may vary by industry position, it would not be affected by the firm internationalization.

An alternate view is that as the firm internationalizes, it confronts altered contextual conditions. Although the industry structure remains consistent, country task environments may vary. The task environment, as defined by Dill (1958), is comprised of characteristics in the external context that are 'relevant or potentially relevant to goal setting and goal attainment.' In particular, four components in the task environment are noted: customers, suppliers (of labor, capital, raw materials), competitors, and regulator groups. As the firm becomes more involved in international activities, it likely must confront additional suppliers, customers, etc. as well as different regulatory groups. While these characteristics may not change the industry structure or competitive dynamics of the industry, the increased pluralism and complexity will typically require some degree of change in the activities that are performed within the firm as well as the firm's strategic priorities (Thompson, 1967). Essentially, the firm must adapt to these changes in order to maintain its ability to exploit resources in the environment (Egelhoff, 1982). Consistent with this view, studies have verified that structural adaptations accompany firm internationalization (Daniels, Pitts, and Tretter, 1984; Egelhoff, 1988; Stopford and Wells, 1972). Thus, some contextual change as a result of the task environment heterogeneity likely accompanies firm internationalization. As argued previously, to the extent that the altered conditions across country locations imply an increased number of stakeholders, it can be expected that the firm will utilize a broader goal configuration. Thus, the final argument forwarded here is that:

H3: For firms competing in a global industry, firm internationalization is associated with a dispersed goal configuration.

Rewards compensation criteria

While the goal configuration of a firm is defined by the priorities espoused by top management, what is stated as a goal by top-level managers 'may not be goals at all from the point of view of those further down' (Gross, 1969: 278). Georgiou (1973) even asserts that stated goals may be unrelated to organizational action or behavior. Consequently, one may distinguish between official or espoused goals and 'operative' goals. Operative goals, as described by Perrow (1961), 'designate the ends sought through the actual operating policies of the organization' and 'they tell us what the organization actually is trying to do, regardless of what the official goals say are the aims' (1961: 355).

Our prior hypotheses have outlined conditions to which the firm will respond with a specific goal configuration. However, as noted above, some difficulty exists linking espoused goals to real organizational direction. From a strategic management perspective, it is assumed that the firm will develop an internal structure consistent with its goal configuration. Essentially, internal resources must be devoted towards a goal for the organization to actually pursue the goal. Of particular concern would be motivational incentives that reinforce the selected goal configuration. Several authors have noted that as an organization pursues a variety of goals, 'these goals may be incompatible or in competition with each other' (Perrow, 1968: 306). Under the norms of administrative rationality, given incompatible or competing goals, top managers will likely focus on those goals for which they are personally rewarded. Richards (1978: 17–18) asserts that suboptimization will result if personal goals are different than the organizational goals and that managers attend to goals if they are paid and promoted to do so. Thus, the firm must ensure that managers are directed towards the desired goals and are rewarded accordingly through developing a consistency between the reward structure and the goal configuration. To develop and maintain this consistency, the scope of the rewards/compensation criteria should be broadened as the firm pursues a dispersed goal configuration. Essentially, if the firm is pursuing multiple goals, the reward structure should be based on multiple criteria. In contrast, if the firm has a concentrated goal configuration, a consistent reward system would link compensation to a single performance outcome. Therefore, it is hypothesized that:

H4: For firms competing in a global industry, a dispersed goal configuration is positively associated with multiple criteria for top management rewards/compensation.

Performance

Strasser *et al.* (1981) suggest that multiple goals will exist in any complex organization. Drucker (1954), Perrow (1968), Cyert and March (1963),

and Richards (1978) hold the position that not only do multiple goals exist, but that they are actually desired. For example, Drucker (1954) outlines eight key areas in which management should establish goals because if any of these areas are neglected, suboptimal outcomes result. However, Child asserts that when considering performance outcomes, 'singlemindedness of management is important' (1974: 8). He contends that dispersed goal configurations will likely have a negative influence on performance as such a configuration will result in: (1) trying to achieve too many different aims at once, and (2) less integrated efforts as there will be more conflict among senior managers over objectives (1974: 8). His study, as well as the work of Grinyer and Norburn (1975) provide some empirical support for this position. Thus, it is hypothesized that:

H5a: For firms competing in a global industry, higher performance will be associated with a concentrated goal configuration.

The preceding hypothesis has a universal quality in that it is expected to hold regardless of the particular industry position or task environment confronting the firm. However, a contingency view may also be taken. As noted previously, the strategic management literature suggests that the direction of the firm is based on the relationship between the firm and its environment. Furthermore, the alignment between the firm and its environment is considered critical to performance. As argued by Bourgeois (1985), an implication of this view is that the relationship between the goal configuration of the firm and performance may be contingent on characteristics of the environment. Although not confirmed empirically, he argued that the firm in a stable environment should experience less of a need to change its goal structure over time, as compared to the firm competing in a dynamic and volatile environment. Furthermore, in a stable environment emphasizing 'too many' goals may lead to the firm pursuing more directions than necessary resulting in firm ineffectiveness.

Within a global industry, the position taken in this study is that different industry positions are possible as firms compete in either global, multidomestic, or multifocal segments. The global segment was described as being less pluralistic and more homogeneous than the multidomestic and multifocal segments. It was further argued that the goal configuration of a firm is associated with industry positioning as firms within a global segment will concentrate on a fewer number of goals than firms in multidomestic and multifocal segments. From a normative perspective, it is assumed that within each segment, the prescribed goal configuration may reflect successful adaptation to the environment. In particular, within the global segment, firms pursuing many goals will result in inefficient use of resources thereby adversely affecting performance. Within the multidomestic and multifocal segments, many goals will necessarily be emphasized to properly match the heterogeneous environment. The higher level of risk associated with the complexity and resource uncertainty in this segment may be reduced by having a large set of strategic alternatives that decrease the chance of a 'hasty commitment of resources to a particular course of action' (Bourgeois, 1985: 553). Thus, competing hypotheses (to H5a) are forwarded:

H5b: For firms competing in a global segment within a global industry, goal concentration is positively associated with organizational performance.

H5c: For firms competing in a multidomestic segment within a global industry, goal dispersion is positively associated with organizational performance.

H5d: For firms competing in a multifocal segment within a global industry, goal dispersion is positively associated with organizational performance.

RESEARCH METHOD AND DATA

Sample and data collection

Data were collected from the CEO or President of firms located in the United Kingdom, Japan, and United States and competing within one of four industries. The industries were: inorganic industrial chemicals, electronic measuring instruments, construction machinery, and metal cutting tools. The industries were selected based on three considerations. First, global industries were

required so as to maintain consistency between the domain within which the hypotheses are expected to hold and the actual industry operationalization. Second, while the proposed hypotheses are not designed to be specific to a particular global industry type, the global industries studied were selected to minimize industry effects. Doz (1986) asserts that there are different kinds of global industries, where the critical classification dimensions are (1) the importance of international trade in the industry and (2) the role of integrated multinational competitors. Based on the Doz framework, a 'truly global' industry is where international trade is important to the industry and integrated multinational competitors have a dominant role in the industry. Using Kobrin's (1991) analysis of industry globalization, an initial set of global industries was selected that exhibited a high level of intrafirm trade. Intrafirm trade captures not only the importance of international trade, but also reflects the extent to which such trade results from transnational integration within firms. This set of industries was then further examined, using various on secondary sources, to verify the presence of at least two major global competitors operating in an integrated manner. These procedures resulted in industries that, based on the Doz (1986) framework, reside within a single global industry category thereby reducing possible confounding industry effects associated with differences in the degree or type of industry globalization.

As a final step, industries within this set were examined so that the industries selected would have a relatively balanced number of companies competing within each industry and within each country. This procedure was designed to further minimize industry effects but more importantly to minimize country effects that would potentially occur if a disproportionate share of respondents were from a particular country. The four industries selected had comparable numbers of industry participants as well as comparable numbers of participants in each industry across country locations.

A mail survey was used as the means of data collection. The questionnaire was developed through a four-stage process. First, prior research was reviewed to identify existing measurement scales. Where available, existing scales were then modified to facilitate their use in this study. In particular, the wording of questions and response categories was simplified in order to facilitate translation. Second, the initial version of the questionnaire was reviewed by five academicians, including research associates at each country location, to assess content validity. Where necessary, the research associates were bilingual. Third, the instrument was translated. The objective was to establish construct equivalence between the different versions of the instrument. For the U.S. and U.K. questionnaires, the desire was to develop common wording appropriate in both countries. For the Japan version of the questionnaire, the instrument was translated into Japanese by a bilingual native speaker of the target language having familiarity with business/strategic management vocabulary. The results of the translation were then reviewed by the Japanese research associate. The translated questionnaire was returned to the U.S. for back-translation. Again, a bilingual translator, a native speaker of the target language having familiarity with business terminology, back-translated the instrument. Differences between the original and back-translated versions of the questionnaire were reconciled by the combined effort of the translators and the research associates at each location. Fourth, the questionnaire was pretested in each location. The pretest was conducted with firms competing in a global industry, but an industry different than those selected for the study. The pretest involved six U.K., six U.S. and seven Japanese firms responding and reacting to the questionnaire. The purpose of the pretest was to assess the clarity and comprehensiveness of the instrument.

The data collection process involved sending the questionnaire to the identified CEO or President of firms competing within each industry. Industry participants were identified through Dun and Bradstreets' *Principal International Businesses*. This identification process resulted in an initial listing of 235 firms in the U.K., 253 firms in the U.S. and 253 firms in Japan. The Japan company addresses were then reviewed by the Japanese research associate and, using various Japanese directories, translated into Japanese. In the review/translation process 12 firms in the original listing were found to be either no longer in business, merged or acquired, or not in the industry cited originally. Thus, the final Japanese sample contained 241 firms and the total number

of firms was 729. A questionnaire and a letter indicating sponsorship from a university at each location was then sent to the identified respondent in each firm. The initial mailout was followed by one additional mailout to non-respondents. This procedure resulted in responses from 43 firms in the U.K., 53 firms in the U.S., and 75 firms in Japan for an overall response rate of 24 percent.

Measures

Table 1 provides the summary statistics and the correlation coefficients for the variables in the study. The following sections detail the specific measurement approaches used to operationalize each variable.

Goal configuration

A goal configuration measure was developed based on previous measures used by Bourgeois (1980; 1985), Budde, *et al.* (1982), Child (1974), England (1967), England and Lee (1971), and Francis (1980). The resulting set of goals, based on these previous studies, was then reviewed for comprehensiveness to ensure that each of Perrow's (1968) six categories of goals was represented. Thus the response items incorporated output, investor, societal, system, product and derived goals. The specific items listed were: sales growth, market share, net profit-short term, net profit-long term, new product ratio, high product quality, return on investment, stock price appreciation, productivity and efficiency, employee rewards and benefits, service to community, dividend payout to shareholders, company prestige and image, growth of earnings, technological innovation, and present value of the firm. Respondents were asked to indicate how important each goal was to their business. To facilitate translation and to avoid cultural-based acquiescence or extremity bias, the response scale had three categories. Respondents indicated if each goal was a 'major goal,' 'minor goal,' or 'not a goal.'

Similar to the two approaches used by Bourgeois (1985) to measure strategic goals, the goal configuration of each firm was determined two ways: (1) the sum of the responses indicating that the goal is a 'major goal,' and (2) an index of responses for all three goal categories (major, minor, and not a goal). The index was designed to capture goal configuration through the combination of both major and minor goals. The index gives additional weight to emphasizing major goals, as compared to minor goals, and provides a deflation factor based on the total number of goals emphasized as a percentage of the total possible. The index was defined as follows:

$$\begin{aligned}&\text{goal configuration index} = \\ &[2\,(\text{number of major goals}) \\ &+\,(\text{number of minor goals})] \\ &\times [(\text{number of major goals} \\ &+\,\text{number of minor goals})/16]\end{aligned}$$

To assess the construct validity of the goal configuration index, a separate Likert-type measure was included in the questionnaire. The question asked respondents to indicate how they would generally characterize the goal orientation of their business. A 7-point scale was used where 1 = 'we pursue one objective' to 7 = 'we pursue many objectives.' As expected, the two scales were positively correlated ($p < 0.001$).

Firm nationality

Firm nationality was operationalized as the firm's country-of-origin. This measure has been widely used in the literature (Egelhoff, 1984; Gates and Egelhoff, 1986; Mascarenhas, 1984).

Industry position

The firm's industry position within a global industry was operationalized with a measure adapted from the Roth, Schweiger and Morrison (1991) study. The measure is designed to differentiate industry position through determining the extent to which the firm confronts global competitive forces (Porter, 1985). Specifically, respondents were asked to consider the primary sector of the industry in which their business competes and indicate how characteristic six different statements were in describing their industry position. The items were: (1) buyer/customer needs are standardized worldwide, (2) competitors exist in all key markets, (3) business activities are susceptible to global scale economies, (4) product awareness/information exists worldwide, (5) production technology is standardized and available to worldwide competitors, and

Table 1. Response structure of variables

Variable	Mean	S.D.	Zero-order correlation coefficient					
			1	2	3	4	5	6
1. Goal configuration index	20.18	6.25						
2. Number of major goals	8.22	3.13	0.84***					
3. Internationalization	25.14	22.62	−0.04	0.07				
4. Rewards criteria	3.97	2.45	0.23**	0.25**	−0.19**			
5. 3-year average ROA	4.19	1.68	−0.03	−0.09	−0.21**	0.02		
6. 3-year average sales growth	4.50	1.44	−0.07	−0.07	−0.12	−0.08	0.50***	
Relative performance	2.26	0.46	0.13+	0.17*	0.35**	0.07	−0.47***	−0.32***

+$p < 0.10$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

(6) competitors market a standardized product worldwide. Response categories ranged from 1 = 'not at all characteristic' to 5 = 'extremely characteristic.'

Firm internationalization

Firm internationalization was defined by the percentage of total sales that are earned abroad. This measure was consistent with the operationalization used by Garnier (1982) and has also been used to indicate foreign commitment (Cray, 1984), the extent of foreign activity (Daniels *et al.*, 1984), and foreign dependence (Daniels, Pitts, and Tretter, 1985).

Rewards/compensation criteria

The *scope* or *breadth* of the rewards/compensation criteria in relation to the goal configuration of the firm, was the compensation dimension of interest in this study. Correspondingly, respondents were provided a list of possible rewards criteria, with the listed criteria paralleling the set of potential firm goals. Respondents were instructed: 'top management rewards (salary compensation, etc.) may be based on multiple criteria. Please indicate the criteria for executive compensation in your business.' Respondents then checked each item (e.g., sales growth, market share, net profit-short term, etc.) that their firm uses as a criteria and were also provided the opportunity to indicate other reward criteria that was not listed. A rewards/compensation index was created by summing the number of criteria that were indicated as being used.

Performance

Performance was operationalized with three self-reported measures. Self-reported measures were necessary as secondary data were not consistently available or comparable for the three country locations. Two measures, after-tax return of assets and sales growth rate were measures with objective scales. These scales allowed the respondents to indicate their firm's average annual performance during the past three years using predefined intervals. Response categories were: 1 = 'greater than 25 percent,' 2 = 'between 20 percent and 25 percent,' 3 = between 15 percent and 20 percent,' 4 = 'between 10 percent and 15 percent,' 5 = 'between 5 percent and 10 percent,' 6 = 'between 0 percent and 5 percent,' and 7 = 'negative.'

The third performance indicator was a subjective measure and asked respondents to indicate the global performance of their firm over the last 3 years, as compared to other (U.K., Japanese, or U.S.) firms in the industry in their country. The country-based reference point was used because the pretest indicated that not all companies had the capability to assess accurately their performance as compared to firms in other country locations. Items comprising the scale were the 16 goal items used to operationalize goal configuration (i.e., sales growth, market share, net profit-short term, net profit-long term, etc.). To facilitate translation equivalence, response categories were: 1 = 'below average,' 2 = 'average,' and 3 = 'above average.' Performance, based on this measure, was operationalized by establishing a correspondence between the specific goals emphasized and the performance

evaluation. A 'relative' performance index was created for each firm, where the index was the average reported performance only for goals that were indicated as being *major* goals. A relative performance measure based on espoused goals was used for three reasons. First, it provides for a multifaceted operationalization of performance. Second, the measure recognizes that the relevant indicator of performance depends on the specific goal(s) being pursued. If, for example, a firm emphasizes a single goal, performance is evaluated in respect to only that goal. Similarly, if the firm has market share, sales growth, and new product ratio as major goals, then these dimensions rather than profitability measures are used. Third, using a relative measure avoids some of the problems associated with accounting standards, taxation, and regulatory differences between the three countries.

DATA ANALYSIS AND RESULTS

Hypothesis 1 posited that the goal configuration of firms does not vary based on firm nationality. The results for evaluating this hypothesis are reported in Table 2. An analysis of variance (ANOVA) procedure was used to examine differences in the goal configuration for the three country locations. For both operationalizations of goal configuration, no differences between locations were found. Thus, the data support Hypothesis 1.

Regression analysis was used to examine Hypotheses 2, 3, and 4. Collectively, these hypotheses suggest that the goal configuration of a firm will be more dispersed when the firm competes in multidomestic and multifocal industry segments, is increasingly international (INTL), and is using a broad rewards/compensation criteria (REWARD).

Prior to estimating these relationships, firms were classified by industry segment. Based on the industry position variables, following a procedure used in other studies (Galbraith and Schendel, 1983; Hambrick, 1983; Roth and Morrison, 1990), firms were partitioned into three groups using cluster analysis. This analysis resulted in three distinct groups that were internally consistent with the global, multidomestic and multifocal definitions. As reported in Table 3, the group classified as multidomestic reported relatively low levels of customer needs being standardized across locations and the absence of competitors in each key market marketing standardized products. The group classified as global reported a high degree of product and customer standardization across locations as well as the presence of competitors in each key market, approaching the market with standardized products. Compared to the other groups, business activities were the most susceptible to global scale economies. The multifocal group was distinguishable from the global group in two major respects. Customer needs were not perceived as being standardized worldwide nor were competitors marketing standardized product worldwide, although competitors were reported to exist in all key markets, activities were subject to global scale economies, and product awareness existed worldwide.

After controlling for the potential moderating effects of firm size (SIZE), the estimated equations to evaluate H2, H3, and H4 are reported in Table 4. As indicated by the equations, goal configuration was found to be associated with industry positioning (DM1 and DM2). However, the directions of the relationship within individual segments were not as hypothesized. Increased goal dispersion was found to be associated with competing in the global and multifocal segments, as compared to the multidomestic segment in which firms had a more concentrated goal configuration. Thus, while the

Table 2. Test of Hypothesis 1: Effect of firm nationality

Variable	UK[a]	Japan[b]	US[c]	*F* value	Prob > *F*
Goal configuration index	19.66	20.64	19.97	0.38	0.68
Number of major goals	8.58	7.77	8.57	1.38	0.25

[a]$N = 43$, [b]$N = 75$, [c]$N = 53$.

basic proposition of H2—goal configuration being associated with industry positioning—was supported, only the relationship between dispersed goal configuration and competing in a multifocal segment was observed in the expected direction.

Examining the other variables, no relationship was found between goal configuration and firm internationalization. Goal configuration was found to be related positively to the rewards/compensation criteria. Thus, H4 was supported, only partial support was found for H2, and H3 was not supported. These results were consistent using both the goal configuration index and the number of major goals as dependent variables. Additional analyses (available from the authors) indicated that there were no interaction effects among the variables to influence goal configuration.

The final set of hypotheses concerns the normative implications of a firm's goal configuration. Hypothesis 5a posited that within a global industry a dispersed goal configuration would be associated positively with performance. Hypotheses 5b, 5c and 5d posited that this relationship is contingent on the specific industry position (within a global industry) in which the firm is competing. In a global segment a concentrated goal configuration was suggested as being associated positively with organizational performance, whereas in multidomestic and multifocal segments of the industry a dispersed goal configuration was suggested as being related positively with organizational performance. Regression analysis was used to examine these hypotheses.

Prior to examining the normative hypotheses, the performance variables were examined for country-based differences and industry differences (defined by SIC codes). This was considered important to ensure firm performance was not partially influenced by firm nationality or industry type. Firms competing in different industries did not vary in their performance levels. Performance differences across country locations did exist for the relative performance measure ($p < 0.05$). Consequently, firm nationality was included as a dummy variable when estimating the equations. The estimated equations for examining H5a are reported in Table 5. The results of this analysis indicated that no relationship exists between goal configuration and either the ROA or sales growth variables. Goal configuration was found to be significantly related to the relative performance variable. However, the relationship was *positive* rather than negative as expected. Consequently, H5a was not supported.

To examine H5b, H5c and H5d, separate regression analyses were used to examine the relationship between each performance variable and goal configuration within each different industry position. Again, nationality was controlled for when estimating the performance relationships. For firms competing in a global segment of the industry, as reported in Table 6, no relationship was found between goal configuration and 3-year ROA or 3-year sales growth. Goal configuration was found to be positively related to the relative performance measure. For firms competing in the multidomestic segment, the estimated equations indicated that goal configuration and performance are not related (Table 7). For firms competing in the multifocal segment (Table 8), increased goal

Table 3. Industry position group means

Industry position variable	Multidomestic (n = 37)	Global (n = 67)	Multifocal (n = 66)
Buyer/customer needs are standardized worldwide	2.27	3.50	2.13
Competitors exist in all key markets	2.24	4.48	4.64
Business activities are susceptible to global scale economies	2.97	3.90	3.49
Product awareness/information exists worldwide	2.81	3.90	3.38
Production technology is standardized and available to worldwide competitors	2.54	3.64	2.88
Competitors market a standardized product worldwide	2.11	3.85	1.91

Table 4. Test of Hypotheses, 2,3,4: Goal configuration[1]

Goal configuration index =	4.94 +	3.04** DM1[2]	+ 3.38** DM2[3]	+ 0.01 INTL	+ 0.58** REWARD	+ 0.48** SIZE
		(1.29)	(1.34)	(0.02)	(0.21)	(0.17)

F value = 4.61
Prob > F = 0.0007
Adj. R^2 = 0.10

Number of major goals =	4.09 +	1.28* DM1[2]	+ 1.33* DM2[3]	+ 0.01 INTL	+ 0.34*** REWARD	+ 0.07 SIZE
		(0.65)	(0.68)	(0.01)	(0.10)	(0.08)

F value = 3.37
Prob > F = 0.007
Adj. R^2 = 0.07

[1]Standard errors are in parentheses, [2]DM1 = global segment, [3]DM2 = multifocal segment, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$

dispersion was found to be *positively* associated with higher performance for each of the three performance measures. Thus, while goal configuration and performance are strongly related in this segment, it was opposite the direction that was hypothesized.

CONCLUSION AND IMPLICATIONS

The small sample size suggests a need to exercise caution in interpreting the results of the analysis. In addition, the study was conducted within a narrow range of industries thereby limiting generalizability. The research conclusions should, therefore, be viewed as being rather tentative. Five conclusions are suggested within the global industry context: (1) firm nationality does not influence the firm's goal configuration, (2) the breadth of the firm's reward system is related positively to a dispersed goal configuration, (3) firm internationalization does not influence goal configuration, (4) goal configuration is related to industry position, and (5) a congruence between goal configuration and industry position is associated with performance in global and multifocal industry segments. The first result, suggested by a theoretical understanding of a global industry, was not surprising. However, this is the first empirical confirmation of the result and it reinforces the importance of understanding the industry context from an international perspective. While firm nationality may influence the particular goals being pursued by a firm, convergence in industry structures across geographic locations apparently results in a common number of stakeholder groups to which firms must respond, regardless of home-country location. Thus, for U.S., U.K. and Japan-based firms in global industries, goal configuration does not vary across locations.

Our study suggests that industry position is a key determinant of global configuration, irrespective of firm internationalization. Two explanations may be suggested regarding why internationalization did not influence goal configuration. First, as initially discussed in formulating the goal configuration/internationalization hypothesis, firm internationalization may be invariant across industry positions. Subsequent analysis (ANOVA) indicated that, for the firms in this study, this was indeed the case as the degree of internationalization did not vary across the three industry positions ($p < 0.05$). Given that within a global industry the industry structure spans national borders, perhaps it is in *entering* this industry context that the given set of stakeholders to which the firm must respond are encountered. Irrespective of the degree to which the firm participates in the industry at different geographic

Table 5. Test of Hypothesis 5a: Performance and goal configuration[1]

Performance variable	Intercept	Independent variable[2]	Control variables		F	R^2	Adj R^2
Relative performance	27.50***	+ 0.26** Goal (0.09)	+ 2.60* DM1 (1.25)	+ 2.30 DM2 (1.25)	4.39***	0.11	0.08
Relative performance	29.18***	+ 0.50 Major (0.17)	+ 1.92 DM1 (1.24)	+ 1.65 DM2 (1.49)	4.49**	0.11	0.08
3-year ROA	4.62***	− 0.01 Goal (0.02)	− 0.13 DM1 (0.31)	− 0.64 DM2 (0.33)	1.38	0.03	0.01
3-year ROA	4.72***	− 0.04 Major (0.04)	− 0.10 DM1 (0.31)	− 0.64 DM2 (0.33)	1.62	0.03	0.01
3-year sales growth	4.96***	− 0.02 Goal (0.02)	− 0.13 DM1 (0.26)	− 0.29 DM2 (0.28)	0.64	0.01	0.01
3-year sales growth	4.84***	− 0.03 Major (0.04)	− 0.09 DM1 (0.26)	− 0.29 DM2 (0.28)	0.55	0.01	0.01

[1]Standard errors are in parentheses, [2]Goal = goal configuration index; Major = number of major goals, $^*p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 6. Test of Hypothesis 5b: Performance in the global segment[1]

Performance variable	Intercept	Independent variable[2]	Control variables		F	R^2	Adj R^2
Relative performance	26.48***	+ 0.28** Goal (0.12)	+ 1.94 DM1 (1.68)	+ 4.77** DM2 (2.16)	3.19*	0.19	0.13
Relative performance	29.28***	+ 0.42* Major (0.25)	+ 1.38 DM1 (1.73)	+ 4.23* DM2 (2.21)	2.39*	0.15	0.09
3-year ROA	2.89***	+ 0.05 Goal (0.04)	+ 0.29 DM1 (0.50)	− 0.18 DM2 (0.57)	0.99	0.05	0.01
3-year ROA	3.38***	+ 0.07 Major (0.08)	+ 0.20 DM1 (0.50)	− 0.32 DM2 (0.56)	0.69	0.03	0.01
3-year sales growth	4.48***	− 0.01 Goal (0.04)	+ 0.40 DM1 (0.48)	− 0.29 DM2 (0.54)	0.64	0.03	0.02
3-year sales growth	4.27***	− 0.001 Major (0.07)	+ 0.42 DM1 (0.48)	− 0.26 DM2 (0.53)	0.61*	0.03	0.02

[1]Standard errors are in parentheses, [2]Goal = goal configuration index; Major = number of major goals, $^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 7. Test of Hypothesis 5c: Performance in the multidomestic segment[1]

Performance variable	Intercept	Independent variable[2]	Control variables		F	R^2	Adj R^2
Relative performance	26.47***	+ 0.33 Goal (0.25)	+ 10.88^{+} DM1 (6.43)	+ 2.09 DM2 (0.75)	1.30	0.14	0.03
Relative performance	27.60***	+ 0.72^{+} Major (0.42)	+ 8.71 DM1 (5.89)	+ 1.01 DM2 (6.28)	1.75	0.18	0.08
3-year ROA	4.24***	+ 0.02 Goal (0.04)	− 0.94 DM1 (1.19)	− 1.26 DM2 (1.22)	0.62	0.05	0.03
3-year ROA	4.29***	+ 0.04 Major (0.08)	− 1.05 DM1 (1.15)	− 1.32 DM2 (1.23)	0.65	0.05	0.03
3-year sales growth	4.26***	+ 0.02 Goal (0.02)	− 0.49 DM1 (0.73)	− 0.84 DM2 (0.75)	0.74	0.06	0.02
3-year sales growth	4.58***	+ 0.01 Major (0.05)	− 0.63 DM1 (0.71)	− 0.68 DM2 (0.77)	0.68	0.04	0.00

[1]Standard errors are in parentheses, [2]Goal = goal configuration index; Major = number of major goals, $^{+}p < 0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

locations, the individual industry segments will determine the stakeholder multiplicity. Thus, if the firm wants to compete in a segment at any level of international participation, the given set of stakeholders apparently must be incorporated into the goal structure.

The second explanation involves a methodological consideration of the measurement of firm internationalization. International sales was considered a valid measure of internationalization for firms in the industries being studied, as the industry selection process isolated industries characterized by high levels of intrafirm trade. This implies that, taken aggregately, firms within the industry are not simply exporters but that they have substantial production activities abroad.

Table 8. Test of Hypothesis 5d: Performance in the multifocal segment[1]

Performance variable	Intercept	Independent variable[2]	Control variables		F	R^2	Adj R^2
Relative performance	26.45***	+ 0.32** Goal (0.14)	+ 2.81 DM1 (1.85)	+ 0.70** DM2 (1.97)	2.20$^+$	0.15	0.08
Relative performance	29.90***	+ 0.49** Major (0.26)	+ 1.79 DM1 (1.83)	+ 0.34 DM2 (1.99)	1.61	0.11	0.04
3-year ROA	6.87***	− 0.10*** Goal (0.04)	− 0.52 DM1 (0.56)	− 1.06$^+$ DM2 (1.57)	2.94**	0.13	0.09
3-year ROA	6.40***	− 0.23*** Major (0.07)	− 0.20 DM1 (0.53)	− 0.68 DM2 (0.54)	3.79**	0.16	0.12
3-year sales growth	6.41***	− 0.06* Goal (0.03)	− 0.81$^+$ DM1 (0.45)	− 0.60 DM2 (0.47)	1.97$^+$	0.09	0.04
3-year sales growth	5.72***	− 0.09 Major (0.06)	− 0.63 DM1 (0.45)	− 0.37 DM2 (0.47)	1.34	0.06	0.02

[1]Standard errors are in parentheses, [2]Goal = goal configuration index; Major = number of major goals, $^+p < 0.10$, $^*p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

In export-oriented industries, firms may report a high level of international sales and yet they may not have to confront foreign-based stakeholder groups given minimal operations in different country locations. In such a context, one may not observe a relationship between internationalization and goal configuration. Thus, although the industry selection procedure should have avoided the influence of 'exporting only' firms, defining internationalization by the international configuration of the firm may have more accurately reflected the actual need to interface with stakeholders in different locations and thereby alter the goal configuration of the firm.

A central question of this study concerns the normative implication of goal configuration within different segments of global industries. An earlier study by Bourgeois (1985) found no relationship between goal configuration and economic performance. Further, he found that goal configuration was not contingent on environmental dimensions such as volatility and uncertainty. While this study found no relationship between goal configuration and performance in the multidomestic industry segment, a strong relationship between goal configuration and performance existed in the global and multifocal segments.

Why such a relationship should exist in two industry positions and not another warrants additional explication. One possible reason concerns the distribution of responses on the goal configuration measure. As interpreted through Table 4, the mean number of goals emphasized by all groups was rather high. Consequently, the analysis may not have adequately reflected a concentrated goal configuration orientation as the overall relationship being assessed could be 'degrees of dispersed goal configuration' rather than a concentrated vs. dispersed continuum. To examine this potential explanation, firms competing in the multidomestic segment were further classified. Firms in this segment that emphasized more than three goals were classified as having a dispersed configuration while firms emphasizing three or less were classified as having a concentrated configuration. The average number of goals emphasized by the two groups were 11 and 2, respectively. The performance of each group was then compared using an ANOVA procedure. However, again, no differences were found between the two groups ($p < 0.05$). Consequently, the data are rather consistent in offering no relationship between goal configuration and performance within the multidomestic segment.

Two theoretical explanations of this result may be forwarded. The first explanation concerns the role of organizational slack. Cyert and March (1963) argue that developing organizational slack provides a resource base by which the firm is

able to avoid conflict while satisfying multiple goals. An implication of this perspective is that in the absence of such slack, it would be unlikely that the firm could satisfy multiple goals. Reconsidering the issue of competing in a multidomestic segment, it was suggested that this position requires resource acquisition in each country location. Assuming that not all locations will consistently support the firm's resource requirements, competing in a multidomestic segment may not allow the firm to maintain the level of organizational slack necessary to satisfactorily pursue multiple goals. Additional research is required to further explore this potential explanation.

The influence of the goal formulation process offers a second possible explanation. Bourgeois (1985) describes goal configuration as an adaptive process, where firms continually reassess their goal structures and add or modify goals to accommodate environmental change. However, goal reconfiguration is often additive due to political commitments and organizational inertia that impede goal displacement (Quinn, 1977). The resulting goal multiplicity will be appropriate only if the environment is sufficiently dynamic or complex in that the accompanying risk in such an environment would be reduced through maintaining a high degree of strategic flexibility. In contrast, if the environment does not necessitate continual adaptation, the pursuit of too many goals results in organization inefficiencies (Bourgeois, 1985: 553). Thus, from this perspective, if the multidomestic segment requires less continuous adaptation than in the multifocal and global segments, a narrowing of goal configuration is required. Simultaneously, the firm would need multiple goals to manage diverse stakeholder groups. The conflicting imperatives would possibly obviate a performance relationship. It is also possible the goal formulation process in this segment does not allow the parent firm to be aware of the number of goals within the firm. If the firm is managing business units as a 'portfolio of country locations operating autonomously,' the goals espoused by the parent may simply be certain financial returns. Stakeholders would be responded to predominantly by local entities and therefore certain goal diversity would exist at the local levels to which the central organization may be largely unaware.

As noted earlier, whereas Bourgeois (1985) found no relationship between goal configuration and performance, a positive relationship did exist between goal configuration and performance for firms in this study (irrespective of industry segment), but only if performance was evaluated based on the espoused goals of the firm. Furthermore, the relationship was more pronounced as the industry position was incorporated into the analysis, as firms in the global and multifocal industry segments were found to have a strong link between performance and goal configuration. In both of these segments, a higher level of performance was associated with a dispersed goal configuration. Given these results, Bourgeois' findings may be partially explained by his use of a composite performance measure comprised of five financial indicators and his aggregation of 17 different industries. If a firm has market share and new product ratio as its major goals, measuring performance by various financial measures (net earnings, earnings per share, growth in capital, etc.) would fail to capture the dimension of performance being pursued by the firm. Thus future goal structure research may be enhanced through incorporating performance measures that are directly related to the stated goals of the firm. Furthermore, while environmental uncertainty and volatility may not influence goal structure, industry position is apparently quite important. Thus, pooling different industries or not identifying industry position may result in over-aggregating the data.

One additional observation about the goal configuration and performance relationship found in this study suggests an area for future investigation. Goal *dispersion* was found to be associated with firms competing in global segments. This result was not anticipated. The argument was made that the homogeneity within this segment necessitated a narrowing of the goal configuration. Although this argument was supported by current conceptualizations of the global industry notion, perhaps convergence of the environment within global industries is overstated in the literature. Despite the opportunities that exist to coordinate on a worldwide or regional basis, heterogeneity across locations may require the firm to maintain a broad response to the accompanying diversity in its constituencies. Furthermore, consistent with the views of Kogut (1985) and Hedlund and Rolander (1990), competing in a global segment may subject the firm

to such risk and volatility that it must maintain goal dispersion so as to enhance strategic flexibility. This flexibility would allow the firm to respond quickly to changes in the stakeholder groups.

A final limitation that should be noted for consideration in future international goal research concerns the model specification. While variables for this study were selected on the basis of strong theoretical links to goal configuration, the level of explained variance suggests studies could further the understanding of goal configuration patterns through incorporating additional variables into the model. While this study focused predominantly on external dimensions with clear links to stakeholder multiplicity, internal dimensions likely affect goal configuration as well. Incorporating firm characteristics, such as the resource allocation process, resource base, distribution of roles and responsibilities, could further enhance our understanding of goal configuration in the global context.

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