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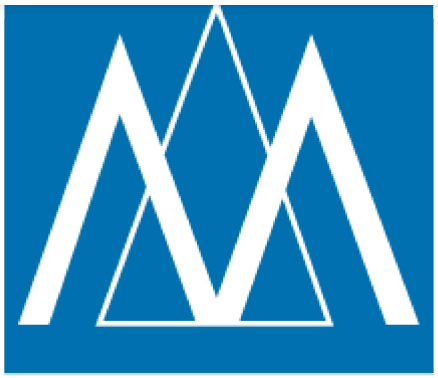
Relative versus Absolute Aspirations

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Abstract

Because aspirations impact when managers search for new alternatives, the level of aspirations, and how they change with environmental conditions, has important performance consequences. While having a high aspiration is often useful, past research has shown that prolonged search for a superior alternative may not make sense in turbulent conditions when the profitability of an adopted alternative may quickly change. Using a simple and analytically tractable model of problemistic search, we show that when aspirations are defined in relative terms, i.e, being better than a certain fraction of others, the opposite conclusion holds: a higher aspiration leads to higher performance in settings with more turbulence. These contradictory findings result from the relationship between absolute and relative outcomes generated by social comparison, which is moderated by environmental turbulence: depending on environmental conditions, poor individual outcomes can be good in relative terms, and vice versa. Our study enriches the debate on the aspiration-performance relationship by drawing attention to the relevance of the specification of aspirations. Moreover, our analyses have important managerial implications and inform how targets should be set at both the population and individual level.



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