PERFORMANCE MANAGEMENT SYSTEM AND ITS IMPLICATION
(Study of Performance Management System of a restaurant)

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Abstract

This study attempts to analyze the current performance management system of a restaurant to present a solution in the form of the new performance management system. A PMS and performance appraisal form have been made with an effort to provide a solution in Urdu that is best suited to the requirements of all the branches of the restaurant across Pakistan. It further deals with explaining the responsibilities of the selected groups of employees. These groups of employees included the back end and the front-end staff of the employees. This study gave the basis for analyzing the presently practised performance appraisal in the restaurant which helped to identify the pitfalls and the gaps prevalent in their appraisal system of the performance of the employees. Several visits were made to the various branches of the restaurant, interviews were conducted, and data was gathered that helped in analyzing the prevalent system. The study formulates a hypothesis based on relevant literature about using the present system of appraisal and the criticality of its ineffectiveness. The study of the whole system being practised.

Keywords: PMS, Restaurant Management, Performance Appraisal, Employee Performance, Traits

Introduction

The Restaurant selected for this paper is the largest chain of restaurants in Pakistan with 13 branches nationwide and one restaurant in USA as well. The name of the restaurant will not be revealed in the paper to protect the data protection rights of the organization. The target customers belong to lower middle to middle class. Restaurant is existing in all major cities of Pakistan. The Restaurant offers ample range of Pakistani, Continental and Chinese food. Restaurant has a good family environment for lunch and dinner with Bar.B.Q and dessert being the most likeable dishes on its menu. Restaurant menu prices are affordable given the exclusive mixture of cuisine. One can also host parties for 200 to 400 guests with special Buffet packages.
For the purpose of our project, this study has studied the performance management systems of its Blue Area, Islamabad branch which currently employees 40 people. We have focused on two types of employees, namely Front Desk or Front End (the waiters, receptionist etc) and the back end staff (Chefs, store staff, few stewards etc).

This restaurant operates in a highly competitive environment, but it has an edge over the rest as it claims to be the largest Pakistani restaurant chain, hence people all over Pakistan are aware of this brand name. Also, it has sustained growth over the years and for that, credit is surely due, because they have certainly not gone out of business, despite the increasingly stiff domestic and international competition. Food business is a continuous venture since it does not get affected by the social or political environment and no matter how tense the country’s economic or political situation, the people still need food and this may be one reason that despite such huge competition, has still managed to be profitable and grew nationwide.

Industry Analysis

This restaurant operates in a highly competitive environment, but it has an edge over the rest as it claims to be the largest Pakistani restaurant chain, hence people all over Pakistan are aware of this brand name. Also, it has sustained growth over the years and for that, credit is surely due, because they have certainly not gone out of business, despite the increasingly stiff domestic and international competition. Food business is a continuous venture since it does not get affected by the social or political environment and no matter how tense the country’s economic or political situation, the people still need food and this may be one reason that despite such huge competition, has still managed to be profitable and grew nationwide.

Porter five forces analysis of Food and Beverage Industry

Low bargaining power of supplier because suppliers are more in number and the restaurants in Pakistan have a lot of options to buy raw materials from. Also, vendors are large in number, and they sell in bulk to suppliers on low prices. Pakistan is a country that produces wheat and rice on its own, they don’t have to import food related items from other countries. Because of the cheap production factors i.e., labor and raw materials, agricultural products are available everywhere. There are no laws or regulations regarding food items in Pakistan which provides feasibility to vendors in terms of availability and transport. Restaurants mostly don’t have specialized items i.e., technology related products that needs specific vendors are needed that are limited in supply. For restaurants, vendors and suppliers are easy to find.

Buyers bargaining power

High bargaining power of buyers since customers have more options available at their end and growing number of local and international restaurants indicates that customers have now more options to choose from. Since caterers to low tier customers, these customers can easily switch to other restaurant if they find any flaw with the service or quality of their products and food.
Rivalry

This industry faces intense competition due to large number of restaurants and with more and more opening every other day. Direct competition comes from restaurants like Lasania, Jehangir, Savor Food, Haleem Ghar, Habibi etc. Indirect competition includes international chains offering various meals at much optimum prices.

Substitutes

Substitutes would include home cook food etc. since there is lot of variety in food and food services like home cooks etc, so the level of substitutes is quite high as well.

Threat of New entrants

Threat of new entrants is high since barriers to entry are low. Market is also big and new entrants are encouraged to step into this industry due to growth opportunities. Government laws and regulations are also not strict and support such new entrants to enter the industry.

Current System of the Restaurant

Organization Structure

![Organization Chart](image-url)
Employees

The two broad categories under which jobs in restaurants can be defined are

- Front-end
- Back-end

Back-End Employees

The back-end staff is more of behind the scene operators. They are rarely in contact with the customers. They provide the services on which the restaurant actually works like food, clean dishes etc. The skills, attitude and knowledge required for this section is different, and more focus is placed on skills when it comes to jobs like a chef.

Front-End Employees

The front end staff is directly responsible for the services which involve direct customer interaction. It stands for the customer service and it is the most crucial part of the business. Restaurant is the business which survives on external customers and their satisfaction. Front end employees all include staff which will be in direct contact with the customer starting from the boy who opens the door to the person who serves the dish. Few jobs are waiters, front desk managers, supervisors. The most critical part is having the right person for the job. Appearance is the first thing that matters in front-end jobs, the look, style, attitude, postures all are important. Word of mouth is the best advertising they can achieve and if they deliver good service good attitude business is boomed but if they deliver poor service and bad attitude than the business is doomed.

Our focus is on the front-end employees. This study chooses it because they are most crucial part of the industry, even if the food is good but the attitude of the waiter is bad the restaurant loses the customer. They are the integral part of the industry and understanding them is very important. We are designing a performance management system for the front-end employees; waiters, front-desk managers, supervisors. They all have their importance and place in the business. To understand how they perform, what are the key behaviors and traits required is tricky. One might understand that they all need to have somewhat the same traits but it is the behaviors that matters. The three main jobs we’ll focus on are waiters, front-desk managers, and supervisors.

Front-desk managers

He is the first one the customers will get in contact with either via a phone for reservation or directly when customers come to the restaurant. He is the first one to greet the customer and he seats the customer upon arrival. He should be well groomed with a kind and soft welcoming personality. He should be approachable and patient when it comes to a handle a difficult customer.
Waiter

These are the people who have most frequent interaction with the customers. They are the ones who take the orders and serve the customer. He is supposed to know all the menu and descriptions. He should be fast and quick to deliver hot food on the table. The appearance of them is very important and the key point for them is the cleanliness. Their hands should be clean, uniform pressed; hair combed giving a decent look. Should have good memory to remember which food belongs to which table. They should be friendly and anticipating see if they need anything. Before the customer leaves always ask for a feedback about the food and with that they should be quick enough to clean the table for the next customer.

Supervisors

They are heads of both waiters and the front-desk staff. They keep an eye on all the activities, their pace, duration, and mistakes. They encourage the employees and punish if mistakes are done. They are supposed to keep a record of all the workings, set targets for the next day. They have a key role in promotion of an employee.

Job Descriptions of employees

This document explains the role and responsibilities of the employee. It has details of their job. Refer to annex A, B and C.

Literature Review

International Standards (Benchmark)

The study of the literature reveals that the performance management system of a restaurant should have some basic criteria for evaluation of the performance of employees (Mayhew, 2013). The PMS of restaurant should be developed based on the following details.

It should be Simple

Mostly the employee of restaurants, especially the waiter and service staff is not well educated. Also, the headwaiters or chefs are not well educated as well. Therefore, literature suggests that the performance evaluation system of a restaurant should be simple.

Easy to Setup

In the restaurant industry, usual trend is off expanding the business on a fast pace. In the case under discussion, restaurant has 14 branches, and the owners are constantly looking for more opportunities of growing. Therefore, it is important to have a simple which is easy to setup at various locations. Different branches have different requirements. Hence the system should be easy.
Customizable

As discussed under the last heading, in restaurant industry each branch has different requirements and culture. Therefore, the PMS of a restaurant should be customizable so that it can be implemented easily across the branches.

Ability to reduce Turnover

One of the major problems in restaurants is high turnover. Even some fast-food restaurants have around 100% turnover (Mayhew, 2013). This is because of the nature of the work that restaurants have. Long working hours, low wages, lack of leadership and most importantly absence of efficient PMS are considered as the major cause. Therefore, an efficient Performance management system should be capable of reducing the employee turnover rate and should fundamentally solve the issue of employee satisfaction, if constructed properly.

Ideal System

The study of literature suggests that an ideal performance management system for a restaurant should be integrated with certain factors. The performance management system should be based on performance standards. These performance standards should be clearly defined after considering the factors effecting it. These include job expectations, skill level, area of expertise and aptitude (Stuart, Ian & Slamet, 1995). Once the factors effecting the performance standards have been analyzed, then performance standards should be defined for each job based on performance standards, thresholds, requirements, and expectations.
Gap between benchmark and current system

The current system of is not properly documented and is mostly working on judgmental basis. Few forms were developed in the past, but no one uses them, and it is hard to even find the records. Hence the system this study proposes is comprehensive system and tries to reduce the gap of doing the evaluation on judgment basis. The industry itself is highly unstable and uncertain so we are suggesting that they start by increasing the frequency of the appraisal from annually to biannually and then move towards quarterly. Another important issue is of the turnover rate and the current system doesn’t cater to this issue so we are proposing that the performance management system should be linked with the rewards and compensation system, so employees can be motivated to do the job. The system proposed has many elements to it mainly are behaviors and traits which are combined with result base approach. In literature we saw that more focus is towards behaviors but as we have a limitation that our customers are not well aware of this so we have kept the form simple and easy to comprehend.

Why there are Gaps

Not much attention has been placed to the consideration of a good performance system. As the company gained profits so they never realized of updating their systems. Secondly, the restaurant industry dynamics are of such sort in Pakistan. New entrants are entering with different dinning style and taste which is attracting a new market segment altogether, hence giving a tough time to old champions of the twin cities.

Methodology

This study explored both the primary sources and secondary sources for the analysis. Initially interviews were conducted with the owner of the restaurant, General Manager, Managers and also with the employee’s especially front-end staff. Employee opinion surveys were conducted with questions related to basic working conditions that helped in developing a Performance management system. Focus groups were conducted mainly of the waiters which allowed them to share their opinions in face-to-face discussions. To measure the attitude of employees during the service, Customer feedback was also taken. Any Job dissatisfaction can manifest itself in the quality of customer service that employees render. Employees who are happy usually demonstrate a positive attitude in their service to customers.

Limitations of the Study

- To have a simplified form due to lack of understanding from employees
- Due to low level of education of the employees, the form had to be translated in Urdu. For this purpose, using the Urdu fonts was major issue.
- In total there are 14 branches at different location, but this study wholly focused on Islamabad branch. This causes a limitation that this study cannot analyze thoroughly situational factors involved in running a restaurant
Discussion

Performance Management System for Restaurant

To address the pitfalls in the current procedures, new performance management system is being proposed for restaurant. This new system will address the gaps and pitfalls of the old system, also it will give a comprehensive procedure for evaluating the employees. The new system will be based on certain approaches. The rationale of using these approaches will be discussed in the ensuing paragraphs.

Rationale for using Behavior-based, Trait based Approach& Result Based

Behavior-Based Approaches

This method of performance appraisal is designed to assess behavior needed to perform job successfully. These approaches tend to use specific performance factors to evaluate staff. Measures of performance can be either quantitative or qualitative.

Conventional Rating Scale

These scales use words or phrases to describe the degree to which certain behaviors or characteristics are displayed. Categories for behaviorally anchored scales can be created from job descriptions. If there are no appropriate behaviors or characteristics within job descriptions, supervisors should work with staff to determine what behaviors and characteristics would be most useful in an appraisal setting.

Behaviorally Anchored Scale

In this approach, broad categories of practice are identified, ideally through collaborations between supervisors and staff. Specific job behaviors are then linked to the categories. Measures of staff member behavior are rated on a scale in relation to specific behavior items, such as "understands department functions." Categories such as these may be useful in framing evaluation criteria in this approach to appraisal.

Behavioral Frequency Scale (BOS)

In this approach desired behaviors are described, and the staff member is evaluated on how often those behaviors occur.

Weighted Checklist

It is another way of approaching behavior-based appraisal. This method provides a list of performance related statements that are weighted. Staff members are judged on a scale indicating the degree to which the statement accurately describes performance. Here the rater makes yes or no responses to a series of questions concerning the employee behavior. The Checklist also has varying weights assigned to each question. Normally the scoring key for the checklist method is kept by the human resource department, and the rater is unaware of weights associated with beach question. But bias can be introduced as
the rater is aware of the negative and positive connotations of each question. Another drawback is that it is very time consuming.

**Forced-choice Method**

This method commonly is known as forced distribution. Here, a list of performance related statements about job performance are evaluated on how well they discriminate among staff and how important they are to unit or institutional performance. Discrimination and desirability statements are placed on a grid in clusters that differ on discrimination but are closely related in desirability. Discrimination and desirability are multiplied to yield a total scale score.

**Trait Based Approach**

The purpose of using trait-based approach is to identify that whether a particular employee exhibits certain characteristics that are important for a job. Although there is a lot of subjectivity in this approach, but employers continue to use it because as human beings most of the decisions that we take about others is based on traits. In hospitality industry employee characteristics play a significant role in performing their job as they must provide a product along with the service in which they have to interact with the customer and there they need to exhibit certain traits. These traits are universal as almost all the employees should possess these characteristics like integrity, punctuality, loyalty etc.

In hospitality industry, an organization is focused on the product as well service and they must make sure that customers are satisfied from their product offerings and the services being provided. As their business constitutes majorly of services so they need employees who exhibits those traits that are aligned with the core value of the company and also with the business needs. These employees are then appraised on the basis of whether exhibiting those traits or not. So personality characteristics are really significant to evaluate an employee in such an industry and business. Most of the restaurants hire their employees and evaluate their performance based on some traits like ability to work well with other employees: Always smile and should have eagerness to do work with other staff members. By demonstrating this trait, they develop sense of belongingness with the company. Another trait like punctuality: Should always reach his office on time and is always looking forward to work etc.

We are classifying certain traits that will be required by the front end and back-end staff and they will be evaluated on those characteristics. Traits required for the employees of are as follows:

- Good memory / Intelligence: Ability to remember things quickly and retain them in their mind.
- Confidence: Confident and resolute
- Acceptance of responsibility: Always prepared to take on responsibility even on difficult cases
• Stamina / reliability under pressure: Ability to work under pressure either physical or psychological
• Honesty: Should truthfully perform his dealings and should be able to exercise due care and discipline
• Relations with
  o Superior: Cooperative and trusted
  o Colleagues: Work well in a team
  o Subordinates: Courteous, encouraging and effective
• Behavior with public: courteous and helpful
• Ability to decide routine matters: logical and decisive
• Knowledge of relevant services, menus, policies and procedures: Well informed and keep abreast of latest developments.
• Appearance: Having good appearance (attire)
• Loyalty: Ability to faithfully support all his staff members
• Verbal expression: Ability to communicate well with consumers and other staff members
• Motivation: Ability to boost the morale of other employees to produce desired outcomes
• Etiquettes: Ability to eat, serve and treat consumer properly.

There are certain methods that facilitate the implementation of trait-based approach. Some organizations use only one approach, and, in some organizations, mixture is used. Methods are as follows:

**Graphic rating scales**

This is a scale that will allow the appraiser to rate the performance of the employee based on variety of behaviors required for a job. This is the most acceptable and commonly used method, and it is a simple method of checking off the employee performance level. This method is easy to use and as an organization you just need to train the employees to understand what is meant by poor, good etc. This method can be conducted in multiple ways like

  o Supervisor / Boss rating the employees
  o Employee rating their bosses
  o Group members rating each other etc.

**Essay method**

In this method the evaluator writes a written report about the employee in which he / she discusses the employee performance and appraises him. Usually in essay the evaluator discusses about the promotion, pay and termination related decisions. This method is very easy to conduct but the problem is that essays can be open ended and there
could be lack of standardization in responses. They evaluate the employee as being personal favorite because they don’t have to rate him against certain behaviors and traits.

**Forced-distribution method**

This method is used to identify the low performers and star performers. In this method rater rate the employee on a specified distribution. This method is basically used to reduce rater errors, but it actually does not eliminate this error and further discriminates among the employees whose job is kind of similar.

**Ranking method**

This method is based on the comparison of one employee with another. Rater evaluates the employee as most effective or least effective by comparing him with others. This method is not as such popular and mostly employees are not willing to use this method because it will discriminate among employees as some of them will be ranked as high and some will be ranked as low. One of the problems with this approach is that it is difficult to exactly compare the people working in different departments.

For we are recommending Graphic rating method as it is not much time consuming and also it enables comparison by having quantitative analysis. As discussed above that in this industry traits of a particular employee significant role because through these traits you can identify that what kind of employee can meet the business requirements and customer needs and will treat them with respect and politely. This method will be helpful if the employees are communicated well that you don’t need to be too much lenient or too much strict, you need to have a balance between them so that biases or errors are not created.

**Result based rationale**

Though behavior and trait base appraisal system would be used but some aspect of result base should be added so the appraisal form can be objective in some manner. It also gives some line of sight and minimizes the subjectivity in the appraisal. For instance, in the waiter’s appraisal form we can add a section of result base, that if they served let say x number of tables correct and no order was mishandled, he should be appraised well. For supervisor this study can add how much sales have been increased of the branch which he is supervising also what is the customer rate of return in the branch.

**Training on evaluating the performance appraisal form**

To make employees familiar with the appraisal form, employees will be provided training regarding the evaluation and understanding of the form. Appraisers will be trained on how to fill the form and how to evaluate the employee by considering the behavioral, traits and some elements of result-based approach. They will also be trained that how to avoid the rater errors and biasness. Appraise will be trained on how to interpret the evaluation on the form.
Procedure of Performance Appraisal

This procedure will include the following people:

- Employees: Who will be appraised / evaluated
- Appraiser: To whom employee is reporting to / Immediate boss
- Assistant General Manager: Reviewing the forms
- General Manager: To whom suggestions and recommendations will be communicated

Who will be evaluating whom?

- Assistant General Managers will evaluate the supervisor
- Supervisor will evaluate the waiters and the front desk manager

The Performance appraisal procedure is as follows:

The appraisal process starts with the meeting of performance-planning meeting. In this meeting the supervisors, managers and employees will be having a discussion regarding what behaviors, traits and results should be considered for evaluating an employee. These behaviors, traits and few financial objectives will be set by considering this discussion and the job description of the employee.

Performance evaluation process will start at 7th January. The time period for this whole process will be two months. When the process starts in the first week the employees have to conduct their medical examination and during that week forms will also be distributed to them. Then these forms will be collected from them and will be given to the evaluators. Then evaluator will start review the performance of the respective employee. He can conduct interviews with them. He will also gather information from the JD and observations.

Appraiser will take three weeks for the evaluation and the collection of the data. He will take a back seat and will think that what message I intend to give and he will also consider that whether I am evaluating the person without involving myself in rater errors.

He will also consider that what could be the situational factors that may have affected his performance. Situational factors could be:

- Suppose 1st May was off due to Labor Day and it was Friday. So due to long weekend most of the people of Islamabad went out of stations so due to which sales were less and it was not the fault of the employee that he could not increase the revenue of the restaurant
- Suppose that during peak hours, there is sudden visit of the VIPs so the employee will be busy serving them and will be having less time to serve the employees etc.

Based on its appraiser will do the performance assessment of the employee which is the most crucial phase of performance appraisal process. After considering all the
possible factors, he will assign the ratings to the employee. When the appraiser completes the fulfillment of the form, he reviews it again to avoid any kind of errors.

Then the form will be submitted to Assistant General Manager and then he will further review the form that whether rater has properly evaluated the respective employee and then will approve the form and will give it back to the evaluator. Then the feedback session will start and after the feedback session forms will be submitted to the General Manager. Following timeline represents the time period for each step.

Feedback Process

Feedback session will be a one-to-one discussion among the appraiser and appraise and the feedback process will be completed in within a week. There will be a proper place selected for the feedback session and the time selected should be an appropriate such as it should be a break time and it should certainly not the time when the employee is working.

There will also be a discussion during the feedback session and here the one who is appraised can point out changes in the appraisal form based on evidence. The supervisor will keep in his mind that the feedback session will be a motivating and will certainly not be a discouraging session.
Appraiser has to complete this session within a week and then he will send the document containing any suggestion or recommendation or improvement that come across during the feedback session. These recommendations could be regarding the appraisal form, feedback session or anything related to organization etc.

In this session they will discuss the ratings given to the employee and how he has performed. This session will be productive for both of them as employee will get to know that how to enhance his performance. Appraiser will also learn that how to evaluate better in the future.

After the feedback session, all the information will be communicated to GM including the recommendations etc. Then on the basis of the overall ratings, GM will provide certain incentives to employees on the behalf of the company.

**Roles and Responsibilities of the Appraiser**

The appraiser first and foremost responsibility is to fill the appraisal form with fairness. He should be focused to filling the form with full honesty and integrity. He is responsible to fill it on time and be honest with his evaluations. He should be responsible for every employee under him. He should communicate the purpose of conducting the appraisal. His role is to be an evaluator not a judge. He should also be a coach to them. Guide them through their journey, tell them how they can rectify their mistakes and correct them. He should give proper feedback and always present a rationale for what he has filled in the form, it is better to have some evidence. His feedback session should be in-line with the appraisal he has filled.

The most crucial part for the appraiser is when he has to deliver the reasons for negative feedback. He should be empathetic and should provide evidence and guide them how can they improve areas in which they lacked. He should be motivating so the employees’ morale remains high.

Supervisor will evaluate waiters and front desk manager, supervisor will in turn be evaluated by AGM and whole process will be conducted under the supervision of General Manager.

**Frequency of appraisal**

Ideally the appraisal should be conducted quarterly.

There is high turnover rate in the industry and the appraisal is done only once a year, what happens is that at the start of the year some employee is working and at the end of the year some other so the appraisal is not effective at all, to cater to this issue the appraisal should be conducted after every 6 months.

The industry in itself is very unstable and there is high turnover rate in order to check the performance and have a rather quick feedback for reinforcement requires that the appraisal should be frequent too.
Secondly this study can add another sort of appraisal which can be performance checker of the restaurant. It can be bi-annually or annually to see how restaurant has been working. It can help in analyzing the growth pattern, sales increase, profits. This can also help them make new strategies and be proactive which in turn can give them competitive advantage.

Initially we will start bi-annually. The reason is that they are not used to of the system so for that we will start gradually and later it can be increased to quarterly.

Sample Form

Manual

Reporting relationships

The two selected employee groups i.e., the front desk support staff and the waiters are appraised and evaluated by their supervisor who is the head waiter. The head waiter will report the evaluation of the employees to the assistant general manager and further he will get feedback from both the supervisor and the employees as well. Once the AGM has gone thoroughly through the appraisals of all the employees then he will make a report regarding the evaluation and will present it to the general manager.

Time period for the evaluation process

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Roles and Responsibilities of the Appraise

Appraise should be honest in filling the form. He should clearly state his achievements even if they are not up to the mark.

Recommendations

This study is proposing a rather simplified form due to as a initial startup limitations in our study; this study suggest that once they get habitual of appraising the employees than more things can be added and the form can be raised to another level. This study also suggests checking the performance for the hotel itself too. This will in turn gave them a competitive advantage and keep them up to date and remain proactive. Another part which we can later add into the appraisal form is self-appraisal, employees that way can tell their understanding about their job.

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