

# The effectiveness of employee performance appraisal



Performance Appraisal and Reward system is viewed as the systemic model that correlates supervisory feedback with the employee behaviour, attitude and motivation (Gomez-Mejia, 2007: p. 21-24). Historically, the Performance Appraisal and Reward system has been viewed as the feedback and critics framework to help the employees in enhancing their productivity and performance by virtue of constructive feedbacks, reviewing and rewarding past performance, setting the future goals, employee motivation, training and growth planning and problem solving/grievance handling (Hall et al. 1989: p. 54-67). However, the Performance Appraisal and Reward system in the modern world has been viewed as the tool for evaluation of productivity and efficiency of employees to determine their standing against the salary increments, bonus, promotions and layoff policies (Andres et al., 2010: p. 1599-1607). This has resulted in very narrow viewpoints about the system by employees (Reinke, 2003: p. 23-27) whereby some take it negatively as well (Daley, 2007: p. 290-293). But Cook and Crossman (2004: p. 526-541) explained that the satisfaction with the Performance Appraisal and Reward system is better in employees that play the role of both appraiser and appraisee. They further explained that best results are obtained when 360 degree feedback system (appraising the managers) system is practiced by the organisation. This is the problem that the author proposes to address in this research. In the modern era when employees exhibit pessimism about the Performance Appraisal and Reward system (Daley, 2007: p. 290-293) because they consider it as the mere tool for deciding increments, bonuses, promotions and continuity in the company (Andres et al., 2010: p. 1599-1607), what makes it so vibrant in companies like KFC resulting in high employee motivation and reduced attrition (Huck, 2010: p. 1-3)? The <https://assignbuster.com/the-effectiveness-of-employee-performance-appraisal/>

proposed topic is: The effectiveness of Employee Performance Appraisal System (EPAC): A case study on KFC.

## **1. 2 Background of the Organisation**

Kentucky Fried Chicken (KFC) is the highest revenue earning chain restaurant of Yum! Restaurants which is ranked at number 239 on the Fortune 500 list that exceeded global revenues of 11 Billion US Dollars in year 2008. KFC is regarded as the fastest growing brand in chain restaurant segment in the world that operates like a “ Quick Service Restaurant (QSR)” producing good Chicken dishes under the name “ finger lickin’ good”. (Huck, 2010: p. 1-3)

The company was founded as Kentucky Fried Chicken by Colonel Harland Sanders in 1952, though the idea of KFC’s fried chicken actually goes back to 1930 (Shuker, 2008: p. 8-11). In UK alone, KFC employs more than 22000 people in more than 780 stores across the nation (Huck, 2010: p. 1-3).

KFC was regarded as the second best employer on the Britain’s Top Employers 2010 list. It achieved 3. 5/5 stars in Pay and Benefits, 4. 5/5 stars in Training and Development and 5/5 stars each in Career Development, Working Conditions and Company Culture in the five attributes rated by CRF Institute in the Britain’s Top Employers 2010 survey. (Huck, 2010: p. 1-3)

KFC has an excellent employee performance measurement system, promoted by parent company Yum! Restaurants. The “ Champ Card” peer rewarding system has been elementary in achieving high motivation and reducing employee turnover. (Corporate Executive Board, 2006: p. 4)

### **1. 3 Purpose of Research**

Employee Performance Appraisal System (EPAS) is the mechanism of longitudinal (over a period of time) performance management of employees (Smither, 2001: p. 1-7). If designed appropriately, it can result in effective bonding between supervisors and subordinates by virtue of open discussions, appraising strengths and weaknesses of subordinates and the work systems in which they operate, identification of trainings requirements, awareness of future goals, confidence boosting, rewards and recognitions, motivation, etc (Smither, 2001: p. 1-7). The end result can be boost in organisational productivity (Gomez-Mejia, 2007: p. 21-24) and even enhancement of the revenues and profits (Boice and Kleiner, 1997: p. 197-201). But the Performance Appraisal system needs to be designed very effectively and efficiently to ensure that the desired outcomes supporting boost in productivity and hence the revenues and profits can be tangibly achieved (Boice and Kleiner, 1997: p. 197-201). Gabris and Ihrke (2000: 41-44) argued that ineffective measurement systems are going to be questioned by the employees and hence may be unacceptable to them. If ineffective measurement systems are followed, the EPAS will not be perceived to be useful and hence the relationship of participants in review meetings will determine the results and not the actual performance of the employees (Bradley and Ashkanasy, 2001: p. 83-85).

In this research, the author wants to learn about how exemplary performance appraisal systems, like the one practiced by KFC, are designed and how are they accurately linked with employee motivation, productivity, and the overall organisational performance. The rewards and recognition

system studied by Corporate Executive Board (2006: p. 4) emphasised on the peer relationships, “spot reward” system for quick wins and celebrating individual and group successes in vibrant ways (like clapping for colleagues, announcing quick wins, giving away “Champ Cards”, etc.). These attributes are highly advocated by Gabris and Ihrke (2000: 41-44).

## **1. 4 Research Questions**

Following are the proposed Research Questions for the study:

What are the areas of employee performance evaluated by KFC in their EPAS?

What are the criteria and performance measures applied in KFC’s EPAS?

How effective is KFC’s EPAS in measuring employees’ performance?

How KFC’s EPAS affects motivation and future growth of the employees?

What are the scope of improvements in KFC’s EPAS?

## **1. 5 Research Objectives**

Following are the proposed Research Objectives of this study:

To study the features of KFC’s EPAS and learn the underlying causal factors that contributed to its phenomenal success across the world.

To map the learning points from KFC’s EPAS with empirical evidences in academic literatures and understand how the academic world have been advocating about such causal factors.

Identify new learning points that has not yet been identified by the academic world and discuss about them.

Present the value additions from KFC case study to already existing theoretical background in the academic literatures.

Present a critical analysis of how KFC can further improve their EPAS by identifying the traits advocated by academic literatures but not prevalent in KFC EPAS.

## **2. 0 Literature Review**

### **2. 1 Introduction**

Gomez-Mejia (2007: p. 21-24) explained that supervisors' feedback through performance appraisal systems can result in two types of responses of the employees – Cognitive response and Behavioural response. He analysed that dysfunctional feedbacks (ambiguous, one way, inconsistent, judgemental, misdirected, coinciding with salary increments, etc.) can cause uncooperative cognitive response and reduced employee performance and functional feedbacks (job related, two way, explicit, consistent, clear, not linked with salary increments, etc.) can result in goal oriented cognitive response and improved employee performance Gomez-Mejia (2007: p. 22). Hence, the most effective systems of appraising performance are: functional, relevant, uniform and consistent. Pragmatism is important because it helps to ensure that the system will be easily understood by employees and effectively put into action by managers (Gomez-Mejia (2007: p. 22-24).

Drawing upon arguments by Briscoe & Schuler (2004: p. 5-57) performance can be viewed as a combination of several factors, such as motivation,

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ability, working conditions and expectations. It has been established that there are certain factors that affect employees' performance more than others. These factors, according to Dowling et al (1999: p. 4-29), include the compensation package, the nature of task, support from higher management, the working environment and the overall corporate culture.

In this chapter, the author has presented an organised literature review to analyse how the case study of KFC can be supported by the theoretical foundation already established by empirical theories. In essence, the research instrument can only be designed with the help of such theoretical foundation as explained by Saunders et al. (2007: p. 44-50).

## **2. 2 Elements of Employee Performance Evaluation**

Traditionally, performance appraisal of employees has been viewed as the psychological test bed for employees that comprises of critics ratings, decision making on rewards and recognitions, deciding amount of salary increments, deciding future expectations, deciding continuity in the company, deciding promotions, measuring the alignment with departmental and organisational goals, etc (Elmuti et al., 1992: p. 42-48). The modern performance appraisal system is linked with quality improvement philosophies of the organisation that was originally conceptualised by Deming (Elmuti et al., 1992: p. 44-45). However, Levy and Williams (2004: p. 881-889) argued that the modern performance appraisal theories have travelled a long way to transition from mere enforcement tool of organisational objectives and quality targets to the system that influences the overall corporate culture and social system. This shall be very much evident in the case study of KFC where the EPAS is viewed to be contributing

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positively to the congenial and highly vibrant work environment in the organisation (Huck, 2010: p. 1-3).

## **2. 3 Link between EPAS, Performance Measures and Staff Motivation**

EPAS can directly contribute to staff motivation if it is perceived to be fair, transparent, clear, consistent, continuous, bilateral and development oriented (Kavanagh et al., 2007: p. 132-137; Boice and Kleiner, 1997: p. 197-201). As reiterated by Boice and Kleiner (1997: p. 197-201) and Gomez-Mejia (2007: p. 21-24), discrete, one-sided, ambiguous, misdirected, and judgemental appraisals are perceived to be unfair and result in negative cognitive response, demotivation and reduced performance of employees. Boice and Kleiner (1997: p. 198-199) argued that surprises during annual performance reviews may result in retaliation by employees given that they deserve the right to avail continuous feedback. O'Connor et al. (2010: p. 729-735) described that performance measures need to be realistic, practical and transparent to the employees such that positive cognitive and behavioural responses can be achieved. The objective of performance appraisal system should be to motivate the employees to achieve highest performance levels against the measures and not get threatened by the measures perceiving that they may be used against them if supervisor is not happy O'Connor et al. (2010: p. 729-735).

## **2. 4 KFC's EPAS in measuring performance and motivating their staff**

KFC has highly congenial and highly vibrant work environment. KFC's EPAS is designed on peer recognition model in which employees can recognise each



other by giving away champion cards against quick wins. This is also carried out vertically in which juniors can reward seniors and vice versa. Such on the job recognitions are mapped with the corporate goals and values. This system in KFC meets the SSMART objectives: supports organisational goals and values, simple and sincere, meaningful, adaptable, relevant and timely. (Huck, 2010: p. 1-3; Corporate Executive Board, 2006: p. 2-4)

## **2. 5 Effects of KFC's EPAS on KFC performance and competitive advantages**

The reports by Huck (2010: p. 1-3), KFC Holdings (Malaysia) Annual Report (2009: p. 8-9) and Corporate Executive Board (2006: p. 2-4) revealed that the key competitive advantage of KFC is the high employee retention and productivity against close rivals like McDonalds. KFC has been rewarding their high performing employees consistently and have been able to retain talents by virtue of their on-the-spot recognition scheme.

## **2. 6 Conclusions**

The EPAS system should ensure congruence between organisational goals and employee performance and hence cannot be achieved in discrete form (like annual reviews). It has to be continuous and on-the-job. The model by KFC is closely linked with the theories presented by Gabris and Ihrke (2000: 41-44), Kavanagh et al. (2007: p. 132-137) and Boice and Kleiner (1997: p. 197-201) that advocated transparency, consistency, bidirectional, fostering trust relationships, strengthening the colleagues on-the-job, setting of good examples, celebration of quick wins, heart to heart recognition by individuals, and celebration of group success as the key objectives of EPAS

that can finally result in high employee motivation and corporate productivity.

## **2. 7 Conceptual Framework**

The author proposes to conduct interpretive study in which the outcomes of the primary research shall be categorised, classified, and tagged appropriately such that wise interpretations can be drawn and compared with the theoretical foundation of past empirical studies. The author shall compare responses to all questions with the literature review, one-to-one, such that close correlation with the past theories can be framed. Gaps in KFC's EPAS against past theories and vice versa will be identified such that the conclusions and recommendations can be drawn. This approach is called qualitative interpretive study as described by Saunders et al. (2007: p. 44-107). Also Wolcott et al. (2002: p. 85-90) termed this approach as "critical thinking research". This is further explained in the next chapter.

## **3. 0 Research Design**

### **3. 1 Introduction**

AERA (2003: p. 2-11) emphasised that Research Design is the collection of various attributes of conducting the research that helps in making the study more focussed, purposive, unbiased, valid, reliable and ethical. Further to this, Bryman and Bell (2003: p. 3-45) described that Research Design begins with the philosophical approach that the author wants to take and leads to appropriate choices of methodology, approach, methods, instruments, sampling methods, data collection and analysis methods, pilot design and ethical considerations. The discussions follow.

### **3. 2 Research Philosophy and Methodology**

Bryman and Bell (2003: p. 3-45) described that two philosophies are most prevalent in social and business research studies – positivism and interpretivism. Positivists try to prove theories through research whereas interpreters try to learn theories through research. Hence, positivists always begin with hypotheses formulation and try to accept and reject them based on outcomes of study whereas interpreters begin with research questions and try to address them through learning from research. Hence, positivists always prefer scientific and objective research whereas interpreters prefer observational research, action research, descriptive research and critical thinking research. (Bryman and Bell, 2003: p. 3-45)

Saunders et al. (2007: 44-107) described that positivists normally prefer quantitative research because it only takes numbers as inputs and comprises of scientific methods (like mathematical modelling, experimentation, statistical analysis, etc.) (Bryman, 2004: p. 59-77) whereas interpreters prefer qualitative research because it can take any form of inputs (text, numbers, pictures, etc.) and comprises of interpretive, analytical thinking and observational methods (Bryman and Bell, 2003: p. 3-24).

The author perceives that positivists can frame hypotheses because they are seasoned experts in their respective subject matters and are very confident about what they want to prove. The author is an amateur in performance appraisal and hence wants to conduct this research to learn the best practices of EPAS from KFC and map them with literatures. Keeping this approach in mind, the author has selected interpretive philosophy with qualitative research.

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### **3. 3 Research Approach**

#### **3. 3. 1 Inductive Approach**

Qualitative researchers welcome any form of valid inputs (like text, numbers, pictures, voice recording, observations, experiences, etc.) and hence carry out inductive approach of learning (Bryman and Bell, 2003: p. 21-45). Given that the author has selected qualitative research, he wants to adopt inductive learning approach.

#### **3. 3. 2 Deductive Approach**

Quantitative researchers only entertain numerical inputs that are applied in experimental setups or mathematical and statistical models to derive the outputs. The model of learning is in the form of  $P \rightarrow Q$ , where P is independent variable and Q is dependent variable and  $\rightarrow$  denotes the processor between P and Q. This is called deductive approach of learning. (Bryman and Bell, 2003: p. 21-45)

The author has not adopted this approach because the methodology chosen is Qualitative.

### **3. 4 Research Methods**

#### **3. 4. 1 Techniques and instruments**

Qualitative research is conducted using grounded theory, ethnography, phenomenology and action research techniques. Grounded theory employs “learning from past theories”, ethnography employs “human observation and analysis”, phenomenology employs “learning from human experience” and action research employs “learning by participation and involvement”.

Grounded theory doesn't employ any specific instrument, ethnography

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employs “ observation charts”, phenomenology employs “ structured and semi structured questionnaire” and action research employs “ cause-effect charts”. (Thompson and Walker, 1998: p. 63-69)

The author wants to study EPAS by capturing human experiences (employees at KFC) and hence has proposed the choice of phenomenology with structured questionnaire. As described by Thompson and Walker (1998: p. 63-69), structured questionnaire helps in reducing bias and improving validity because the respondents are closely tied to the context of the questions. These reasons supported the author’s choice of structured questionnaire.

### **3. 4. 2 Data Sampling, collection and analysis**

The author has chosen purposive sampling against quota sampling, convenience sampling and snowball sampling. Purposive sampling deals with mapping each possible candidate with pre-determined qualification criteria. Quota sampling deals with purposive sampling for multiple populations with different pre-determined criteria sets, convenience sampling deals with choosing respondents by virtue of ease of access and snowball sampling deals with testing purposive sampling against multiple pre-determined criteria sets and expanding the one that is most relevant. The data collection shall be cross sectional (not tagged with historical significance) and the data analysis shall be interpretive with critical thinking approach. This is further explained in the “ Reflections” chapter. (Cooper and Schindler, 2003: p. 34-109).

### **3. 4. 3 Pilot Study**

As reiterated by Saunders et al. (2007: p. 52-63), pilot study can be very useful to enhance the quality of the instrument and test the interpretations of respondents and validity of the questions asked. It also helps in measuring time taken in conducting interviews. The author proposes to conduct pilot study among few friends and request for constructive feedback to enhance the questionnaire.

### **3. 5 Conclusions**

The author has proposed to conduct the study employing interpretive philosophy, qualitative methodology, inductive learning approach, phenomenology technique, purposive sampling, cross sectional data collection and interpretive data analysis with critical thinking approach.

#### **3. 5. 1 Validity and Reliability**

The validity and reliability shall be assured by carefully designing the structured questionnaire instrument and conducting pilot study to test and enhance it. The structured questionnaire instrument shall be based on the review of most relevant literatures and will be aligned with the research questions and objectives.

#### **3. 5. 2 Generalisability**

Although the findings shall be applicable to KFC (due to case study approach), the author shall closely map the findings with the outcomes of the literature review to achieve generalisations.

## **4. 0 Access and Resource Implications**

### **4. 1 Access to Subjects**

The author has access to employees in KFC given his association with the organisation. The study shall be conducted on selected employees of KFC outlets in London after obtaining permission from the Restaurant Managers.

### **4. 2 Ethical Considerations**

The research shall be conducted in transparent manner keeping the rationale of study very clear to all respondents and the Restaurant Managers. The willingness to participate will be obtained from all respondents prior to starting the study. No deception shall be carried out in any form or shape. In addition, the author shall ensure that the emotional aspects, beliefs and ethnic/religious origin will be highly respected in the process of conducting the study. Moreover, the author shall honour the intellectual properties of literature sources by using Harvard referencing.

### **4. 3 Resources**

The author proposes to conduct the study alone although volunteers are always welcome. The author plans to conduct face to face interviews and hence will have to bear travel expenses to all outlets and distribute the questionnaire in printed format. The theoretical foundation established from literature review shall be the primary resource that will help in accurate mapping with primary research and critical thinking.

## **5. 0 Proposed Action Plan**

The author proposes the following action plan for the study. The weeks are proposed to be counted from the day the author gets a go-head from his

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supervisor to proceed with the study. The overall project shall be completed in eight weeks including weekends whereby the author has planned to dedicate about four hours per day to the study except the Week 6 in which the author may have to work for eight to ten hours a day to secure access to all respondents and conduct the interviews. The author has planned to conduct this entire research alone although volunteers to extend helping hand will always be welcomed.

## **Activity**

### **Weeks**

WK1

WK2

WK3

WK4

WK5

WK6

WK7

WK8

The chapter 1 comprising of research context, aim and objectives, research questions and research structure design will be completed.



The author shall conduct extensive research on various journal articles, past research reports, peer reviewed internet sites, books etc. and prepare the list of relevant literatures that shall be included in the References section.

The author shall complete Literature Review Chapter (2) and Research Design and Methodology chapter (3).

The author shall conduct purposive sampling to select respondents, design the questionnaire and conduct the interviews. (parts of chapter 4)

The author shall interpret the responses, map with literature review, discuss the mappings critically and then present the conclusions and generalisations. (Parts of Chapter 4 and the entire Chapter 5).

## **6. 0 Reflections on Learning**

As explained by Evans (2007: p. 1-4), the research is closely implicated with the ethics, values and cultural identity of the researcher. The philosophical considerations of the research is closely linked with what the researcher wants to achieve out of the study. Evans (2007: p. 104) and Cornish et al. (2007: p. 1-16) further described that the researcher may like to conduct research to study a problem area in depth that he/she wants to address in future, to closely study and understand the subject matter where he/she wants to build his career, discover the solutions to problems that has been bothering him/her for a long time, prove the existence of some theories or correlations between some variables that he/she has discovered during his/her experience in this world, to promote the light of education and learning, etc. The learning methods in research has often clashed in the past

– like the epistemological oppositions between Interpretivism and Positivism  
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that has been prevailing for ages (Lorenz, 1998: p. 309-316). The interpreters have been largely depending upon human analytics skills and positivists have been largely depending upon scientific evidence of existing phenomena in natural sciences (Lorenz, 1998: p. 309-316). But Bowden (2005: p. 4-52) and Irez (2007: p. 17-27) presented very unique reflection that can diminish all conflicts and standoffs among different believers. He explained that every researcher wants to know the truth and hence it doesn't matter how he/she knows the truth as long as he is able to get to it. The truth always more important than beliefs of individuals (Irez (2007: p. 18-19). If this is the case then why shouldn't we forget all the conflicts and employ the best of all philosophies and methodologies? He analysed that this thought approach may be correlated with the philosophy of Realism which is neither linked with positivism nor with interpretivism. Every research is in fact the relationship between subjects and aspects of the world. This is what comprises of the truth. One may like to know the truth by engaging with the subjects (interpretivism) or with the aspects of the world (positivism) or with both (realism). This can be understood from the following figure presented by Bowden (2005):

Figure 1: The concept of Realism presented by Bowden (2005)

The outcome may be descriptive, analytical or critical thinking. In descriptive outcome, the researcher may like to describe the outcomes to build a new theory, in analytical outcome the researcher may like to analyse the outcomes with respect to past theories and in critical thinking outcome the researcher may like to critically think on existing perceptions or existing ways of thinking and compare with the research outcomes to evolve the

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similarities and differences. (Bowden, 2005: p. 4-52; Wolcott et al., 2002: p. 85-103)

As described by Wolcott et al. (2002: p. 85-103), critical thinking is a human skill that is developed by cognitive thinking and analysis (learning from the tangible evidences with a wider “out of box” thinking approach). It neither involves open ended interpretations nor a blind belief on experimentation or simulation results. The researcher applies cognitive thinking to all the outputs by comparing with multiple valid evidences (inputs) without showing any bias towards a particular type of input.

The author has adopted critical thinking approach in this study. In this approach the author shall first develop theoretical foundation about the EPAS framework by browsing through various research reports, journal articles, books, peer reviewed Internet sources, etc. and short-listing the most relevant resources with respect to the research questions and research objectives. The structured questionnaire shall be an outcome of the theoretical foundation formed with the help of the literature review and shall be closely aligned with all the research questions. The responses of structured questionnaire will be closely mapped with the literature review by interpreting and analyzing the outcomes of each question independently and comparing with the theoretical foundation. The differences and similarities between the literature review outcomes and the structured questionnaire outcomes will be evolved by following critical thinking approach and finally the conclusions, recommendations and generalisations will be presented.

The author believes in knowing the truth and hence is highly influenced with the realism philosophy. However, interpretivism has been selected in the research design because the author is not a subject matter expert of EPAS and hence wants to learn it by following the inductive learning approach. In future, the author wants to develop his career as human resources manager and hence wants to learn the best practices of EPAS thoroughly given that the author perceives it to be the most difficult challenge in human resources management given that the recipients are the agents that are highly impacted by the EPAS framework.

In general, the author wants to develop his skills pertaining to focussed research, discovering the sources of information, finding the truth, critical analytics and deriving specific and general conclusions. These skills are very important in human resources management field because all policies and procedures (like the EPAS framework) are results of reflections from the employee surveys and measurement of their performance at work (Bradley and Ashkanasy, 2001: p. 83-96). The framework itself is meaningless if the criteria of measurements, evaluations and decision making is not understood and accepted by both the parties – the appraisers and the appraisees. If the author achieves the role of Human Resources Manager, he perceives that two way communications based on research efforts and fact finding efforts will be key to success and accurate data and information will be the key driver to successful HR planning and implementation, especially in designing the EPAS framework. These skills can be generated with the help of this study.

Finally, the author wants to reiterate that he will take the learning to his professional world and apply them as actionable outcomes, not only to practice his profession efficiently and effectively but also conduct more academic research studies in future. This study is expected to be very useful for students as well as professionals.