

Performance appraisal systems in restaurants

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Do restaurant managers commonly use performance appraisals and, if so, how frequently and for what purposes? The authors address these questions and review the restaurant industry in general.

Restaurants are labor-intensive. Modern technology has not found ways to replace food service employees with equipment. Even if this could occur it would likely be met by resistance from guests in many restaurant segments who prefer a high level of service as an integral part of their dining experience.

Restaurant employees must be effectively supervised. They must be given goals, pointed in "the right direction" (effectively developed and delivered training can help to accomplish this), and coached about ways to better deliver products and services according to expected standards. Performance appraisals can be an integral element in supervising efforts to assess performance to develop plans for professional

development, including performance improvement, if necessary, and to provide input into reasoned decisions about personnel-related issues such as compensation, promotions, training, and related matters.

By the mid-1970s United States organizations were shifting away from performance appraisal methods involving collective collaborative approaches in which managers and employees mutually develop goals. Examples of these methods include Management By Objectives (MBO) and Behaviorally Anchored Rating Scales (BARS).¹ They were being replaced with traditional, objective approaches such as graphic rating scales since these methods were likely to be more defensible in court. Appraisals are one tool.

By the 1990s research suggested that it was less the type of appraisal system used but, rather, the use of job appraisals in conjunction with other personnel

tools such as written job descriptions, employee review of results, and rater agreement that influenced court decisions.²

A similar conclusion was reached in a study of discrimination cases.³ A mid-1980s study concluded that small companies in the United States tend to use trait-based performance appraisal methods, while their larger counterparts frequently used a combination of trait, behavior, and result-based systems. The same study also noted that approximately 20 percent of organizations did not allow opportunities to review or respond to appraisal results.⁴ By the late 1980s it was reported that graphic rating scales, which allow raters to evaluate performance on a scale, for example, 1 = very unsatisfactory and 5 = very satisfactory, were most commonly used (57.1 percent) by U.S. companies. Open-ended surveys (21.3 percent) and Management By Objectives procedures (18.1 percent) were used less frequently.⁵ Today it is reported that graphic rating scales are still widely used by many businesses, even though they may yield performance errors, halo effects, social/cognitive inaccuracies, inter-rater liability, and other biases.⁶

For what purpose is data generated from performance appraisals used? A study in the late 1980s indicated that findings were utilized primarily to reward past performance and to set goals for employee development purposes.⁷ A mid-1990s

report suggested that performance appraisal information was most likely used for employee development purposes and as a basis for merit pay decisions.⁸

Little research exists

Surprisingly little research has been conducted on the use of performance appraisals in the hospitality industry. Two recent studies in the lodging and club segments analyzed the extent of use, purpose for, and frequencies of appraisals, types of methods used, and a self-assessment of benefits.⁹ Other research has addressed performance appraisals in non-commercial food service, school food service, and hotels.¹⁰

Hospitality industry research is important because of the labor intensity, high turnover, and low productivity rates suffered by many organizations. Restaurants, a significant component of the hospitality industry, have received surprisingly little emphasis in performance appraisal research.

The research has several objectives: first, to compare performance appraisal information from restaurants with similar data reviewing U.S. industry in general, and second, to secure restaurant data to compare with applicable information from the lodging and private club segments. This latter analysis is not part of this article.

The survey, which had 14 questions, replicated a study developed at Bowling Green University to collect information from non-hospitality organizations.¹¹ A

total of 370 surveys were mailed to general managers in restaurants throughout the United States. A random sample of members from the National Restaurant Association (NRA) was used; 152 (41.1 percent) usable surveys were returned.

Demographics vary

More respondents (27.5 percent) came from the Midwest than any other area, followed by the Northeast (16.5 percent). Restaurant seating varied from 14 to 3,000, with an average of 135. Most, 80.9 percent, were independent and general managers had a mean of 14.5 years of experience. Most restaurants also had 0 to 25 employees, 74.1 percent full-time and 73.8 percent part-time in this category.

Finally, nearly half were upscale/casual (21.2 percent) and mid-priced (21.9 percent), followed by family dining (17.9 percent), fine dining (15.2 percent), and quick service and other (11.9 percent each).

Use of appraisals is low

This study yielded information about the extent of use, purposes for, and frequencies of appraisals, the types of methods used, and a self-assessment of their worth.

The use of performance appraisals is lower in restaurants than in other industries. While 66.7 percent of managers reported some use of performance appraisals, only 29.9 percent indicated that they were required for

all employees. This is below the rate (88.6 percent) of companies in other industries which use them for all staff.¹² Other data support the premise that performance appraisals are relatively unpopular:

- 33.3 percent of properties do not use them at all
- 12.9 percent of properties seldom use them
- 16.3 percent require their use only at the discretion of department heads

Performance appraisals are used for a variety of purposes in restaurants which use them, including the evaluation of employees for compensation and promotions, assessment of training needs and establishment of employee goals and objectives. See Table 1. Compensation decisions and establishing employee goals/objectives were the most common reasons for their use. Multi-purpose use is also commonplace in other fields; 80 percent of the respondents reported using performance appraisals for multiple purposes.¹³

Many appraisals are annual

How often managers provide feedback to employees impacts the value and usefulness of an appraisal system. However, some managers choose to conduct appraisal sessions and provide feedback only once per year. Often this session is associated with an annual review for compensation decisions; 41.6

Table 1
Performance appraisals in restaurants

| Use | Percent |
|---------------------------|---------|
| Compensation decisions | 90.7 |
| Employee goals/objectives | 82.6 |
| Establish training needs | 80.2 |
| Promotions | 77.9 |
| Other purposes | 1.3 |

Table 2
Frequency of performance appraisals

| Frequency | Restaurants | | Other Industries ¹⁴ |
|---------------|-------------|------|--------------------------------|
| | n* | % | % |
| Quarterly | 9 | 11.7 | 3.6 |
| Semi-annually | 21 | 27.3 | 15.6 |
| Annually | 32 | 41.6 | 75.8 |
| Other | 15 | 19.5 | 5.0 |
| Totals | 77 | 100 | 100.0 |

Note: Asterisk represents the number of restaurant managers who use appraisals and who responded to this question.

percent of restaurant managers indicated appraisals were undertaken annually and 70.4 percent included compensation discussions. Frequency of restaurant use in comparison with businesses in other industries is presented in Table 2.

Restaurant managers tend to provide employees with performance appraisals more frequently than do managers in other industries, a positive strategy since appraisals are more effective when they are used frequently.

Several types are used

Restaurant managers use several types of performance appraisal systems depending upon both the purpose and the type of employee being evaluated. See Table 3.

Not all managers use results of performance appraisals for review and feedback sessions with their employees. Some simply provide appraisal information to the employee and solicit no feedback. This diminishes the performance appraisal process since it does not allow the

Table 3
Types of appraisals used in restaurants

| Type | Frequency of use | |
|---|------------------|------|
| | n | % |
| Management-by-objectives (MBOs) | 27 | 24.3 |
| Graphic rating scale | 26 | 23.4 |
| Narrative essay | 18 | 16.2 |
| Behaviorally anchored rating scale (BARS) | 14 | 12.6 |
| 360 degree feedback | 19 | 17.1 |
| Other* | 7 | 6.4 |
| Totals | 111** | 100 |

*Note: * Other types of appraisals include use of performance standards which match performance against job descriptions and miscellaneous hybrid techniques.*

*** Total is not the same as the number of managers stating use of appraisals because some reported using more than one system.*

employee to either comment about the appraisal and/or to participate in the development of the scores.

Approximately 93 percent of restaurant managers indicated that they used a review and feedback session in conjunction with the appraisals given to employees. This is similar to the average in other industries (92 percent).¹⁵ While the percentage of restaurant managers who provide review and feedback sessions with employees is impressive, this includes only those managers (66.7 percent) who reported some use of performance appraisals.

Appraisals are important

Most (81.8 percent) of the managers believe that performance appraisals are either very important (38.1 percent) or somewhat important (43.7 percent) in

encouraging successful job performance. This compares to 95 percent of managers in other fields who attached this significance to appraisals.¹⁶ Only about 8 percent of the managers believed performance appraisals to be of little or no importance to success. Interestingly, this is lower than the number (33.3 percent) who reported no use of performance appraisals and the number (12.9 percent) whose use was only seldom.

Performance appraisals do not appear to be as widely used in restaurants as they are in non-hospitality organizations. Research on appraisals in other fields indicates their use is increasing.¹⁷ However, relative to non-hospitality businesses, they appear to be underutilized in restaurants. The present study can provide baseline data to allow meaningful longitu-

dinal studies and trend analyses about the use of appraisals in restaurants in the future.

It is interesting that, while the percentage of restaurant managers who use performance appraisals is less than counterparts in non-hospitality industry organizations, those restaurant managers who use appraisals do so more frequently than their peers outside the industry.

Restaurant managers generally consider the process to be meaningful and important to employees' on-the-job success. However, this high regard is not followed through with implementation of appraisals.

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