

## 2. LITERATURE REVIEW

### 2.1 Theoretical Concepts

#### 2.1.1 Performance

According to Richard S. Williams, performance has 2 conceptions; they are work outputs and behavior.

Performance as an output is defined as the record of outcomes produced on a specified job function or activity during specific time period. Performance on the job as a whole would be equal to the sum (or average) of performance on the critical or essential job function. The functions have to do with the work which is performed but not with the characteristics of the person performing. (Bernardin in Williams, 1998, p. 75) Pritchard in Williams mentioned *products* as job outcome which is defined as activities or objectives that an organizational unit is expected to accomplish (1998, pp. 75-76).

Murphy in Williams defined performance as the set of behaviours that are relevant to the goals of the organization or the organizational unit in which a person works (1998, p. 93). Behavior is regarded as one of the causes of output, with output being one of the means by which the effectiveness of performance (that is, behaviour) may be judged (Williams, 1998, p. 94)

There are some conceptions of performance as behaviour which is mentioned in Williams from some authors, there are:

- a. Performance is what the person or system does (Ilgen and Schneider)
- b. A performance consists of a performer engaging in behaviour in a situation to achieve results (Mohrman)
- c. Performance is defined as synonymous with behavior. It is something that people actually do and can be observed. By definition, it includes only those actions or behaviours that are relevant to the organization's goals and that can be scaled (measured) in terms of individual's proficiency (that is level of contribution). Performance is what the organization hires one to do, and do well. Performance is not the consequence or result of action, it is the action itself. ... performance

consists of goal relevant actions that are under control of the individual, regardless of whether they are cognitive, motor, psychomotor, or interpersonal(Campbell)

(Williams, 1998, p. 94)

There is a theory of performance as behavior by Campbell which shows determinants of tasks performance and it is similar with what is stated by Whetten and Cameron and in the site [www.accel-team.com/motivation](http://www.accel-team.com/motivation). They stated that performance is the product of ability and motivation.

### 2.1.2 Motivation

Some people get more done than others; some set goals while others drift along; some can't get started, others can't be stopped. We are in the realm of motivation. Look at any group of people performing the same task and the observer will be obliged to conclude that some perform better than others. ... This can be true even when selection has been careful and abilities assessed as uniform. ... Yet cannot differences between individuals be explained by differences in natural ability, training and experience? Yes they can, but it isn't enough. There is another quality present. That quality is called motivation. (Riley, 2000, p. 19)

Motivation – defined as choice behaviour, that is:

- The choice to perform (expend effort);
- Choice of level of effort to expend;
- Choice to persist over time in the expenditure of that level of effort.

(Williams, 1998, p. 121)

### **Motivation theory of Abraham Maslow**

Maslow categorized human needs as follows:

- A need for self actualization (personal growth)
- A need of belong and be loved
- A need for safety and security
- A need for food, drink, health, sleeps (physiological need).

He argues that these needs emerge as motivation in the hierarchy as listed above so that as the need below is satisfied, the next need emerges as a motivation capable of being fulfilled.

(Riley, 2000, p. 21)

As stated in 2.1, performance is the product of ability and motivation. Ability in turn depends on education, experience and training and its improvement is a slow and long process. On the other hand, motivation can be improved quickly. There are many options and an uninitiated manager may not even know where to start. As a guideline, there are broadly seven strategies for motivation.

- Positive reinforcement
- Effective discipline and punishment
- Treating people fairly
- Satisfying employees needs
- Setting work related goals
- Recruiting jobs
- Base rewards on job performance

([www.accel-team.com/motivation](http://www.accel-team.com/motivation))

### 2.1.3 Reward

One of the ways in which rewards may be categorized is to divide them into two main groups – intrinsic and extrinsic. The latter includes pay and many other rewards which may have remunerative consequences, such as promotion, which also brings with it other rewards like enhanced status. Some extrinsic rewards may not be financial in the way that pay is but nonetheless they incur a cost in money terms for the organization. Still other extrinsic rewards, such as recognition or praise from the boss, are wholly non financial. (Williams, 1998, p. 184) Then there are intrinsic rewards – ‘those that the individual provides himself or herself (e.g. feeling of accomplishment) as a result of performing some task’ (Steers and Porter in Williams, 1998, p. 186).

### 2.1.3.1 Intrinsic rewards

Intrinsic reward must be approached from an employee's perspective and from a values perspective. ... For intrinsic reward to be valuable, they must be of value to employees. And even though there will be some "price" placed upon them ultimately by our capitalistic system, enlightened managers understand the critical importance of unlinking intrinsic rewards from the extrinsic forms of incentives.

(Bowen, 2000, p. 162)

Here some example of intrinsic rewards mentioned by Bowen in his book 'Recognizing and Rewarding Employees'

#### 1. Meaningful Work

... the concept of employment and financial security with any one organization is a thing of the past, employees are seeking the "psychic" and "intellectual" opportunity for meaningful work. Such work appeals to their sense of personal missions and values, while adding to their knowledge base and economic worth in labor market. (p. 164)

Intelligent managers know that for employees to realize the intrinsic rewards of meaningful work they must be:

- Allowed the opportunity to "spawn upstream," so to speak, to find fertile ground in the form of interesting work assignments.
- Involved in redesigning processes and job responsibilities.
- Included in decisions that impact them directly.

(p. 166)

#### 2. Learning

Oddly enough, in the new workplace, learning is one of the principal "rewards" employees seek. They know their immediate and long-term value is linked to their ability to learn new skills and new ideas that will help to keep their "employability" factor high. (p. 167) ... Smart managers appreciate the importance of including employees in the process of designing learning experiences. If the subject matter interests employees, if it's relevant to what they do, if the learning helps build their knowledge and make them more effective, and if it directly increases the market value, it will be intrinsically rewarding. (p. 168)

### 3. Making History

Employees feel motivated to make more of their talents when they know that others appreciate them. ... Smart managers value people and appreciate the gifts that make them and their organizations so special. They understand the intrinsic value of recognizing people for the accomplishments that help to make them “legendary”. (p. 170)

### 4. Building Value

So how do organizations build value over time and keep employees growing? One answer suggests there is significant potential in intrinsic reward of “space”- the opportunity to excel.

Savvy managers build value for employees and their organizations by:

- Offering work that has meaning and purpose
- Providing experiences for increased learning
- Offering “space,” i.e., opportunities to achieve
- Encouraging beneficial relationship
- Making sure employees have all the resources needed to do their work successfully
- Respecting and trusting their ability and willingness to achieve
- Intrinsically and extrinsically rewarding desired performance

(pp. 172-173)

### 5. Personal Integrity

**Integrity:** The state of being whole of entire. ... Consequently, with all aspects totally integrated, a person can be true to himself or herself and honest with others. On the new workplace, appealing to an employee’s integrity is intrinsically rewarding. It invites the employee to commit to performance and offers alignment with the person’s interests and sense of self-worth, mission, values, and ideals. (p. 175)

### 6. Organizational Pride

One of the most significant areas for intrinsic reward is an organization’s system of values and guiding principles. ... employees seeking family-friendly organizations are checking out companies that have flexible schedule, daycare and eldercare resources, jobsharing and other family-friendly policies. Gay men and

lesbians are seeking companies that are accepting of them. And many employees are interested in the “top 100 best companies to work for in America” (after the book by the same title) and any organizations that are close to fitting that description. In a word, “pro-people” companies tend to offer both the *intrinsic* and the *extrinsic* rewards many employees seek. Moreover, employees of such organizations are proud to be affiliated with enterprises espousing values that they share. (pp. 176-177)

### 2.1.3.2 Extrinsic Rewards

**Extrinsic Reward:** System of recognition that are provided by persons other than the employee/free agent for services rendered. They may take the form of base pay programs, variable pay plans, bonuses, incentives, prizes, cash, cash equivalent, benefits, gainsharing plans, profit-sharing plans, commissions, stock options, and alternative pay programs. (p. 180)

Extrinsic rewards can be for short term or longer term. Extrinsic rewards for the short term include:

- Bonus plans with near-term payouts, e.g., annually, semiannually, quarterly, etc.
- Short-term incentive plans, e.g., performance plans, project rewards, etc.
- Measurement-based plans, where performance measures are determined according to specific objectives, e.g., reduced cycle time, improved quality, etc.
- Cash and cash equivalent prizes
- Sales incentives such as commissions, bonuses, and other financial rewards for achieving compensable levels of sales performance
- Group incentives plans of all sorts, e.g., team incentives and group recognition plans
- Merger and other event-specific incentive plans
- Stock and stock options for meeting short-term performance expectations or for unplanned yet commendable results
- Re-earnable incentives and other variable pay awards
- Service recognition and other service awards

- Hiring incentives, for referring others and for “signing on”
  - Retention incentives programs, plans and aimed at reducing turnover or retaining critical expertise
  - “On the spot” awards for exhibiting desired behavior or unusual results
  - Prizes, gifts, and re-earnable perks for all sorts of reasons
- (pp. 191-192)

In restaurant industry, tip is a common term.

For servers, tips, or gratuities given by customer are part of compensation.  
(Jerris, 1999, p. 163)

#### 2.1.4 Performance Appraisal

Performance appraisal-also known as performance review, merit rating, performance evaluation, employee appraisal, and employee evaluation- is the assessment of an employee’s effectiveness in a job. (Baker and Huyton, 2001, p. 248)

Performance appraisal provides a review of how well employees are able to meet the expectation. (Lemmex. 2005. [www.globalknowledge.com](http://www.globalknowledge.com))

Performance appraisals fill many different needs in organizations. Most of these needs fall into one of two categories: improving work performance or making work related decisions.

Managers may use performance appraisals to provide feedback to employees. ... Appraisal can also be used to establish goals or objectives for training programs, assess training needs, validate selection (and other process), or diagnose organizational or departmental problems. (Woods, 1995, p. 196)

There are some criteria for performance appraisal, they are:

- *Construct validity*-performance appraisal must measure what they claim to measure. For instance, does measuring “service” actually measure the service delivered?
- *Content validity*-performance appraisal must measure the entire issue, not just a portion or part. For instance, a performance appraisal that measures

guest service at a front desk cannot simply measure the “speed” in which guests were served, since service involves many other issues.

- *Inter-rater reliability*-when two or more raters agree on the same rating, inter-rater reliability is high. If one rater rates a food server very highly while another rater rates the same server very low, inter-rater reliability is low.
- *Consistency*-it is important to note each instance used in an evaluation, not just one or two particular points in time. For instance, if sales-per-person is used to measure the productivity of a food server, the appraiser should record several instances over time rather than a single instance which may be affected by other factors.

(Woods, 1995, pp. 199-200)

When developing a performance appraisal system, managers must first determine the type of behavior they will rate. The three principal types of ratings used are **trait-based**, **behavior-based**, and **result-based** ratings.

...

### **Behavior-Based Ratings**

Behavior-based rating assesses employees on their behavior, rather than personal characteristics. For instance, such appraisals may rate employees on their friendliness toward guests, helpfulness, how often they thank guests for their patronage, and so on. Hospitality operations often emphasize an employee’s behavior toward guests and other employees as much as that employee’s actual ability to perform specific tasks. As a result, behavior-based ratings are fairly common in hospitality companies.

(pp. 202-203)

Some parties that can evaluate performance according to Woods are:

Peer Evaluations

...

Staff Evaluations

...

Self-Appraisal

...

Guest Appraisal  
(p. 205)

#### 2.1.5 Appraising Performance

Some methods of performance appraisal according to Woods in his book "Managing Hospitality Human Resources" are:

##### **Ranking Methods**

Three ranking methods are commonly used. Each method eventually results in ranking employees from best to worst, or from first to last. The three methods are:

(1) **simple or straight ranking**, (2) **alternative ranking**, (3) **paired comparisons**.

Simple ranking requires appraiser to rank all employees from best to worst.

...

When using alternative ranking, the appraiser lists each employee on a separate sheet of paper and then chooses the best first, the worst second, the second best third, the second worst fourth, and so on until the list is exhausted.

...

The paired comparison method involves directly comparing employees to each other on each job criteria. ... The simplest way to compute the final ranking when using the paired comparison method is to count the number of times an employee's name appears on the left-hand side of the chart created for the ranking. The employee whose name appears most often is ranked as the best and the employee whose name appears the least is ranked the least.

(p. 206)

##### **Graphic Rating Scale**

The most widely used method of performance appraisal is **graphic rating scale**. Under this method, appraisers typically rank employees on 10 to 15 criteria. Ranking is done on a scale which ranges from 1 to 5. The criteria used generally covers such items as work characteristics, quality of work, quantity of work, dependability, attendance, relationship with people, job knowledge, and attention to detail. Rating on each criterion is then added together to compile a composite score for each employee. (pp. 207-208)

### **Behavioral Observation Scale (BOS)**

BOS method established critical incidents as the behavior to be observed and asks appraisers to evaluate how often employees behave in this way. (p.210)

### **Narrative Essays**

Raters using **narrative essay** simply write essays that describe the employees they are rating. (p. 210)

## **2.2 Association Between Concepts**

Performance as an output and performance as a behavior is an interdependent conception. Performance is the result (output) of activities (behavior) which the organization wants to be done. Whether performance is good or not depends on ability and motivation of the performer.

Motivation is something that drives someone to perform something; it is the reason why people do something, that is their needs. One of the many ways to motivate people to perform better is by giving rewards.

Reward is a stimulus that can influence or motivate employee to perform well. Reward can be intrinsic or extrinsic. An intrinsic reward gives value and it is experienced directly by employees themselves. But organization can build a situation or conditions that make employees get the intrinsic rewards. And the examples of how to build that situation are mentioned above. On the other hand, extrinsic rewards come from other parties than employees themselves, they can be from organizations, managers or customers. Mostly, intrinsic rewards are in the form of non-cash, and extrinsic reward in the form of cash or in equivalent-cash form or non-cash form. The giving of extrinsic rewards can add value to intrinsic rewards, for example the giving of service recognition or service award to employees.

Performance appraisal is a tool of an organization to evaluate employees' performance. It can be used as the basis of giving rewards to employees. It must have validity and reliability criteria to avoid errors during appraisal process. The best rating for performance appraisal used in hospitality industry is Behavior-based rating because it measures the behavior not the characteristic of the employee, and also because performance is a behavior.

To conduct performance appraisal there is some method that can be used. For example: ranking methods, graphic rating scale, behavioral observation scale, and narrative essays.

### 2.3 Conceptual Model

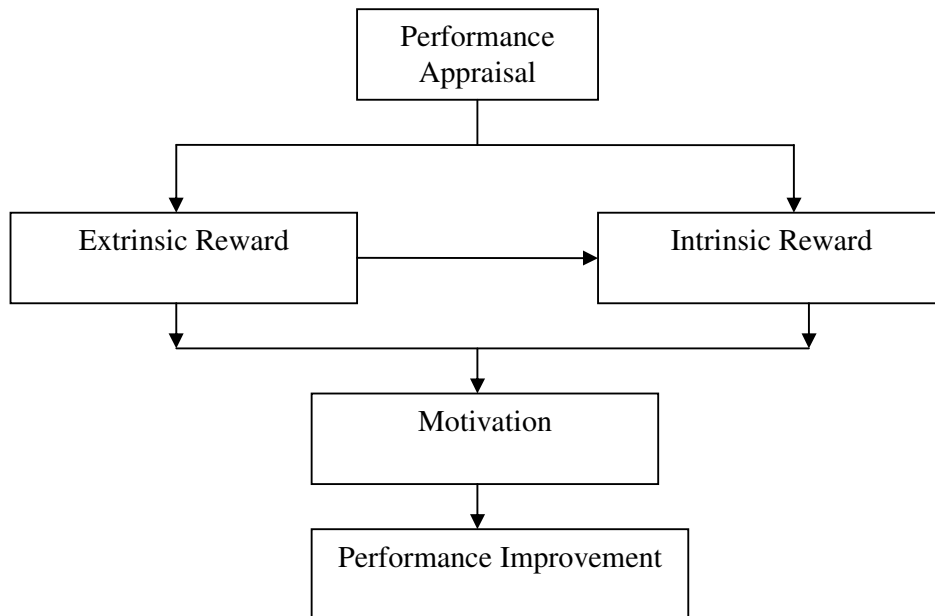


Figure 2.1 Conceptual model