

Opinion of Employees towards KPIs of a Selected Real Estate Company in Chonburi

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Abstract: *The researcher conducted to examine employee's opinions toward Key Performance Indicator (KPI) of staff evaluation systems used by a real estate company in Chonburi, Thailand, applying the Balanced Scorecard (BSC) as a theoretical framework for assessing KPI outcomes. Staff, managers, and board members were surveyed (n = 115) and descriptive and inferential analyses were conducted to determine whether impressions of the KPI systems' effectiveness for achieving various organizational objectives differed by genders, departments, years of experience, and job classification. Gender differences were assessed with an independent samples t-test and job-related differences with one-way analysis of variance (ANOVA). A Pearson correlation test was also conducted to determine whether there were relationships among the four BSC perspectives, financial, customer, internal, and learning and growth. The analysis showed that opinions of the KPI system varied by gender and all three job-related variables, and that the four BSC perspectives were intercorrelated.*

Keywords: Human Resource Development, Key Performance Indicators, Evaluation Method, Employee Performance

Introduction

Resource-based theories of business management place the employees of a company at the very center of the firm (Montgomery, 2011; Newbert, 2007). This view is based on the observation that employees essentially run the daily operations of the organization. Without them, business would halt to a stop. In addition, employees have the ability to contribute to the organization by creating innovation (Wallace, Butts, Johnson, Stevens, & Smith, 2016) and by continuously improving the processes and customer service of the business (Jung & Wang, 2006; Fryer, Antony, & Douglas, 2007) in a way that no other resource can replicate. However, it should be noted that employees are able to contribute to creating competitive advantage in these ways only if they are properly motivated and the climate of the organization fosters and nurtures them.

Moreover, theory and experimental research have agreed that the performance of business organizations is directly dependent on the job satisfaction and morale of the employees because these factors influence the on-the-job level of performance (Wright, Cropanzano, & Bonett, 2007; Sy, Tram, & O'Hara, 2006). In this way, there are multiple synergies between the individual performance of employees and the financial bottom line of the business. Since it is evident that employees contribute to the competitive advantage of companies in numerous ways and their work is a critical success factor, it follows that it is critical to measure their on-the-job performance and their well-being through a well-designed key performance indicator system, typically called a performance dashboard (Eckerson, 2009; Parmenter, 2015).

Key performance indicators (KPI) are performance measurements that can be applied at various hierarchical levels in organizations (Maté, Trujillo, & Mylopoulos, 2012). The assessment based on KPI helps managers identify the weak performance areas, which leads to potential improvement initiatives. KPI can be chosen based on the specific of the business by

applying an existing management framework, such as for example the balanced scorecard (Kaplan& Norton, 2007).

This study is aiming to investigate the opinion of employees of a selected real estate company in Chonburi toward KPI. This specific real estate company has been selected because it is an industry leader in its geographical area for more than 30 years. Since the study aims to understand the opinion of employees about introducing and using KPI, it was necessary to select a company where employees can be inferred to be subject matter experts based on the status of the company. Thus, the existing theory suggests that since the company was able to maintain a high performance, its employees are highly skilled in their jobs and equally motivated to succeed. However, the usage of KPI may negatively affect their performance if employees have a negative perception of the idea of having their individual and team performance measured quantitatively (Collier& Esteban, 2007; Flynn, 2011). Conversely, employees may consider KPI a valuable tool for understanding their strong and weak points. Based on an evaluation of their performance, they may be able to streamline some processes and workflows that would reduce their workload and improve performance. Since the employee opinion of KPI is currently unclear, it is necessary to measure it with the help of theory.

To date, there have been many theoretical articles and experiments aiming to find ways to measure on-the-job employee performance, aiming to find ways to improve it, or proposing to create better theoretical management frameworks for KPI development. However, such papers are rarely, if ever, adapted to the realities in Southeast Asia or based on data gathered from this region. Moreover, none of the theoretical and empirical studies to date have proposed to actually understand the perception of employees and if the usage of KPI helps or demotivates them. This is what the present study aims to determine. The knowledge will be applied by practitioners in the region in the discipline of business management.

Research Questions

What are employees' opinions of the KPI evaluation system used by a selected real estate company in Chonburi?

Limitations of the Study

The scope of the study was focused on the opinions of the employees in the selected real estate company in Chonburi province towards a KPIs evaluation system.

Literature Review

The Concept of Key Performance Indicators (KPIs)

This research examines key performance indicators or KPIs in the organization. A key performance indicator can be defined as a standardized value that can be measured and monitored to show the company's performance on specific business objectives (Parmenter, 2015). However, there are some areas where it is common for organizations to track their performance using KPIs, and some standard measures for KPIs that can be used in any organization (Marr, 2014; Parmenter, 2015). Some common areas where organizations may track firm performance include the firm's objective financial performance and productivity (work efficiency), as well as measures such as work quality and customer satisfaction or service quality measures (Parmenter, 2015).

The Balanced Scorecard (BSC)

The BSC is a model of organization-wide performance measurement and evaluation proposed by Norton and Kaplan (1993) as a tool to align the organization's activities and its strategic goals. The BSC drew on a long history of research into appropriate KPIs for measuring performance, which began in the 1950s, along with a long-running research project in large organizations (Kaplan, 2009). The BSC was widely adopted by organizations between 1992 and 2009, offering an opportunity to evaluate the performance of the model in real-world environments (Kaplan, 2009). For example, The BSC specifies four perspectives, financial, customer, internal, and learning and growth (Kaplan and Norton, 1996).

Evaluation Practice Theories

The practice of performance evaluation is typically embedded in the organization's human resource management (HRM) systems, as these evaluations form an important part of the organization's performance management systems (Schemmerhorn et al., 2011). Performance evaluation is therefore explicitly tied to the selection of KPIs, since the KPIs are intended to measure the organization's performance (Schemmerhorn et al., 2011). The initial statement of evaluation theory argued that organizational interventions must be considered as changes which produce results in the organization based on specific goals and activities, known as the program logic of the change (Chen, 1990).

Research Design

This is a quantitative research using a descriptive survey to collect data using questionnaire and the participants of this study were employees in a selected real estate company in Chonburi. Krejcie and Morgan (1970) came up with a Table for determining sample size for a given population for easy reference.

Data Collection

Data and data sources used in the study consisted of two parts, Primary data obtained from the data collected from questionnaires. The Group employs a real estate company in Chonburi, Secondary data obtained from studying the relevant documents from various sources such as journals, research reports, and internet resources for independent research.

Data Analysis

For the 1st phase in-depth interview, Content Analysis was used, as suggested by Creswell (2014). For the 2nd phase, the data of completed quantitative self-completion questionnaires were analyzed using descriptive statistics to describe the main features of the data in order to summarize the data in the form of mean and standard deviation. An Anova F-Test was used to determine the statistical significance of differences between generations and type of companies. SPSS software was used for analyzing the frequencies, descriptive and cross-tabulations. Exploratory Factor Analysis (EFA) was used to reduce number of variables for ease of analysis and used as the framework for Structural Equation Modeling (SEM) which was used to identify the level of relationship among variables. The final phase of group discussion adopted ATLAS.ti software which was useful for analysis with the visual presentation of the data. Krippendorff (2013, p. 356) noted the advantage of using the software was that the text explorations were systematic "countering the natural tendency of humans to read and recall selectively".

Data Analysis

The researcher began the data analysis after gathering the entire queries by Monitoring Information, the researchers examined the integrity of the respondents who were not completely isolated and excluded. And the questionnaire must be completed by using the code for processing by a computer program.

Rigor or Trustworthiness

The statistics used to analyze data in this study include descriptive statistics (percentage, frequency, mean and standard deviation) and inferential statistics. The analysis was conducted using Statistical Package for the Social Sciences (SPSS) software to ensure accurate calculations. Inferential statistical tests that were used to confirm the hypotheses included Pearson correlation, independent samples t-test, and one-way analysis of variance (ANOVA). Therefore, the readers are able to determine the applicability of the research findings.

Participant Profile

The participants of this study were employees in a selected real estate company in Chonburi (n=115). There are 61 males and 54 females.

Research Findings

The researcher presented the findings related to the research questions that guided the study. Data was analyzed to identify the opinion of employees towards KPIs of the selected real estate company in Chonburi.

Table 1 Means and standard deviations for employee opinions of the KPI system

Items	Mean	S.D.	Interpretation
1. Financial Perspective (company growth)	3.78	.52211	Agree
1.1 Key performance indicator system (KPIs) affects company cost.	3.80	.76319	Agree
1.2 Key performance indicator system (KPIs) affects organization management.	3.99	.65555	Agree
1.3 Key performance indicator system (KPIs) affects reward and incentive system.	4.08	.75100	Agree
1.4 Key performance indicator system (KPIs) affects job assignment (select people for a job)	3.98	.74907	Agree
1.5 You clearly understand the current key performance indicator system (KPIs) used, for example main criteria.	3.30	.90780	Neutral
1.6 Your supervisor discusses about key performance indicator system (KPIs) with you.	3.54	.92988	Agree
2. Internal Perspective	3.75	.54962	Agree
2.1 Key performance indicator system (KPIs) enhances work quality in the company.	3.95	.75908	Agree
2.2 Key performance indicator system (KPIs) helps you to work effectively.	3.91	.76737	Agree

Items	Mean	S.D.	Interpretation
2.3 You think there is a better tool for evaluate work performance than the current KPIs.	3.56	.76309	Agree
2.4 You clearly understand the current key performance indicator system (KPIs)	3.57	.79539	Agree
3. Customer (Internal and External) Service Quality	3.58	.59039	Agree
3.1 Key performance indicator system (KPIs) affects your work with colleagues within the company.	3.75	.61905	Agree
3.2 Key performance indicator system (KPIs) makes internal operation easier.	3.52	.70522	Agree
3.3 Key performance indicator system (KPIs) enhances organization commitment.	3.41	.80454	Neutral
3.4 Key performance indicator system (KPIs) helps increasing customer satisfaction.	3.66	.79347	Agree
4. Learning and Growth (Operational Efficiency) Perspective	3.59	.56676	Agree
4.1 Key performance indicator system (KPIs) enhances your work performance.	3.67	.76916	Agree
4.2 Key performance indicator system (KPIs) is suitable for you.	3.49	.78778	Neutral
4.3 Your supervisor informs you about KPIs result.	3.39	.97058	Neutral
4.4 Your supervisor evaluates your work performance based on his/her feeling.	3.13	.99580	Neutral
4.5 Your supervisor evaluates your work performance based on your actual performance.	3.84	.85421	Agree
4.6 Key performance indicator system (KPIs) affects your work development.	3.80	.63798	Agree
4.7 Key performance indicator system (KPIs) is appropriate for human resource development.	3.79	.71935	Agree

Employee perceptions of the KPIs were largely positive, though there was significant variation in their views. They agreed, on average, that the KPIs are somewhat effective in enhancing financial, customer, internal, and learning and growth outcomes. However, most scores were < 4 out of 5, indicating that the system could be improved. Areas of strength included KPI effects on work effectiveness and quality, whereas areas of weakness included staff understanding of the KPI system and the ability of the KPIs to promote employee satisfaction and organizational commitment.

All five hypotheses were confirmed, as the hypotheses tests identified interrelationships among the four BSC perspectives and differences in perceptions of KPI system effects based on gender, department, years of experience with the company, and work position. However, differences were not found for all of the BSC outcome perspectives in each case. There were gender differences in perceptions of KPI effects on the financial and learning and growth perspectives, with female employees tending to have more positive impressions of KPIs than

their male counterparts. Also, departmental differences in KPI opinions were found for the financial, customer, and internal perspectives but not for learning and growth. On the other hand, differences based on years of experience were found only for the learning and growth perspective, with newer employees tending to give the KPI system higher scores than those provided by more experienced employees. Differences in opinions of the KPI system based on job position were found only for the financial perspective, with board members and managers tending to give the KPI system lower scores than regular staff.

Discussion

The measurement and assessment of performance, supported by incentives or disciplinary actions, can contribute to employee management strategies that help organizations meet their objectives (Eisenhardt, 1985). KPIs are used to evaluate employee performance, and the development of KPI assessment systems is often guided by theoretical models such as the BSC, which provides a framework for measuring performance and assessing progress toward corporate goals (Kaplan, 2009; Norton and Kaplan, 1993; Schemmerhorn et al., 2011). For this research, the BSC was used to assess KPI system effects on various aspects of corporate performance, as perceived by employees at a Chonburi-based real estate company. The results provide evidence that the BSC is a useful framework for assessing KPI effectiveness.

The BSC framework comprises four dimensions: financial, customer, internal, and learning and growth. The financial dimension is concerned with monetary effects as well as the factors that contribute to them; the customer perspective focuses on outcomes such as satisfaction and retention (which can be assessed for both external customers and employees as internal customers of the organization); the internal dimension encompasses operational issues, innovation, and other factors related to processes and practices; and the learning and growth dimension includes skills training and professional development (Kaplan and Norton, 1996). This research found statistically significant relationships among all four of the BSC perspectives, in accordance with prior studies showing the interrelatedness of BSC factors (Berková et al., 2017; García-Valderrama et al., 2009; Ittner & Larcker, Lee, 2015; 1998; Nørreklit, 2000; Perlman, 2003; Zahoor & Sahaf, 2018). The findings support Nørreklit's (2000) assertion that BSC perspectives have complex multidirectional interrelationships rather than simple one-way linear relationships.

There is evidence that the use of a KPI system can contribute to overall corporate performance through its effects on employee performance (Ferreira & Otley, 2009), and the employees surveyed for this research agreed, on average, that the KPI system affects various aspects of their own performance as well as the company's strategies and outcomes. They believe that the KPI system has major impacts on the financial dimension of the BSC. However, staff gave the KPIs higher average scores for financial effects than managers or board members did, and the latter are likely to have a better sense of the KPI system's impacts on high-level financial management strategies. The employees also agreed, on average, that the current KPI system improved their overall work quality and effectiveness. However, despite these strengths, they also identified some areas of weakness.

Research has shown that employees do not always perceive evaluation systems as fair or accurate, and that these perceptions are influenced by beliefs about whether corporate policies and procedures are equitable and employees are treated fairly by management (Latham, 2007). Although the employees who participated in the current study tended to view the KPI system as providing an objective assessment of actual performance, some felt that it was also subjectively

guided by supervisors' feelings. This latter belief could be problematic because employee opinions of evaluation systems are influenced by the perceived objectivity of the performance measures used (Parmenter, 2015). Employees also judge evaluation systems based on their perceived validity (Gabris & Ihrke, 2001), the assessment criteria used (Narcisse & Harcourt, 2008), and supervisor knowledge (Landy et al., 1978). Scores tended to be lower for questions related to communication and understanding of the KPI system, which indicates that employees may not know whether the measures and evaluation criteria used to assess their performance are valid, or their supervisors are sufficiently knowledgeable to make good performance assessments. However, despite these weaknesses, they did agree, on average, that the KPI system had a number of positive effects for all four of the BSC outcome dimensions.

Although they gave the company's KPI system largely positive reviews, the employees identified KPI effects on staff satisfaction and organizational commitment as areas of relative weakness. This could have negative impacts on the company over the long term because a performance evaluation system that is perceived as unjust may reduce motivation and lead to increased attrition (Lathan, 2007). Low scores for the KPI system's ability to promote organizational commitment suggest that the system does not encourage motivation and loyalty. It is also worth noting that the employees agreed, on average, that there are better options than the current KPI system used by company, which indicates that the system could be improved. However, they did tend to agree that the current system is suitable for human resources development, though scores averaged on the low end of the agreement range for the personal suitability of the system. In other words, employees considered the system to be generally adequate for promoting learning and growth, but only somewhat suitable to their own professional development needs.

This research found that employee perceptions of KPI system outcomes varied based on employee and job-related characteristics. Gender predicted differences in opinions of the KPI system, which accords with research showing gender differences in the perceived effects of procedural justice on organizational commitment (Choi and Rainey, 2010). Differences in opinions of the KPI system also varied based on department and job classification, in line with the findings of prior research showing that perceptions of procedural justice for incentive-based play plans vary based on job classification (Dulbohn & Martocchio, 1998). Years of experience was a predictor of KPI opinions as well, in accordance with the findings of other research demonstrating that tenure is a factor in perceptions of procedural justice (Dulbohn & Martocchio, 1998) and that trust in a performance evaluation system varies based on years of experience (Mayer & Davis, 1999). However, in many cases the differences based on gender and job-related characteristics have been relatively small, and although these factors influenced opinions of KPI effects in the current study, none contributed to differing perceptions in all four BSC outcome dimensions.

Conclusions

Based on the findings, it can be concluded that the current KPI system is somewhat successful in helping the company achieve its goals. However, there is a need to improve the system so that it does a better job of promoting staff satisfaction and organizational commitment, provide more learning and growth opportunities for employees who have been with the company for 3 years or more, and clarify the KPI system to staff so that they understand it. Changes would be particularly beneficial for those working in departments such as marketing where employees tend to have a more negative view of the KPI system's effectiveness.

Implications and Contribution from the Research Findings

This research has a number of implications for the Chonburi real estate company featured in the case study. First, communication of the KPI system's objectives and assessment measures should be improved to make them clearer to staff. Second, employees could be surveyed to determine why the system does not contribute substantially to internal customer objectives such as staff satisfaction and organizational commitment and how the system could be adapted to improve its performance in these areas. Third, it would also be useful to determine why the KPI system contributes less to the development and growth of employees who have been with the company for 3 years or longer. This could also be achieved by surveying employees or conducting focus groups to determine which learning and professional development options they require. Fourth, employee opinions of the KPI system's effectiveness for achieving BSC objectives tend to be more negative among employees in certain departments, so it would be beneficial to determine why employees working in particular fields believe that the current KPI system is ineffective and how the system could be adapted to produce better outcomes for them.

Recommendations for Future Research

There are several possibilities for future research to build upon the findings of this study. First, this research focused on a single real estate company in Thailand, so the findings may not be generalizable to other industries, cultural contexts, or even other real estate firms in Thailand. Therefore, it would be useful to conduct a study that incorporates multiple real estate firms or companies representing different industries, and (if resources for a larger-scale study were available) incorporate cross-national surveys to determine whether perceptions of KPI outcomes differ by culture as well as demographic and job-related factors. Second, this research was based on employee perceptions of KPI outcomes rather than objective indicators, so it would be informative to conduct a study that incorporates both employee perspectives and objective measures such as revenue growth and customer retention statistics. Third, this research examined the customer dimension of the BSC only from the perspective of employees, so it would be useful to conduct a study that incorporates both employee and customer surveys to get a more holistic perspective of KPI effects on internal and external customers.

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