

# PERFORMANCE APPRAISAL PRACTICES IN HOSPITALITY INDUSTRY IN NEW- DELHI: AN EXPLORATORY STUDY

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## ABSTRACT

*The purpose of this study is to explore performance measurement practices in the context of hospitality industry in New-Delhi. Performance appraisal (PA) is increasingly becoming a part of strategic approach to integrate HR activities and business policies. PA refers to all those procedures that are used to evaluate the personality, the performance, and the potential of its group members. Performance appraisal is a powerful tool to provide management valuable information regarding the quality of its human resource. Performance appraisal is a key decisive factor of success in service (hospitality) organizations. The reason being that in the service sector there is no tangible output. The service is produced and consumed/sold at the same moment. So, the chances of rejecting or controlling the quality of the service - in contrast to industries producing tangible goods - before it reaches the hands of consumers is very limited. The intangibility of services in hospitality industry, poses a number of problems for the measurement of quality and customer satisfaction. Performance appraisal thus becomes all the more critically important in service industries than in other type of industries. In this paper, we propose a framework for the selection of appraisal methods and compare some performance appraisal methods in order to facilitate the selection process for organizations. The value of this framework lies in its use. Organisations can evaluate their performance appraisal method with respect to the key features of it, before implementing any method as well as expending extra costs.*

**Key Words:** *Performance appraisal, employee appraisal, performance review, performance evaluation, career development discussion. hospitality industry.*

## 1.0 INTRODUCTION

In today's competitive business world, it is well recognised that organizations can only compete with their rivals by innovating. Organizations can be innovative if they manage their human resources well. In this respect performance appraisal (PA) serves a good role. Performance appraisal is a formal and systematic process of identifying, observing, measuring, recording and developing the job-relevant strengths and weaknesses of employees. Performance appraisal is a systematic way of evaluating the standard of a worker's performance on his job and the potential for development. There arises a critical basic need for any organization to evaluate its employee's performance continually to ascertain their improvement and to know their situation in the

organization. Performance appraisal is a valuable tool that can be used to a) make employment decisions viz., determining pay and promotions, b) identify professional development needs, and c) identify factors in the work environment that help or hinder performance effectiveness.

Dessler, G. (1997)<sup>1</sup>, defines performance appraisal as any procedure that involves setting work standards, assessing the employee's actual performance relative to these standards, and providing feedback to the employees with the aim of motivating that person to eliminate performance deficiencies or to continue to perform above par.

The principles behind performance management are (a) career management and (b) better performance. The line managers should recognise that performance management is a useful contribution to their team management and not an ordeal. Performance management is an ongoing and continuous process of communicating and clarifying job responsibilities, priorities, and performance expectations to ensure an understanding between supervisor and employee.

Hatry, Harry P. (2006).<sup>2</sup> observe that "an important aspect of performance management involves designing specific measurable indicators as a means of gauging progress. Outcome indicators are not to be confused with actual outcomes, although both are pertinent to measuring progress. Outcome indicators are assigned a specific numerical measurement that indicates progress toward achieving an outcome,"... but are not the outcomes themselves.

Performance appraisal is variously named as a performance review, performance evaluation, career development discussion, or employee appraisal. It is a method by which the job performance of an employee is documented and evaluated. It is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Performance appraisal is the process of measuring quantitatively and qualitatively an employees' past or present performance against the background of his expected role performance, the background of his work environment, and about his future potential for an organisation.

Performance appraisals are reckoned as a part of career development and consist of regular reviews of employee performance within organizations. Boswell and Boudreau, (2002)<sup>3</sup> consider performance appraisal as a vital and most important HR practice. Fletcher (2002)<sup>4</sup> considers it the most extensively researched topic in work psychology. Performance appraisal is a process within the overall system of performance management. Performance-management system has three objectives: i) to address poor performance; ii) to sustain good performance; and iii) to improve performance.

Jafari, Bourouni, and Amiri, (2009)<sup>5</sup> maintain that "performance appraisal is one of the most important processes in human resource management, because it has a great effect on both the financial, and program components of any organization. There is a verity of methods for the appraisal of employees' performance. Obviously, no method can claim that it has an integrated approach in performance appraisal. Therefore, human resource managers should select an appraisal method which is most efficient in their organizations."

Fletcher, (2001)<sup>6</sup> maintains that, "Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. Thus, both practice and research have moved away from a narrow focus on psychometric and evaluation issues to developmental performance appraisal."

Human resource management practices and organizational commitment are directly related. HRM practices particularly address six dimensions: 1. reward; 2. compensation; 3. selection; 4. training; 5. information sharing and 6. performance appraisal. All these dimension can be better addressed with prior performance appraisal. This epitomises the critical importance of performance appraisal system.

## 2.0 AIM OF THE STUDY

The aim/purpose of this study was to examine the performance appraisal system in the hospitality industry in New-Delhi (India). twenty-one in-depth personal interviews with HR-Managers in hospitality firms were conducted to evoke answer to the following questions:

- a) What are the characteristics of your performance appraisal system?

- b) What are the purposes of your performance appraisal system?
- c) What problems are produced by your performance appraisal system?
- d) What areas you feel need to be improved in your appraisal system?

### 3.0 LITERATURE REVIEW

Organizations are run and steered by people. It is through people that goals are set and objectives realized. The performance of an organization is thus dependent upon the sum total of the performance of its members. Most important resource for the competitive advantage of any organization, is its human resource. The survival, growth, profitability, and excellence of an organization is contingent and directly dependent on the quality of its human resource. The performance of an employee is the sum total of his task related behaviours which he exhibits in accomplishing his job responsibilities. As per Heneman III H G, (1989)<sup>7</sup>, "Managers often believe that the most significant HR outcome involves the contributions employees make to the organization's goal attainment. These contributions are called employee performance, meaning how effectively employees carry out their job responsibilities."

Performance Appraisal may be defined as a structured formal Interaction between a subordinate and supervisor, that usually take the form of periodic interview (annual or semi annual), in which the work performance of the subordinate is examined and discussed, with a view of Identifying weakness and strengths as well as opportunities for improvement and skills development. - Basu, Mihir K.,(1978)<sup>8</sup>.

Performance may be defined as the outcome of behaviour. Behaviour is individual activity where outcomes of behaviour are the way in which the behaving individual environment is somehow different as a result of his or her behaviour. It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. - Bolar, Malathi. (1978)<sup>9</sup>. Wilsted and Taylor (1978)<sup>10</sup> state that appraising employee performance has long been regarded as an important part of the management function, for purposes of salary administration and recognizing future management potential.

Herbert and Doverspike (1990)<sup>11</sup> state that a literature review leads to a model for using performance appraisal information in the process of analyzing training needs. The model identifies performance discrepancies, determines causes, and chooses interventions based on internal (employee) and external (work environment) factors (Skill Knowledge).

Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees. - Yoder, Dale, (1980)<sup>12</sup>.

Performance Appraisal has many facets. It is an exercise in observation and judgment, it is a feedback process, and it is an organizational interventions. It is a measurement process as well as an intensely emotional process. While it is fairly easy to prescribe how the process should work, description of how it actually works in practice are rather discouraging. - Cascio Wayne F, (1995)<sup>13</sup>.

There are various methods of conducting employee performance appraisals, however not all methods are suitable for every organisation. An effective performance appraisal system should be fair and open, should clearly identify the strengths and weaknesses and also highlight the productivity of employees - Winston and Creamer, (1997)<sup>14</sup>.

Performance appraisal experts generally agree, that the process of evaluation is normally very carefully designed to keep it unbiased and highly objective, but by nature it is a subjective process. For example, rating a person's overall performance on a five point Likert scale will be highly subjective even when the scale is well designed.

The 360 degree feedback appraisal method is one of the most popular approaches to performance appraisal. This method involves evaluation input from various levels of the organisation for an employee. Gathering feedback from multiple sources can avoid various discrepancies involved in performance appraisal systems. Mondy and Noe (2005)<sup>15</sup> claim that most common appraisal errors can be minimised or eliminated by allowing more than one person to evaluate the performance of an employee. Yukl and Lepsinger (1995)<sup>16</sup> also explain that this (360 degree feedback) is an approach which relies on feedback from an employee's superiors, subordinates, colleagues and sometimes customers. The 360 degree feedback approach allows the organisation to have good insight of an employee from various perspectives and from number of sources. Although it may be considered a

very useful approach but it has been criticised as the approach allows many people to view the performance document of the appraisal, which in reality is a confidential information.

Performance appraisal is one area of human resource management which has been under constant discussion and observation. Newer and more objective methods of appraisal are constantly being devised. The criteria which defined success are changing and hence the need to change to newer systems. Organizations of future will be characterized by customer focus, quick response, emphasis on teamwork and innovation. The process of performance appraisal cannot remain untouched in such a scenario. New paradigms of the process of measurement are emerging. the process now aims at improving the performance rather than just controlling and assessing. The process has now become more specific, open and objective than the prevalent confidential and judgmental one.

Thus from the above definitions/discussion performance appraisal can be considered as a process having the following characteristics:

- 1) It is a structured, formal interaction between superiors and subordinates.
- 2) It evaluates, personality, performance, and potential of an employee.
- 3) It compares performance measures of different individuals.
- 4) It helps in placement, selection for promotions, giving financial rewards, and other actions which require differential treatment among employees.
- 5) It helps establishing shared understanding, about what is to be achieved.
- 6) It manages and develops people.
- 7) It is essential that the performance be monitored, and feedback be given, to help employee overcome his weakness and add quality in his work. Performance appraisal as a tool realises this.
- 8) This continuous process, aims at systematic evaluation of employee performance.

#### 4.0 HISTORY

The practice of formal appraisal of employees has existed for centuries in India. discussions on performance evaluation have been found in Kautilya's Arthashastra dating back to fourth century B. C . The chronological sequence of changes in performance appraisals are as under;

- 1900 : Subjective appraisal
- 1940 : Increased psychometric sophistication
- 1950 : MBO
- 1960 : BARS
- 1970-1990 : Hybrid system and approach
- 1990 onwards : 360<sup>0</sup> appraisal and other modern methods

#### 5.0 NEED OF THE STUDY: WHY APPRAISAL

Dulewicz (1989)<sup>17</sup> says "There is a basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal People will tend to judge the work Performance of others, including subordinates, naturally, informally and arbitrarily.

The human inclination to judge can create serious motivational, ethical and legal problems in the work place without a structured appraisal system, there is little chance of ensuring that the judgment made will be lawful, fair, defensible and accurate. Thus proper appraisal system should exist on all organization for achieving the overall effectiveness in terms of both employee satisfaction, development and overall cost effectiveness.

Performance Appraisal as an important area of behavioural science research, constitutes the basis for HR practices and lays the very foundation for research-based innovations - Murphy & Cleveland, (1995).<sup>18</sup> Performance Appraisal has been widely researched and continues to be practiced, formally or informally, in almost all kinds of organisations, including business schools - Solomon & Hoffman, (1991)<sup>19</sup>.

Eichel and Bender (1984)<sup>20</sup> find that before the 1960's, performance evaluations, were designed primarily as tools for the organizations to use in controlling employees. Past performance was used to guide or justify

management actions in dealing with the employee. Performance appraisal provided the basis for salary, retention, discharge, or promotional decisions.

There are many tensions within the multiple agendas and purposes of appraisals. Boswell and Boudreau Boswell (2000)<sup>21</sup>, make a most useful and clear distinction between two types of functions for appraisal systems:

- A. **Evaluative functions:** include use of performance appraisal for salary administration, promotion decisions, retention/termination decisions, recognition of individual performance and identification of poor performance. To conduct this evaluative function the appraiser takes the role of the 'judge'. Evaluative functions focus primarily on *differentiating between people*.
- B. **Developmental functions:** include the identification of individual training needs, providing performance feedback, determining transfers and attachments, identification of individual strengths and weaknesses. For this developmental function the appraiser takes the role of a coach or mentor. Developmental functions focus primarily on *within person analysis*.

Harrison, (1997)<sup>22</sup>. "Appraisal is the process at the heart of development, but attempts to use it as a major method of control may defeat its developmental objectives." Performance appraisal is a process designed to evaluate, manage and eventually improve employees' performance. It is now treated as a strategic approach.

## 6.0 OBJECTIVE OF PERFORMANCE APPRAISAL

Performance appraisal serves the following objectives:

- a. To provide basis for promotion/transfer/termination.
- b. To identify the subordinates that deserve promotion or lateral shifting.
- c. To help the employee properly identify his strength and weakness, and to inform him the type and level of performance expected from him. This will help him to properly understand his role. That will lend him job effectiveness. The feedback will reinforces good performance and discourage the poor one.
- d. To identify training and development needs of the employee and to prepare him for meeting challenge in his current and future employment.
- e. To counsel and correct employee's misconceptions, that might results in work alienation.
- f. To help employees to internalize the norms and values of the organization.
- g. To identify and remove factors of worker's discontent and to motivate him for better performance.
- h. To create a positive and healthy work climate in the organization
- i. To make the organization a preferred place to work.

## 7.0 WHEN TO DO APPRAISAL

The study has found the following facts:

- a) Most hotels do not appraise their employees annually. Annual increment is given to all without appraising because in their opinion it is the birth right of every employee.
- b) Those hotels who appraise the employee, do so in the month of January or April depending on their financial year.
- c) Appraising is a task that is easier said than done. Tempers fly high and emotions run deep both during and after appraisal.
- d) No matter what increment an employee finally gets it always falls short of his expectation, and department heads are unduly blamed.

It is suggested, that appraisals be done yearly on the completion of the year from the date of joining of each employee. Thus appraisal of all the employees will get scattered round the year and it will also reduce the tension level.

## 8.0 BEST PRACTICE IN PERFORMANCE APPRAISAL

Review of literature indicates that in essence, best practice in performance appraisals involves:

- a) Integrating performance appraisal into a formal goal setting system
- b) Basing appraisals on accurate and current job descriptions

- c) Offering adequate support and assistance to workers to improve their performance by professional development opportunities, etc.
- d) Ensuring that appraisers have adequate knowledge and direct experience of the workers performance
- e) Conducting appraisals on a regular basis.

## 9.0 FOUR PHASE PERFORMANCE APPRAISAL MODEL

Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization. The appraisal is usually prepared by the employee's immediate supervisor. The procedure typically requires the supervisor to fill out a standardized assessment form that evaluates the individual on several different dimensions and then discusses the results of the evaluation with the employee. Too often, performance appraisal is seen merely as a once-a-year drill mandated by the personnel department. But in organizations that take performance appraisal seriously and use the system well, it is used as an ongoing process and not merely as an annual event. In these companies, performance appraisal follows a four-phase model:

### Phase 1: Performance-Planning.

On the eve of a new year the manager and individual sit together for an hour-long performance-planning meeting, to discuss and fix:

- His yearly achievement target ( his key responsibilities, goals, and projects).
- How the person will do the job (the expected behaviours and competencies).
- Discussion on the individual's development plans.

### Phase 2: Performance Execution.

During year the employee works to achieve goals, objectives, and key responsibilities of his job. The manager keeps a track of the performance and provides coaching and feedback to the individual to increase the probability of success. He motivates and resolves any arisen performance problems. Midway through the year or more frequently they meet to review the individual's performance.

### Phase 3: Performance Assessment.

When the time for formal performance appraisal arises, the manager evaluates how well the subordinate has performed during the year. He assembles the performance appraisal forms, fills them and makes his assessment. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work. The completed assessment form is often reviewed and approved by the appraiser's boss. The department head or the compensation manager, may also review and approve the assessment.

### Phase 4: Performance Review.

The manager and the subordinate meet, for an hour, to review the appraisal form prepared by the manager and discuss how well the person performed in the past twelve months. At the end of the review-meeting they fix a date to meet again to hold a performance-planning discussion for the next twelve months. Thus the performance management process starts anew.

With some individual variations in the discussed basic theme, most sophisticated companies generally follow this four phase process.

## 10.0 PECULIAR CHARACTERISTICS OF THE HOSPITALITY OPERATIONS

Hospitality and accommodation operations include both product and service element. Hospitality organizations are not pure service organization, they possess many of the characteristics that distinguish service organizations from other organizations. Mullins, L.J. (1992)<sup>23</sup>, identified following distinct organizational and staffing features that characterizes hotels:

1. Hospitality industry is a mix of both production and service industry.
2. There are high fixed costs.
3. There is a fixed rate of supply but fluctuating, seasonal and often unpredictable demand arises.
4. Many units operate twenty-four hours a day, and seven days a week.
5. Production, and sales are combined in the same premises.
6. There is a diverse range of customers seeking to satisfy a variety of needs and expectations.
7. Services are supplied direct to the customer, on the premises itself, and the customer leaves with no tangible product.

8. Staff is often expected to work long and unsociable hours.
9. The majority of staff receives low pay.
10. There is a high mobility of labour within industry.
11. There is a high turnover of staff joining and leaving the industry.
12. There is a large proportion of female, part-time, and casual staff.
13. Physical presence of the consumer
14. There is no chance for pre-inspection of the quality of the service before delivery.

These characteristics of the tourist accommodation and hospitality industry make HR management a very important aspect of managing. Performance appraisal, considering the above peculiar characteristics of hospitality industry, becomes a complex and tricky affair. A satisfied employee is more motivated to serve his customer willingly and to do his best to achieve customers delight. The satisfied customer will happily make repeat visits and may also recommend the organization to his friends. The organization is benefited. Performance appraisal is the best tool to learn about the quality of the employee possessed by the organization.

## 11.0 DESIGN/METHODOLOGY/APPROACH

**The aim of the study:** The aim was to evaluate performance appraisal practices prevailing in hospitality industry in New-Delhi. The study also aimed to find out the opinions of the managers, in their capacity as raters and ratees, about the current practice in their organization, and how it should be in accordance with them. A written survey was conducted among the managers at all levels in this industry.

**Questionnaire:** The survey questionnaire was divided in three sections. The *first* section contained some personal questions about the manager, the organization, and some general management practices that are believed to be relevant for performance appraisal practices. The *second* section dealt questions about the current performance appraisal practices existing in the organizations. This section belonged to those managers who have formal appraisal systems in their organizations. The *third* section aimed to know the opinions of managers regarding performance appraisals. It was to be answered by all the managers irrespective a formal appraisal system in their organizations existed or not.

**Sample selection:** The sample was selected from hospitality establishments. The sample comprised of managers from 21 hotels. The sample was believed to be representative, of the total population. The questionnaire was used to evoke their responses. The return rate for the questionnaire was 83.25%. This response rate was accepted to be an adequate rate in this kind of a survey. The net number of responding managers came out to be seventy-one.

## 12.0 ANALYSIS OF DATA & FINDINGS

The research data has been analysed and findings made as under:

### 12.1 Demographic profile of hotel managers:

- a. The *education levels* of the managers was found satisfactory. 10.5.0% of managers were either post-graduates 30.5 % vocational college graduates, 34.6% were graduates, and the remaining 24.4% were secondary school pass outs.
- b. Regarding the *age distribution* of the managers 48.5 % of were in the young category(age 18-35) that and 42.5 % are in the middle age category (age 36-50), and 9 % in old category (age 50-65).
- c. *Gender distribution*, comprises of male managers 71.8% and female managers as 28.2%. This may be considered normal as the hospitality business involves long working and unsociable hours which may be difficult for females.
- d. *Managerial experience:* 64.1% of managers have less than 5 years of experience and 81.5% of managers possess less than 10 years of experience.

### 12.2 Job Descriptions:

Job descriptions are the basic prerequisite of any good performance appraisal system. The survey showed that:

1. About one third of managers (34.7 %) have well defined duties, authorities and responsibilities in a written form.

2. 28.2 % of the managers have their duties, responsibilities and authorities well defined verbally.
3. On the other hand 37.1% of the managers say that they do not have any description of their duties, authorities and responsibilities, and they themselves assume, interpret and execute.

### 12.3 The Basis for Promotions:

About 10.3% of the managers claim that the basis for promotion is seniority, A large percentage of managers claim that the criteria used in promotions is performance (72.7%) and 17.0% claim that criteria other than performance and seniority is the basis for promotions.

### 12.4 Determinants of Wages and Salaries:

- a) The research showed that wage and salary in the hospitality industry in Delhi are determined by factors other than performances of the employees. Only 14.5% of the public and private sector managers believed that performance is the determinant of the wages and salaries.
- b) Collective bargaining by trade union and compliance of labour legislation on wage and salary play a major determinant factor (57.7%).
- c) 11.8% believe that the wages and salaries are determined as per seniority.
- d) Private sector managers believe that performance is a major consideration in the wage and salary determination. About 24.7% of the private sector managers say that wages and salaries are determined by performance.

### 12.5 Organizations Having a Formal Appraisal Systems:

All the public hospitality organizations, possessed a formal performance appraisal system. 95.6% of the respondents believed that a formal appraisal system is necessary and should be installed.

### 12.6 Who should be Appraisers:

- a) The study found that in the public sector evaluations are found made by the immediate superior and it is submitted to higher level managers for approval. The higher level managers also write their opinions about the evaluations and pass it upward.
- b) The performance of 'front line employees' and first line managers' is deemed critical and it is thought that they should be periodically evaluated.
- c) About 71.7% of the respondents said performances of workers, and 72.8% said the first line managers' performances should be evaluated periodically. This is logical as these people are in high contact with the hotel guests.
- d) 83.9% of employees and managers opined that their 'immediate manager' is their best performance evaluator.
- e) The managers believe that the customer is not a good alternative for evaluating the performances of employees. Only 6.2% of the managers believe customer can best evaluate the performance of employees.

### 12.7 How Frequently an Appraisal be made:

Regarding how frequently the appraisal should be made, managers have different opinions.

- 1) 33.5% of the managers favour that appraisals be made 'upon the completion of a given task.'
- 2) 27.8%. preferred that appraisals be made 'semi-annually' and 'at the end of the tourist season'.
- 3) 19.7% of the managers preferred yearly appraisals.

### 12.8 Purposes and Uses of Performance Appraisals

- i. The organizations that were using formal performance appraisal system, their 65.3% of the managers claimed that their organizations mostly used it for promotion decisions/purposes.
- ii. All participating managers in the survey whether formal performance appraisal system was being practiced or not in their organizations, said that:
  - It should be used for promotion purposes. (47.5%)
  - Recognition of performance by 46.6%, and
  - Training and development purposes by 42.8%.

### 12.9 The Performance Appraisal Method:

The raters evaluate/rate their subordinates on general work related, and personal characteristics such as Job knowledge, initiative, comprehensiveness, analytical skills, relations with co-workers, customers and superiors, appearance, attendance, health, general knowledge etc. The raters evaluate/grade subordinates on the above



dimensions on a four-point scale ranging from 'very good' to 'very poor'. The managers responding to the questionnaire favoured as under:

1. 27.5% of managers preferred comparison approach.
2. 22.7% preferred free essay approach.
3. 08.2% preferred Critical incident approach,
4. 10.7% preferred forced-choice
5. 11.8% preferred the currently used graphic rating scales approach
6. 20.1% of the managers favoured the Management by Objectives (MBO) approach. The managers believed that results achieved by the employees should be the basis for evaluations. These responses show the dissatisfaction of the managers from the current methods being used and that more contemporary methods should be used.

#### 12.10 How to improve employee performance:

Through performance appraisal individual employee's training needs are identified. Most managers believe in the importance of training for improving performance. Managers were not very much satisfied with the performance levels, or the competencies of their subordinates. The research found that:

- A. 73.7% of the managers said that formal training was essential and necessary to improve employee performances.
- B. 64.8% of the managers said that on-the-job training was necessary.
- C. 62.5% of the managers preferred that incentives be provided to the employees in order to motivate them to improve their performances.

#### 12.11 Performance Appraisal Feedback

It is found that the organizations using a formal performance appraisal system, are not communicating to the employee the results of his/her appraisal. The organizations using face-to-face interviews and the appraisal forms revealed that the appraisal results are kept top secret. This practice, saves the raters from the trouble of justifying his judgment to the employee who may create problem. The result is that the employee remains ignorant. He does not know how he performed during the period. As a net result he continue to perform or behave in the same way, and will not do anything to improve himself. The research findings are:

- 1) 83.3% of managers believed that the appraisal results should not be kept secret. Only 16.7% of the managers favoured for confidential results.
- 2) 53.6% of the managers say that notwithstanding positive or negative evaluation result, it should be communicated to the employee.
- 3) 24.7% of the managers said that employee evaluations be made open to everyone in the organization.
- 4) 51.3% of the managers said the results in a written form be communicated to the employee
- 5) 27.4% of the managers like the results to be communicated through formal interviews with employee.
- 6) 26.2% of the managers like the results to be communicated verbally during the meetings with employees.

#### 12.12 Problems found in the Current Practices of PA.

The managers reported that they confronted the following problems in the use of their current performance appraisal systems:

- **Old & dysfunctional system:** The performance appraisal system found practiced in their organisation was old and outdated. It needs drastic improvisations. It is found infested with unavoidable problems.
- **Prone to biases:** The system used is prone to all kinds of biases, which causes a lots of trouble to the raters during the rating process.
- **Absence of guidelines & confusion on rating:** The managers point absence of guidelines in ratings. About 29.6% of the managers faced this problem. Example: while rating an employee on 'general knowledge' criteria, the raters are confused as they are not provided with a standard or a yardstick to be able to differentiate between 'very good' general knowledge and 'good' general knowledge.
- **Non-performance nature of the criteria:** The second most confronted problem pointed out was the non-performance nature of the criteria used in evaluations. 23.7% managers reported this .
- **Subjectivity:** The subjective nature of the criteria is another problem mentioned by 20.5% of the managers.
- **Recency bias:** It was found as a most frequently mentioned bias, and 41.5% of the managers admit that they are fooled by the recent performances of their subordinates, and that the performances of the subordinates close to the appraisal period influences their ratings.

- **Halo error:** The second most frequently mentioned error is halo error. 28.5% of the managers say that a strong characteristic of the employee, or a very weak characteristic of the employee on a certain dimension can influence the ratings of the employee on all dimensions.
- **Attribution errors:** It is the third most frequently mentioned error by 21.7%. Managers say that they attribute the good or poor performances of the employees to external factors.
- **Performance evaluation an uncomfortable job:** 32.5%, of the managers said they feel fully or partly uncomfortable in doing so. An uncomfortable manager will tend to be much more lenient in ratings.
- **Prejudice:** Regarding the question whether prejudice is involved in ratings. 24.6% of managers who make rating said their prejudices about the employee influences his ratings fully or partially.

### 13.0 CONCLUSIONS AND RECOMMENDATIONS

Peter Drucker, remarked that an organization is like a tune. It is not constituted by individual sounds but by their synthesis. The success of an organization, therefore, depends on its ability to accurately measure the performance of its members and use it objectively to optimize them as vital resources. Performance appraisal is a vital process by which an employee's contribution to the organization during a specified period of time is assessed. Performance appraisal is a tool that helps management to better know the quality of its human resource and how good they convert their qualities into performance. Performance appraisal, when used correctly can provide management with valuable information that may provide basis for important decisions. However in the hands of an incompetent manager this tool can be a devastating weapon, and all potential benefits may turn in reverse direction.

Hotel industry business is fragile in nature. Attracting the tourists is highly expensive and a cumbersome job, but losing them is extremely easy. Hotel industry is a labour intensive industry and human resources play a crucial role in guest-customer satisfaction. No matter how much investment has been made on physical facilities, like building, equipment, furniture, etc., to provide the tourist with a comfortable stay, poor service may wipe out all the positive impressions created by the physical facilities.

In this paper, performance appraisal has been explored and its application at the hospitality industry in New-Delhi has been evaluated. The results of the study indicate that the importance of human resources and the role of performance appraisals in hospitality organizations needs to be better appreciated. In the light of the findings of the research at the hospitality organizations, the following recommendations are made regarding performance appraisal practices at these organizations:

1. Job related criteria should be used to evaluate performances of employees, including managers. Use of non-performance criteria be avoided.
2. The industry is found mainly using in a routinistic manner old and unrevised performance appraisal methods. They need to be replaced by more contemporary techniques, but before opting the new technique first of all the purpose of the appraisals should be defined by the establishments.
3. It is better to customise and use different appraisal methods for different groups in the organization. Employees be conveniently categorised into groups - managerial and non-managerial, or as employees with high customer contact and those relatively less in contact.
4. A good job description is the prerequisite of a good performance appraisal system. The job descriptions should be properly revised and improved. Every employee should know exactly what is expected from him. The job descriptions should describe the tasks, duties, responsibilities, results to be achieved and the behavioural requirements.
5. Performance standards should be developed so that the performances of employees can be compared and good performer and poor performer can be differentiated. Each employee should clearly know the standards and dimensions on which their performances will be evaluated. It will also help self evaluation of performance by the employee, which will lead to self satisfaction and appreciation of their performance results.
6. The employees should know who is going to evaluate their performances. Under the current practice multiple raters are involved in the process. This may be acceptable, as it reduces the disturbing results of the prejudiced appraisals.

7. The survey found that the managers did not favour 'customer appraisals'.
8. However, the comments of the customers on the quality of the service can be used as an input to the appraisals.
9. The current practice of yearly appraisals may be continued. However, instead of keeping calendar year as an year end, 'the end of the tourism season' may be better. Each employee should be provided with knowledge about their strengths and weaknesses right after the tourism season completion. This will help to improve themselves for the coming season.
10. However, yearly evaluations, must be supported by daily coaching and counselling. This is because as the time between the performance/behaviour increases the defensive reactions to the appraisals will also increase.
11. The performance appraisal results should not be kept secret. The appraisal results must be communicated to the employee.
12. The managers should be trained in the interview techniques. The interviews should be carried out in a friendly atmosphere. Ways of improving the employee performance should be explored.
13. The most important part of any performance appraisal system is the use of the results of the appraisal. The good performer should be rewarded.
14. Regarding the poor performer, find out the reasons underlying the failure and try to eliminate those factors. If the employee lacks the necessary skills and abilities to perform the job he should be provided training and development
15. If the poor performance is found due to motivational problem ways of motivating the employee should be explored.
16. One should never forget that the ultimate purpose of the management is to improve performances of its employees for profitability, growth and excellence of the organisation..

This study has explored performance appraisal as one aspect of HRM in the whole management system of the hospitality organizations in New-Delhi. This subject is believed to be of vital importance in this industry. It is hoped that this study, in its own humble way, contributes to this very important, delicate, sophisticated magnificent and majestic industry.

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