

# Effect of Performance Management System in Retaining the Employees of Star Hotels in Indore and Bhopal

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**Abstract**—Performance Management System is installed formally and informally in a different organization but they have difficulty in implementing because various aspects are not evaluated properly. Many organizations are unsuccessful due to improper implementation of PMS. The main focus of this research is on the critical components of the performance management system viz., performance appraisal, compensation practices, training and development, career planning, and feedback and counselling successfully. The present study was undertaken to assess the Performance management Systems in retaining the employees among the star hotels in Indore and Bhopal. It has been undertaken to evaluate the performance management system in star hotels. The employee opinion about their awareness, features and effectiveness and their satisfaction, development, and retention with various aspects of the performance management system was obtained by questionnaire. This paper explains the design and process of the study, the geographical area where the study was undertaken, description of the respondents of the study selected by the researcher, tools and methods of data collection, variables studied, preliminary study, pilot study, analysis and interpretation of data, framework of Analysis and ethical consideration of Research.

**Keywords:** Performance appraisal, Compensation practices, Training and development, Career planning, Counseling, Employees.

## 1. INTRODUCTION-

Performance management is a system intended to ascertain the ways to achieve organizational goals through constant valuation and feedback leading to improvement of employee performance. Performance management, unlike the performance appraisal or annual evaluation process, is an ongoing valuation of employees in a manner geared to match their goals to the organizational goals. It also makes strong use of goal-setting and metrics to identify progress and areas of individual strengths. A Performance management system is one of the ranges of tools that can be used to manage performance. Because it is most usually carried out by line Managers rather than HR Professionals, it is vital that they understand their role in Performance Management and how performance appraisal retain the employees. But on the contrary with a systematic feedback system, the Manager can

identify good and bad performers. Performance Appraisal can also be taken as one aspect of a motivating tool applied in an organization context. According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work.

## 2. SCOPE OF THE STUDY-

The scope of this study was limited to the study of effect of the performance management systems in retaining the employees in a Hotels.

## 3. STATEMENT OF THE PROBLEM-

Employee retention is becoming a necessity for the entire organisation. The Hotel industry is the world largest industry that employs the largest amount of human resources. The current trend in the industry is such that hotel industry is growing in a quick way along with the development across the globe. Since from the early decades there are large numbers of hotels with more number of manpower. The specialty of the hotel industry is such that the manpower cannot be substituted with mechanical or electronic devices. The role of manpower in hotel industry is very significant. Recently manpower turnover is the prime issue in the hotel and catering industry. This causes the productivity and performance of the hotels. Performance management system sets expectations for employee performance and motivates employees to work hard. It involves identifying strengths and weaknesses of employees in their performance as it sets work standards, measure actual performance and gives feedback to employee regarding performance. The divergence of employee performance can only be explored through performance management systems, though most organizations focuses only on appraisals yet performance management system is a complete process which accounts also for appraisals and retaining the employees.

#### 4. SIGNIFICANCE OF THE STUDY-

Performance management system is important system as a solution to human resource difficulties of their retention. There is a consensus that despite their importance performance management systems have been a neglected factor of employee retention in developing countries. Performance management system is much needed for the hotel sectors in the present period. Employee performance management system is a strategy to improve employee retention. Employees always want to develop career enhancing skills that will lead to motivation and retention. There is a need to focus a research on impact of performance management system in retention of employees working in star hotels.

Findings will be useful to planners and administrators/management and other social institutions in forecasting and organization development by ensuring the total use of performance management systems for the improvement of the organization. Through this study, it will help the management to know better how to use performance management systems in retaining the employees. The findings of this study may serve as annoying resource that can inspire other researchers interest to conduct research deeply in the area related to performance management systems on retaining the employees.

#### 5. OBJECTIVES OF THE STUDY-

1. To understand the performance management practices followed by the star hotels in Indore and Bhopal.
2. To understand the demographic profile of the respondents in different star category hotels and evaluate the significant differences exist towards a performance management system
3. To investigate the impact of performance management system on employee retention.
4. To report the overall satisfaction of employee towards performance management practices and provide suitable recommendations for further enhancement in order to retain the employees

#### 6. HYPOTHESIS-

1. There is no significant difference between the opinions on Performance appraisal practices and the demographic factors of the Respondents.
2. There is no significant difference between the opinions on Compensation Management practices and the demographic factors of the Respondents.
3. There is no significant difference between the opinions on Training and development practices and the demographic factors of the Respondents.

4. There is no significant difference between the opinions on career planning and the demographic factors of the Respondents.
5. There is no significant difference between the opinions of feedback and counseling practices and the demographic factors of the Respondents.
6. There is no correlation between the components of performance management systems.

#### 7. RESEARCH METHODOLOGY-

##### 7.1 Population of the study

The population size of the present study includes 3062 employees working in three star and above category of the hotels in Indore and Bhopal, The employees working in the middle and above level of the management are designated into three categories. Viz. Supervisors, Executives and Managers.

##### 7.2 Sources of Data

The sources of data adopted for the study are both primary and secondary data

##### 7.2.1 Secondary Data:

The researcher collected information relevant to the subject from various available books, articles, journals, periodicals, industry reports, magazines, press/media publications, published and unpublished sources

##### 7.2.2 Primary Data:

The primary data was collected by using a structured questionnaire that was established for the purpose of this study and managed to the respondents. Qualitative data was collected through interviews from senior managers and HR managers to advance better understanding on the matter of research and its impact on the industry.

##### 7.3 Framework of Analysis-

The Data collected for the study have been organized, collected and analysed with both basic and advanced statistical procedure and interpreted by providing tables, charts and statistical methods. Findings have been enlisted from the interpretation based on the opinions given by the respondents' Suitable statistical analysis tools were used to analyse the data. Appropriate univariate, bivariate and multivariate analyses were used depending on the nature of variable and objectives of the study.

#### 8. FINDINGS OF THE STUDY-

1. Gender wise distribution of the respondents shows that there are 70 percent male respondents and 30 percent female respondents in the sample. It point towards with the intention of the hotel industry necessitate additional number of male employees when measure up to female

- employees. It is appropriate to the usual history job concerned and socio cultural characteristics of the public.
2. The study reveals that 55 percent of the employees with professional qualifications working in the organisation, having graduation and post -graduation. So it will help to receive the guests by receiving them in a professional way.
  3. Among the respondents, 68 percent of the respondents are married and the remaining 32 percent are unmarried. It indicates that the hotel industry is having moderated balanced workforce. The requirement of the hotel industry is wide spread and more of special performed. So unmarried persons are flexible to work with organisational needs.
  4. Fair performance management system helps employees for their retaining has highest mean value of 3.34 and they feel very hard to leave their organisation since the training and development opportunities are high with low mean value of 3.18. It indicates that performance appraisal practices will help for retaining, but they are ready to move another job when they get higher offer.
  5. It has been found from the feedback and counselling practices, employees have agreed that management gather all relevant factors while addressing their problem , the same time this feedback and counselling is not improving their performance
  6. The career planning practices of the star hotels are good and appreciable. It was indicated that the employees recommend a career for hospitality industry to others with the mean value of 3.45. It is noted that the employees are very happy with the career planning of the industry so that they can refer the industry to other persons also.
  7. It is found from the ANOVA, there is no significant difference between the level of management, annual income with performance appraisal practices in star hotels but gender, age, educational qualification and professional experience has significant difference on the performance appraisal practices. It reveals that performance appraisal has not been done by their level of management and annual income of the employees but they have some difference practices and expectation on the gender, age & experience, qualification level of the employees
  8. It is found from the ANOVA, there is no significant difference between the educational qualification and compensation management practices in star hotels but gender, age, professional experience and level of management has significant difference on the compensation management practices. It reveals that the management provided the salary based upon the employees age, experience and occupational hierarchy and they do not consider about the educational qualification of the employees
  9. From the analysis of Pearson correlation, the relationship among the performance management system (performance appraisal, compensation management, training and development, career planning and feedback and counselling) were studied. It reveals that each and every components of performance management system has positively correlated with one another among the system. It is also found that 75 to 90 percent of significant positive correlation among the performance management system in star hotels of Indore and Bhopal and the correlations are significant at 1% level.
  10. Multiple regression analysis shows that the performance appraisal plays a significant role on employee development among the performance management system, since all the other components act according to the result of performance appraisal. Furthermore it is found that compensation management has no significant effect on employee development. It shows that the compensation benefit received by the employees is not helps for their development. Since every organisation the employees could not satisfied with the compensation benefits, they are all expect more from the employers. By over all the performance management system have 83 percent of impact on employees development
  11. Multi- Factor Model revealed that the performance management system has less variation on employee retention than compared to employee development, although it has a positive and significant impact. But PMS Performance Appraisal, Compensation Management, Training and Development, Feedback and Counselling, and Employee Development have greater impact when compared with PMS Career Planning, Employee Retention. Further, to propel the seven presumptions were a statistically significant and positive association.

## 9. 9. SUGGESTIONS

1. More focus is given on providing general training which may or may not be helpful to all the employees. Organisation should also provide the training based on the need of the employees so that they feel motivated and their performance can be increased.
2. In many organisations, there is apervasiveness of bad practices such as the absence of clear cut rules in promotions and lack of proper recognition of work done. Thus, in order to tackle the situation, merit- based promotion and selecting best employee of the month/year, distributing certificates for higher achiever should be adopted as a strategy for enhancing morale and reducing burnout. In addition, these organization should provide job throughout the year through arranging paid training programmes to employees in the off seasons periods and can be given minimum incentives in the off- season period so as to retain the employees in this industry itself

3. Employees do not have a positive attitude towards the feedback and counselling mechanism. Hence it is suggested that a separate counselling cell is set up to solve all the issues pertaining to the employees themselves.
4. The Human resource department and top management together should map-out career paths for every employee based on their previous performance so that they know better where they are heading. In addition, human resource department has to provide adequate training and development activity to employees at different levels to help them fulfill their ambitions or aspirations.

## 10. CONCLUSION-

The objectives of the study were met and the research questions were answered. From the study it was concluded that, there is an effect of the performance management system in retaining the employees. The data were analysed by different statistical tools and structural equation modelling used to fit a model which is performed by the researcher.

From empirical evaluation of employee satisfaction with various aspects of performance management system and relating the employee retention, it is concluded that there is satisfaction with performance appraisal, compensation management, training and development, career planning and feedback and counselling. But the employee retention based on their satisfaction has less significance. But the degree of satisfaction is found to be determined by age, educational status and job status of the employees. Moreover, the employee retention with performance management system is independent. On the whole, it is concluded that employees are satisfied with performance management system in their organisation and also that system helps for employee retention in the star hotels.

## 11. LIMITATIONS OF THE STUDY-

1. Star Rated hotels were considered for this study.
2. Finding employees of star rated hotels in order to interview them was difficult since most of the time they were working and immediately after work they were on their way home. However the researcher had to find time to interview the employees during their lunch breaks, the questionnaires were dropped by the researcher and collected the following day..
3. Though the findings and recommendations could be generalized to most of the service organisations, the researcher is not sure with its applicability in many service organisations.
4. The authenticity of the Secondary data collected from the various sources depends on the primary provider of data.

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