

A Study on Performance Appraisal Practices Adopted in Five-Star Hotels

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Abstract: Performance Appraisal is an important tool to analysing employees' performance. This study aims to explore the performance appraisal practices adopted in five-star hotels in National Capital Region of India. To achieve the objective, a quantitative approach was utilised. A data from 320 employees of the hotels collected through a structured questionnaire. Descriptive analysis was used to analysis the data. Performance appraisal was predominantly structured, hierarchical, and supervisor-driven, with direct managers playing a dominant role in evaluating employee performance, supported by the human resource department. The study revealed that traditional techniques, including supervisor-based evaluations, rating scales, and structured formats were widely adopted practices in hotels.

Keywords: Performance Appraisal, Employee Performance, Hotel, Performance Measurement, Human Resource Management.

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I. INTRODUCTION

In current years, India's hotel business has experienced significant development. It is intrinsically connected to the tourist sector, and the expansion of the Indian tourism sector has accelerated the growth of the Indian hotel sector. In 2024, Foreign Tourist Arrivals stood at 9.70 million compared to 9.20 million in 2023. Besides as per the data furnished by State/UT Governments and other information available with the Ministry of Tourism, there were 4132.8 million Domestic Tourist Visits (DTV's) all over the country during the year 2025 (MOT Annual Report, 2025-26). According to the World Travel & Tourism Council (WTTC), the sector's contribution to GDP is projected to rise from US\$ 256 billion in CY24 to US\$ 523 billion in CY34, supporting about 63 million jobs.

Attracting and retaining the finest employees is a big effort for the hotel sector, as the workforces can directly contribute to a hotel's competitive advantage (Kusluvan et al., 2010; Muhammad & Krisnawati, 2025). Employees' understanding of keeping a high level of guest happiness would therefore be a crucial issue to assist generate ongoing business in the labour-intensive hotel industry, where workforces play a significant part in providing excellence facility to hotel guests (Cheung & Law, 1998; Powers &

Barrows, 1999; Kusluvan et al., 2010; Ahmed et al., 2013; Muhammad & Krisnawati, 2025). Academicians and practitioners from public and private sector companies have been focusing on the area of performance assessment. Human beings contribute to organizational goals and objectives via varied experiences, motivation levels, societal and demographic properties, knowledge, attitudes, values, and behavioral patterns. Businesses must place a strong emphasis on employee performance and ways to enhance it (Michael & Fotiadis, 2022). Employees need to be evaluated so that they can develop their skills and improve their performance (Ahmed et al., 2013). Enhancing job satisfaction and reducing employee turnover are two additional benefits of properly implementing performance appraisals in firms. (Agyare et al., 2016; Kusluvan et al., 2010; Michael & Fotiadis, 2022).

Over the years, hotels have adopted various performance appraisal practices such as self-assessment, supervisor evaluation, peer reviews, customer feedback, and 360-degree appraisal methods. These practices aim to create a comprehensive evaluation system that captures different aspects of employee performance. Additionally, modern appraisal systems emphasize continuous feedback, competency-based assessment, and alignment with organizational goals. Despite these developments, several challenges remain in implementing effective appraisal

systems in the hospitality sector (Muhammad & Krisnawati, 2025). These challenges include subjectivity in evaluation, lack of transparency, insufficient feedback mechanisms, and limited employee involvement in the appraisal process.

In the context of the Indian hospitality industry, the role of performance appraisal has gained increasing importance due to the rapid expansion of hotel chains, rising competition, and growing expectations of international service standards. Five-star hotels in India employ a diverse workforce across various departments such as front office, housekeeping, food and beverage service, and food production. Each department has unique operational responsibilities and performance expectations, making it essential to design appraisal systems that are fair, structured, and aligned with organizational objectives. Moreover, the workforce in hotels often consists of young professionals and individuals at different levels of experience, which further necessitates the adoption of effective performance management practices to enhance motivation and job satisfaction.

Despite the significance of performance appraisal in the hospitality industry, limited empirical research has been conducted to examine the appraisal practices specifically adopted in five-star hotels, particularly in the Indian context. Understanding how performance appraisal systems are implemented and perceived by employees can provide valuable insights for improving human resource practices in luxury hotels. Therefore, this study aims to explore the performance appraisal practices adopted in five-star hotels.

II. LITERATURE REVIEW

Performance appraisal is a fundamental function of human resource management, essential for the timely and effective achievement of organizational goals (Zhubi et al., 2024). It plays a critical role in enhancing employee performance, motivating staff, ensuring fair reward distribution, and facilitating career advancement within the organization (Zhubi et al., 2024). Performance appraisal contributes to improved work performance, clarifies communication of expectations, helps identify employees' potential, and supports employee counselling (Aggarwal & Thakur, 2013).

A performance appraisal is part of professional development guidance and management. Coens and Jenkins (2000) define performance appraisal as a formalized procedure in which, over a specific period, an employee's work behaviors or traits are systematically evaluated, rated, or defined by an assessor, with the results recorded and maintained by the organization. The perceived fairness of the performance appraisal process is one of the main employee reactions to the performance appraisal process (Kavanagh, Benson, and Brown, 2007). Page and Levy (2000) identified performance appraisal as one of the most vital human resource functions, as it allows supervisors or evaluators to systematically examine and evaluate the performance of their subordinates. Chand & Ranga (2018) emphasized that performance appraisal has become a fundamental requirement for organizations to effectively assess employee performance. In a similar vein, Mathew & Johnson (2015)

and Song et al. (2022) highlighted that performance appraisal systems play a crucial role in enhancing employee performance, thereby contributing to overall organizational success. Wise (2005) also stated that a performance appraisal system enables employees to identify their strengths and weaknesses, which in turn supports them in making informed decisions about their career paths. The findings further suggest that a standardized set of appraisal practices is commonly adopted across the industry. Rao (2005) defined performance appraisal as a systematic process of evaluating employee behavior in the workplace, encompassing both quantitative and qualitative dimensions of individual job performance. Narban et al. (2016) examined the performance appraisal methods employed in the hotel industry and found that many hotels continue to rely on traditional appraisal practices. These appraisals are typically conducted face-to-face by managers; however, the outcomes are often not communicated to employees, making it difficult for them to understand their performance levels and identify areas for improvement. Notably, the study also revealed that a significant majority of managers (89%) believe that appraisal results should be transparent and shared with employees rather than kept confidential. Nunes and Machado (2014) reported that unstructured approaches are the most widely used methods for performance evaluation, while the Balanced Scorecard is utilized to a lesser extent. The study further indicated that both the characteristics of hotels and their ownership structure play a noteworthy role in determining the appraisal methods employed.

III. METHODOLOGY

The current study implements a quantitative approach to examine the performance appraisal practices used in five-star hotels. The target population for the study comprises employees working in five-star hotels, including personnel from front office, housekeeping, food and beverage service, food production, and other operational departments. Employees across lower, middle, and higher managerial levels were included to ensure comprehensive representation. To meet the research objective, a self-administered questionnaire was developed after extensive review of existing literature on performance appraisal systems in the hospitality industry. Content validity was ensured through expert review by academicians and industry professionals.

A non-probability convenience sampling technique was used due to accessibility constraints and willingness of respondents to participate. To collect the data, google form was utilised and administered personally and/or electronically to hotel employees through google form. A total of 321 respondents participated in the study. Collected data were coded and analyzed using statistical software. Descriptive statistics (frequency, percentage, mean) was employed to analyze demographic data and identify appraisal practices.

IV. RESULT AND FINDINGS

Table 1 represented the demographic profile of the respondents. The result stated that 58.1 percent of respondents are female, while 41.9 percent are male. The majority of respondents fall within the younger workforce segment, with 39.7% under 25 years and 38.1% between 25–35 years. It indicating that the hotel industry largely relies on young professionals. Only a small proportion (5.3%) of

employees were above 45 years, highlighting the dynamic and youth-oriented nature of hotel operations.

A significant majority (61.6%) of employees have a Bachelor's degree, indicating that graduate-level education is common in the hotel workforce. Employees with Diplomas and Master's degrees each account for 14.1%, while only 3.4% have high school education and 0.6% hold doctoral qualifications.

Table 1: Characteristics of Respondents

Variables	Frequency (n=320)	Percentage
Gender		
Male	134	41.9
Female	186	58.1
Age		
Under 25	127	39.7
25-35	122	38.1
35-45	54	16.9
45-55	14	4.4
55 and above	3	0.9
Educational Qualification		
High School	11	3.4
Diploma	45	14.1
Bachelor's Degree	197	61.6
Master's Degree	45	14.1
Doctorate	2	0.6
Overall experience in Hotel Industry		
Less than 1 year	55	17.2
1-3 years	154	48.1
3-6 years	43	13.4
6-9 years	26	8.1
More than 9 years	42	13.1
Department		
Front office	88	27.5

Housekeeping	55	17.2
Food and Beverage services	113	35.3
Food Production	26	8.1
Other	38	11.9
Designation/ Level		
Lower Level	40	12.5
Middle Level	237	74.1
Higher Level	43	13.4
Length of Service in Current Hotel		
Less than 1 year	77	24.1
1-5 years	195	60.9
5-10 years	40	12.5
10-15 years	5	1.6
More than 15 years	3	0.9
Annual Income		
Less than 3 Lacs	107	33.4
3-5 Lacs	142	44.4
5-10 lacs	48	15
More than 10 lacs	23	7.2

A majority of respondents have experience of 1-3 years (48.1%), followed by 17.2% with less than 1 year, 13.4% with 3-6 years, and only 13.1% with more than 9 years. A majority of respondents worked in the Food and Beverage Service department (35.3%), followed by Front Office (27.5%) and Housekeeping (17.2%). Food Production accounts for 8.1%, while 11.9% worked in other departments. A substantial majority of respondents (74.1%) occupy middle-level positions, while 13.4% are in higher-level roles and 12.5% in lower-level roles. The table stated that 60.9% of respondents have worked in their current hotel for 1–5 years, while 24.1% have less than one year of service. Very few employees (2.5% combined) have served more than 10 years.

In terms of annual income, 44.4% of employees earn between 3–5 lakhs, while 33.4% earn less than 3 lakhs annually. Only 7.2% earn more than 10 lakhs, indicating that the majority of respondents fall within the lower to mid salary brackets typical of operational hospitality roles.

Table 2: Performance Appraisal Practice Used in Hotel

Variables	Frequency (n=320)	Percentage
Does your hotel have a formal performance appraisal practice in place		
Yes	310	96.9
No	2	0.6
May Be	8	2.5

How often are performance appraisals conducted for employees in your hotel?		
Monthly	35	10.9
Quarterly	66	20.6
Bi-annually	65	20.3
Annually	151	47.2
Other	3	0.9
Are different appraisal practices used for different job roles		
Yes	298	93.1
No	8	2.5
Not Sure	14	4.4
Who is primarily responsible for conducting performance appraisals in your hotel?		
Direct Supervisor/Manager	153	47.8
HR Department	127	39.7
Peer Group	23	7.2
External Evaluator	15	4.7
Other	2	0.6
How would you rate the effectiveness of the current performance appraisal practices used in your hotel?		
Very Ineffective	80	25.0
Ineffective	9	2.8
Neutral	37	11.6
Effective	77	24.1
Very Effective	117	36.6

Table 2 represented the result of performance appraisal method adopted by the hotels in Delhi NCR. A majority of respondents (96.9%) reported that hotel adopted formal performance appraisal practice. However, only 0.6% stated absence of such practice, and % were not sure whether their hotel followed performance appraisal practice. It indicated that hotel mostly follow the formal practices for the performance appraisal. 47.2% of respondent stated that their hotel adopted an annually appraisal practice, followed by quarterly (20.6%), bi-annually (20.3%), and monthly (10.9%).

A majority of respondents (93.1%) stated that different appraisal methods were used for different job roles, whereas only 2.5% reported that the same appraisal system was applied across all roles, and 4.4% were unsure. The results showed that direct supervisors or managers are primarily

responsible for conducting performance appraisals (47.8%), followed by the human resource department (39.7%). A smaller proportion of respondents indicated the involvement of peer groups (7.2%) and external evaluators (4.7%). The findings indicate that direct supervisors/managers are the primary evaluators in five-star hotels. This suggests a line-manager-driven appraisal system, where immediate superiors assess employee performance due to their close observation of day-to-day work.

The respondents' perceptions regarding the effectiveness of performance appraisal practices reveal mixed opinions. While 36.6% rated the system as very effective and 24.1% considered it effective, a notable proportion (25%) perceived it as very ineffective, and 2.8% rated it ineffective. Additionally, 11.6% remained neutral.

➤ *Performance Appraisal Methods Used in Hotel*

Traditional performance appraisal (supervisor-based evaluation), Annual performance reviews, and Rating scales / structured appraisal formats were the most frequently reported appraisal methods by the respondents. This suggests that hotels still rely heavily on formal, structured, and hierarchical appraisal systems, where supervisors play a central role in evaluating employee performance. The second most adopted methods were Self-appraisal, Management by Objectives (MBO), and Periodic reviews (quarterly/bi-annual). This indicates a gradual shift toward participative and goal-oriented appraisal systems, allowing employees to reflect on their own performance and align with organizational objectives. 360-degree feedback systems, Peer appraisal, and Customer-based appraisal (formalized systems) were the least commonly used methods.

➤ *Primary Criteria Used in the Performance Appraisal Practices*

Job Performance/Task Completion, Quality of Work, and Customer Service/Guest Satisfaction were the primary criteria used in the performance appraisal practices in the hotels. This suggests that hotels prioritize operational efficiency and service quality, which are core to hospitality success. Employees are primarily evaluated on how effectively they perform their assigned duties and deliver guest satisfaction. The moderately used criteria marked by respondents were teamwork, communication skills, punctuality and discipline. These indicate that behavioral competencies and workplace conduct are also considered, though slightly less emphasized than core job performance. This reflects the importance of interpersonal skills in service environments. Innovation / Creativity, Leadership Skills, and Training & Development Participation were the least emphasized criteria rated by the respondents. This implies that appraisal systems may be more routine and operationally focused, with less attention given to long-term employee development and innovation.

V. CONCLUSION

The present study provides valuable insights into the performance appraisal practices adopted in five-star hotels, particularly within the context of the Indian hospitality industry. The findings revealed that a significant majority of hotels have implemented formal performance appraisal systems, indicating the growing recognition of performance management as a strategic human resource function. These systems are predominantly structured, hierarchical, and supervisor-driven, with direct managers playing a central role in evaluating employee performance, supported by the human resource department. The study further highlights that annual appraisal systems remain the most widely practiced, although some hotels have begun adopting more frequent review mechanisms such as quarterly and bi-annual evaluations. This reflects a partial transition toward continuous performance management, though traditional approaches still dominate. Additionally, the use of different appraisal methods for different job roles demonstrates an effort to align evaluation practices with the diverse functional requirements of hotel departments.

In terms of appraisal methods, the findings indicate a strong reliance on traditional techniques, including supervisor-based evaluations, rating scales, and structured formats. While participative approaches such as self-appraisal and Management by Objectives (MBO) are gradually being adopted, advanced methods like 360-degree feedback and peer appraisal remain limited, suggesting that appraisal systems are yet to fully evolve into comprehensive and multi-dimensional frameworks. The study also reveals that performance appraisal criteria are largely centered on job performance, quality of work, and customer satisfaction, which are critical to maintaining service excellence in the hospitality sector. However, relatively less emphasis on innovation, leadership, and employee development indicates a predominantly operational focus rather than a strategic or developmental orientation.

In conclusion, while five-star hotels have established formal and structured performance appraisal practices, there remains considerable scope for improvement. Enhancing transparency, incorporating multi-source feedback, and shifting toward a more development-oriented and continuous appraisal approach will be essential for improving employee happiness, performance, and longstanding organizational success in the hospitality industry.

LIMITATIONS AND FUTURE DIRECTIONS

The research has specific limitations that should be duly acknowledged. Firstly, the sample size was relatively modest, comprising 320 respondents, and the research was confined to a specific region of India. This limits the findings' applicability to a larger population. Future studies may consider a larger and more diverse sample drawn from multiple regions to enhance external validity. Secondly, the study employed a cross-sectional research design, capturing data at a single point in time. Adopting a longitudinal approach in future research would provide deeper insights into temporal changes and enable the examination of causal relationships.

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