

# Assessment of Performance Appraisal Techniques by Small and Medium Size Hotels in Central Ayawaso Metropolitan Area

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## Abstract

Small and medium size industries may not function well without proper human resource management practices. They have important role to play in ensuring worker performance and positive organizational outcomes. This study sought to assess the performance appraisal among small and medium hotels. A cross-sectional survey design was used for the study and data were obtained from sixty managers of small and medium size hotels in the Ayawaso Central Sub-metro of the Greater Accra Region of Ghana, using questionnaires. The study established performance appraisal was mainly done on daily basis and information on performance appraisal was for individual discussions of employee concerns and training need determination. The hotels used HRM practices that were cost effective and less time consuming instead of the available sophisticated HRM practices.

**Keywords:** Human Resource Management, Performance Appraisal, Small and Medium Size Hotels

## 1.0 Introduction

The progress of every organization depends on the human resource practices adopted by the organization. Small and medium size enterprises (SMEs) cannot function well without proper human resource practices. There are so many human resource management practices common to SMEs and this research looks at specific human resource function of performance appraisal.

Human resource is inherent in all organizations, whether big or small business, or industrial firm, a government, a university, a club, a military establishment or any organization, which seeks to achieve results through people (Eduful, 2002). The objective, therefore, is to maintain the relationship in such a way that at any given time, the firm has the right kind of people at the right place, rendering most economical and useful services, thereby contributing to the sustenance and growth of the enterprise as a whole. In fact, they are the centre of every organization.

After an employee has been selected for a job, has been trained to do it, and has worked on it for a period of time, his or her performance should be reviewed. One way in which to review the performance and potential of staff is through a system of performance appraisal. It is important that members of the organization know exactly what is expected of them, and the yardsticks by which their performance and results will be measured. According to Mathis and Jackson (2003, p 328), "Performance Appraisal is the process of evaluating how well employees do their jobs compared with a set of standards and communicating that information to employees". Performance appraisal makes clear to employees what is expected of them and assures line managers and strategic planners that employee behaviours will be in line with the firm's goals. (Noe, Hollenbeck, Girhart, & Wright, 2003)

Every day, around the globe hundreds of thousands of men and women start new small businesses and these entrepreneurial activities make major contributions to worldwide economic growth. Many nations have perceived the role SMEs play as the engine of growth to the development of their countries and Ghana is no exception. Many governments in recent years have turned their attention to selectively targeted policies for growth. In Ghana, SMEs constitute the vast majority of firms and generate income and have a substantial share of both overall employment and output which directly affect poverty reduction.

There is no single, uniformly acceptable, definition of a small firm (Storey, 1994). The definition of 'small and 'medium' business varies per country and largely depends on the criteria for determining 'small' and what qualifies as a 'business'. Again, firms differ in their levels of capitalization, sales and employment. Hence, the most common criteria used to differentiate between a 'large' organization and a 'small' one is the size of its labour force, sales revenue, total value of assets and the value of owner's equity.

In Ghana, generally this target group is defined as Micro enterprises: those employing up to 5 persons with fixed assets not exceeding the value of \$10,000; Small enterprises: those employing between 6 and 29 persons with

fixed assets of \$100,000 and Medium enterprises: those employing between 30 and 99 persons with fixed assets of up \$1 million. For the purpose of this research, the researcher used the number of employees of the enterprises as the criteria for the hotel. Hence, a Small and Medium Sizes hotel as used in this research means those hotels that employ between 6 to 99 persons.

One of the growing sectors of our economy is tourism which has the hotel industry under its umbrella. A hotel is a place where all who conduct themselves properly and who being able and ready to pay for their entertainment, accommodation and other services including the boarding like a temporary home. It is home away from home where all the modern amenities and facilities are available on a payment basis. It is also considered to be a place where tourists stop, cease to be travellers, and become customers. The definition presented by hotel operators to authorities of the National Recovery Administration in Washington is found to be a more comprehensive definition. The definition states that “primarily and fundamentally”, a hotel is an establishment which supplies boarding and lodging not engaged in inter – state commerce (or so related that the regulation of one involve the control of others. (Ghana Tourist Board Directory, 1998).

It is important that issues relating to human resource management are given serious attention and well taken care of in every organization. It is, therefore, necessary to investigate the use of HRM practices by SMEs, to better understand its importance and possibly compensate for difficulties they may encounter in the formalization of these practices. The aim of this research was to investigate the employment of best practices of human resource management in the area of performance appraisal by SMEs. However, the researcher used Hotels and Guest Houses in the Central Ayawaso Sub-metropolitan Area of Greater Accra as a research location of this research work.

## **2. Methodology**

### *2.1 Research Design*

The study sought to investigate human resource management practice of performance appraisal within SMEs in the hotel industry with a focus on effectiveness of such practice. The study sought to research into hotels ranging from two (2) star and below as well as guest houses within the Ayawaso Central Sub-metropolitan Area of Greater Accra Region. The study utilized a cross-sectional survey research design of which purpose was to assess the performance appraisal practices of SMEs in the hotel industry in the Ayawaso Central Sub-metro area. Gravetter and Forzano (2006) point out that surveys and questionnaires are used extensively in the behavioural sciences as relatively efficient ways to gather large amounts of information. By presenting people with a few carefully constructed questions, it is possible to obtain self reported answers about attitudes, opinions, personal characteristics and behaviours.

As is done in this study, these problems were overcome by carefully designing the questionnaire; also the researcher personally administered and retrieved the questionnaire to ensure a higher rate of return. Again, the personal interaction yielded a higher response rate, as the respondents are taken through the questionnaire and clarifications made where necessary. The questionnaires were administered to both managers and owner-managers and the researcher made sure that the respondents understood the questions.

### *2.2 Research Location*

The research was conducted to assess the of human resources practice of performance appraisal of SMEs in the hotel industry. The study was conducted in the Ayawaso Central Sub-metropolitan Area of the Greater Accra Region. The location forms part of Accra East and is made up of suburbs of Kotobabi, Pig Farm, Alajo, Caprice, Kpehe, part of New Town, part of Nima, and Kokomlemlle. It shares boundaries with East Ayawaso, Osu Clotey, West Ayawaso and Okaikoi North.

It is a densely populated area with a lot of SMEs especially hotels, Guest houses and small scale printing houses and the popular known Mallam Atta market. The area was selected because of its dense population and brisk small business activities by both Ghanaian and foreigners.

### *2.3 Study Population*

The research was conducted in Accra municipality, precisely Ayawaso sub-metropolitan area, the Assembly was contacted and the names and locations of about 100 small and medium size hotels were supplied. The target population for the study comprised all managers or owner-managers of the hotels/Guest house numbering about 100. This consisted of both owner-managers and managers. By definition, ‘owner-managers’ are the owners of

the hotels/Guest house who manage it themselves and ‘managers’ are those who have been hired to manage the hotel for the owners.

#### 2.4 Sampling size / Sampling Method

The accessible population from which the sample was drawn (sampling frame) comprised all the managers or owner-managers of hotels/ Guest houses numbering about 100 in the study location. The sample for the study comprised 60 respondents from a total population of 100. The sample was made up of 40 owner-managers and 20 managers. In order to get a meaningful impact on the subject, simple random sample method and stratified was used to select 60 managers and owner-managers from the population to form the sample size. This was to ensure that every hotel/Guest house is given the equal chance for its member to be selected and included in the sample. The respondents consisted of either a manager or owner-manager from each hotel. The reason for choosing the respondents was based on the fact that they are internal stakeholders who are abreast with the internal situation in term of the effectiveness of human resource functions that are practiced there.

The study adopted the probability sampling method of stratified and simple random sampling to draw respondents for the study. Table 1 show the sample size of 60 for the study which was randomly selected from a total population of 100 hotels. In this study, hotels (55) and guest (45) houses was the basis of stratification. In both cases of hotels and the guest houses, the owner- managers were more than the number of the managers.

The stratum for hotels was divided into managers and owner-managers. Twenty (20) respondents were randomly selected from the owner-managers strata and ten (10) respondents from that of the managers. The strata for guest houses were again divided in owner-managers and managers. The simple random sampling was used to select twenty (20) owner-managers and ten (10) managers to respond to research instrument. Table 1 show the sample size for the study which was randomly selected from accessible population of 55 hotels and 45 guest houses.

Table 1  
 Composition of the sample

Category	Position	No. of	No. of
		Population	Respondents
Hotels	Owner-managers	35	20
	Managers	20	10
Guest houses	Owner-managers	30	20
	Managers	15	10
<b>Total</b>		<b>100</b>	<b>60</b>

Source: Fieldwork survey 2012

#### 2.5 Data Collection Instrument

Research instruments are the direct means or tools used by a researcher or obtain information for a study. A self-developed questionnaire was employed to collect the data for the study.

The questionnaire was designed for Employers or owner-managers and managers. It consisted of thirty-nine (39) items. It was made up of three (3) parts. The first part asked of firms details. In part two of questionnaire respondents were also asked personal background information, regarding age, sex, educational level and work experience. The last remaining part of the questionnaire looked at the HR practice addressed in the research. Respondents were asked work-related information regarding performance appraisal issues and to what extent are they practiced by the hotels. In all, thirty four (33) close-ended questions were used and six (6) have open-ended questions.

#### 2.6 Sources of Data

The data required for the study was basically primary and secondary data. The primary data source was collected through the design and administration of questionnaires which was critically analyzed to gain first-hand information from sixty (60) respondents. They were requested to complete written questionnaires. The secondary source of data was taken from articles such as journals, existing books, reports magazines etc.

### *2.7 Data Collection Method*

The data was collected by the researcher. Set of 60 questionnaires were administered to hotels/guests houses with one questionnaire each. Each respondent selected was given the rationale behind the study and was also assured of confidentiality after which instrument was given out.

### *2.8 Data Handling*

The process of data handling involve numbering completed questionnaires, editing and classifications of field variables, creating of group frequency distribution as well as tabulation of data. For easy identifications, all completed questions were serially numbered. The responses were carefully checked to ensure their accuracy, relevance and appropriateness.

### *2.9 Pre-testing*

To assess the validity and reliability of the questionnaires items, the questionnaire guide was pre-tested on three (3) hotels. The respondents had the same characteristics as in the main study. The questionnaire was pre-tested in order to ascertain and detect any ambiguities and poorly constructed and even those that were irrelevant. From the responses, remarks and comments received on the pre-testing, the entire questionnaire was refined and improved upon to take care of the observed shortcomings, enhanced the validity, and made the questions easier to answer and more response-friendly.

### *2.10 Data Analysis*

Data collected from the respondents were analyzed by the use of Statistical Products and Service Solution (SPSS) software. This was used as the researcher deemed it the most appropriate given its versatility and considering the nature of the data collected. The process involved tabulation, description and interpretation of field data for simple variable. In analyzing the collected data, tables, percentages and frequencies were used to analyze responses to each item on the questionnaire.

### 3. Results and discussion

Table 2  
 Background Characteristics of Respondents

Variable	Frequency	Percent
<b>Age</b>		
20-30	8	13.3
31-40	6	10.0
41-50	32	53.3
51+	14	23.4
<b>Sex</b>		
Male	40	66.7
Female	20	33.3
<b>Education</b>		
Basic	4	6.7
Secondary	32	53.3
Tertiary	24	40.0
<b>Hotel classification</b>		
Budget	52	86.6
1 star	4	6.7
2 star	4	6.7
<b>Duration of service</b>		
< 1 year	2	3.3
1-3 years	24	40.0
4-6 years	20	33.3
7+ years	14	23.4
<b>Acquisition of position</b>		
Employed	16	26.7
Inherited	18	30.0
Founded	26	43.3

Source: Fieldwork 2013

Table 2 shows the distribution of selected background characteristics of respondents. These variables include age, sex, education, hotel classification, duration of service, and acquisition of position. The age distribution of respondents indicates that 53.3 percent were aged 41 to 50 while fewer respondents (10%) were aged 31 to 40. In terms of sex distribution of respondents, 66.7 percent were males while 33.3 percent were females. Also, about 53 percent had secondary education while about 7 percent had basic education. The percentage distributions also show that 86.6 percent were managers of budget hotels while about 7 percent were managers of 1-star hotels. With regard to duration of service in management position, 40 percent spent 1 to 3 years in management positions while a few (3.3%) spent less than one year in management position.

Further, it is indicated that 43.3% of the respondents were founders of their hotels while 26.7 percent were employed into their current position.

In summary, 53.3 percent of the managers were aged 41 to 50; a majority were males while 66.7 percent also had secondary education. Also, 86.6 percent were managers of budget hotels and 26.7% managers served in management position for 1 to 3 years while a frequency of 26 (43.3%) managers were managing hotels founded by them.

Table 3  
 Performance Appraisal Practices of the SMEs

Variable	Frequency	Percent
<b>Perform assessment</b>		
Yes	58	96.7
No	2	3.3
<b>Frequency of assessment</b>		
Daily	34	58.7
Weekly	8	13.3
Monthly	12	20.0
Yearly	6	10.0
<b>Action on low performers</b>		
Encourage them to improve	42	70.0
Terminate appointment	18	30.0

Source: Fieldwork, 2012

Table 3 shows results on performance appraisal. From the table, it can be found that 58 (96.7%) of the managers reported that they did assess the performance of their employees. For those who did performance assessment, 34 (58.7%) reported that they assessed performance daily and 6 (10%) reported that they assessed performance yearly. Concerning consistently low performers, 42 (70%) of the managers reported that they would rather encourage them to improve upon their performance while the remaining 18 (30%) reported that they would rather terminate the appointment of the employees. Thus, most managers would encourage their employees to improve whereas a few managers would want to dismiss their employees due to non performance.

Table 4  
 Manner of assessment and use of assessment information

Statement	N= 60	
	Yes	No
	(%)	(%)
Rate each employee on performance of their duties	70.0	30.0
Rate each employee on daily output	60.0	40.0
Rate each employee on quality of service	70.0	30.0
Rate each employee on key behaviours on the job	54.0	46.0
Rate each employee on their strengths and weaknesses	16.7	83.3
Rate each employee on achievement of targets	40.0	60.0
Rate each employee on their own self appraisal	10.0	90.0
Rate each employee on appraisal by their peers	40.0	60.0
Do you use information on performance appraisal	30.0	70.0
Provide employees with copies	16.7	83.3
For individual discussions	73.3	26.7
Do you use information for training needs	63.3	36.7
Do you use information promoting employees	46.7	53.3

Source: Fieldwork 2012

Table 4 shows results on manner of assessment and use of assessment information. The table indicates that 70 percent of the managers reported that they assessed their employees based on the performance of their duties; 60 percent reported that they assessed their employees based on their daily output;

70 percent reported that they assessed their employees based on the quality of their service while 54 percent reported that they assessed their employees based on their key behaviours on the job. Furthermore, 83.3 percent of the managers reported that they do not assess their employees based on their strengths and weaknesses; 60 percent reported that they do not assess their employees based on the achievement of targets; 90 percent reported that they do not assess their employees based on self appraisal while 60 percent reported that they do not assess their employees based on appraisal by peers. Moreover, 70 percent of the managers do not use information on performance appraisal for personal records only; 83.3 percent do not use information on performance appraisal to provide employees with copies of assessment and 53.3 percent do not use information on performance appraisal for the promotion of employees. Additionally, 73.3 percent reported that they use information on performance appraisal for individual discussions of employee concerns while 63.3 percent reported that they use information on performance appraisal for determining training needs.

#### **4 Key Findings**

- From the background characteristics, it was found that the managers were aged 41 to 50, and the majority were male who have attained secondary education and were managing budget hotels.
- The study found out that not all the managers did assess the performance of their employees, but those who did assess their employees did it on daily basis. Information on performance appraisal was mainly used for individual discussions of employee concerns as well as for determining training needs of employees.

#### **5 Conclusions**

On the basis of the findings from the study, it could be concluded that:

The SMEs in the hotels principally use traditional human resource management practices that were cost effective and less time consuming instead of the available sophisticated human resource management practices used by other organisations. On the assessment of performance appraisal a daily performance appraisal by the managers led to a strong commitment of employees to their job. With respect to performance appraisal practices, it was found that managers assessed the performance of their employees, and the majority assessed their employees on daily basis while others would like to encourage their consistently low performing employees to improve upon their performances. The majority of the managers also assessed their employees based on the performance of their duties; based on their daily output; based on the quality of their service and based on their key behaviours on the job. For use of information on performance appraisal, the majority of the managers used the information for determining training needs of employees. In a similar way, it was realised that generally the SMEs did not use the information for personal records keeping, or provide employees with copies of assessments or for promotion purposes.

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