

AN INVESTIGATION INTO THE EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEMS AND HRM PRACTICE

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Abstract:

This research study aims to investigate the effectiveness of performance appraisal systems in SMEs and to compare traditional and modern HRM practices. Performance appraisal systems are important for SMEs to ensure that employees are meeting job expectations and contributing to organizational goals. However, the effectiveness of these systems can be influenced by various factors such as the type of performance appraisal used, the organization's culture and values, and employee perceptions and attitudes. Traditional HRM practices in performance appraisal focus on evaluating employee performance based on predetermined criteria, such as job duties and responsibilities, and typically involve a formal appraisal process conducted by a manager. In contrast, modern HRM practices in performance appraisal focus on continuous feedback and coaching, and involve employees in the appraisal process. The findings of the study suggest that modern performance appraisal systems are generally more effective than traditional systems in promoting employee performance and organizational outcomes. Specifically, modern performance appraisal systems were found to promote higher levels of employee participation, communication, and feedback quality. These factors were associated with higher levels of employee motivation, satisfaction, and organizational commitment. Overall, the study suggests that small and medium-sized enterprises can benefit from adopting modern performance appraisal systems as part of their human resource management practices. However, the study also emphasizes the importance of considering contextual factors, such as organizational culture and employee attitudes, when designing and implementing performance appraisal systems.

Keywords: Effectiveness, Performance Appraisal Systems, Traditional and Modern HRM Practices, Small and Medium-Sized Enterprises etc.

INTRODUCTION:

Performance appraisal systems are a critical component of human resource management (HRM) practices in organizations. These systems are designed to evaluate employee performance and provide feedback, which can help organizations to improve their overall performance and achieve their strategic goals. However, the effectiveness of performance appraisal systems depends on several factors, such as the design of the system, the quality of feedback, and the level of employee participation and communication. In recent years, there has been a growing interest in modern HRM practices, which are designed to be more collaborative and employee-centered. These practices include 360-degree feedback, peer evaluations, and self-assessments, which are believed to be more effective in promoting employee performance and engagement than traditional top-down

approaches. Small and medium-sized enterprises (SMEs) are an important sector of the economy, but they often face unique challenges in managing their human resources due to limited resources and expertise. As such, there is a need to examine the effectiveness of different HRM practices in SMEs and to identify the factors that may influence their effectiveness.

Comparison of Traditional and Modern HRM Practices:

- Traditional HRM practices are focused on compliance with laws and regulations, while modern HRM practices are focused on creating a positive work environment that fosters innovation and creativity.
- Traditional HRM practices are often bureaucratic and hierarchical, while modern HRM practices are more flexible and responsive to employee needs.
- Traditional HRM practices are focused on maintaining a stable workforce, while modern HRM practices are focused on developing employees' skills and abilities to help them adapt to changes in the business environment.
- Traditional HRM practices are often reactive, while modern HRM practices are more proactive and focused on anticipating future needs.
- Traditional HRM practices are often based on a command-and-control model, while modern HRM practices emphasize collaboration and teamwork.

OBJECTIVE OF THE STUDY:

This research study aims to investigate the effectiveness of performance appraisal systems in SMEs and to compare traditional and modern HRM practices.

RESEARCH METHODOLOGY:

This study is based on Secondary data sources such as articles, journals, research papers, books, websites and other sources.

Effectiveness of Performance Appraisal Systems in SMEs:

- Performance appraisal systems can help SMEs in identifying the strengths and weaknesses of their employees, which can be used to develop targeted training and development programs.
- It provides employees with feedback on their performance and helps them understand what is expected of them, which can motivate them to improve.
- It provides a basis for decision-making related to promotions, salary increases, and other rewards.
- Performance appraisal systems can help SMEs to align employee performance with the organization's goals and objectives.
- It can help SMEs to identify high-performing employees who may be suitable for leadership positions within the company.

COMPARING TRADITIONAL AND MODERN PERFORMANCE APPRAISAL SYSTEMS IN SMES:

Traditional Performance Appraisal Systems:

- Annual or bi-annual review: Traditional appraisal systems usually conduct performance reviews on an annual or bi-annual basis, which may not be frequent enough to provide timely feedback and improve employee performance.
- Based on subjective assessments: Traditional appraisal systems rely on subjective assessments of the supervisor or manager, which may lead to biases and inaccuracies.
- Emphasis on weaknesses: Traditional appraisal systems often emphasize an employee's weaknesses rather than their strengths, which may demotivate them and hinder their growth.
- Focus on individual performance: Traditional appraisal systems primarily focus on individual performance, which may not reflect the actual contribution of the employee to the team or the organization.
- Focus on past performance: Traditional appraisal systems mainly focus on an employee's past performance, which may not reflect their potential for future growth and development.
- Lack of transparency: Traditional appraisal systems may lack transparency, which can lead to confusion and mistrust among employees.
- Limited employee involvement: Traditional appraisal systems are usually conducted by the supervisor or manager, with limited employee involvement in the process.
- Single metric evaluation: Traditional appraisal systems often use a single metric or criterion to evaluate employee performance, which may not provide a comprehensive view of an employee's performance.

Modern Performance Appraisal Systems:

- Continuous feedback: Modern appraisal systems provide continuous feedback to an employee, which helps them to identify their strengths and weaknesses and take corrective action in a timely manner.
- Customizable and adaptable: Modern appraisal systems can be customized and adapted to meet the specific needs and goals of the SME, which increases their effectiveness in improving employee performance and achieving organizational objectives.
- Data-driven assessments: Modern appraisal systems use data-driven assessments, such as 360-degree feedback, which provide a more accurate and objective evaluation of an employee's performance.
- Emphasis on strengths: Modern appraisal systems emphasize an employee's strengths and help them to develop their skills and capabilities further, which leads to better engagement and job satisfaction.
- Employee participation: Modern appraisal systems encourage employee participation and self-evaluation, which increases their ownership of the process and their commitment to improving their performance.

- Focus on future development: Modern appraisal systems focus on an employee's future development and provide opportunities for coaching, mentoring, and training to improve their skills and capabilities.
- Focus on team performance: Modern appraisal systems focus on team performance, which helps to create a collaborative and supportive work environment.
- Incorporation of technology: Modern appraisal systems use technology, such as performance management software, to automate the appraisal process and provide real-time feedback and analysis.
- Multimetric evaluation: Modern appraisal systems use multiple metrics or criteria to evaluate employee performance, which provides a more comprehensive view of their performance.
- Real-time feedback: Modern appraisal systems provide real-time feedback, which allows employees to adjust their performance and behavior in a timely manner.
- Transparency: Modern appraisal systems are transparent and provide clear guidelines and criteria for evaluating performance, which promotes fairness and trust among employees.

CONCLUSION:

Modern performance appraisal systems are typically more flexible, objective, and data-driven, which can help SMEs identify and address performance issues more effectively. They often involve continuous feedback, coaching, and goal setting, which can promote employee development and motivation. Modern systems may also incorporate technology such as automated data collection and analysis, which can save time and reduce errors. In contrast, traditional performance appraisal systems are often criticized for being subjective, inflexible, and focused on past performance rather than future potential. They may rely on outdated methods such as ranking or forced distribution, which can be demotivating and lead to a toxic work environment. Additionally, traditional systems may not take into account changing business needs or individual differences among employees. Overall, while there may be some benefits to using a traditional performance appraisal system in SMEs, the advantages of modern systems make them a more attractive option for promoting employee performance and development.

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