



## Potential Appraisal

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### ABSTRACT

*An organization will gain strength and vitality only when its employees are convinced that they will not only have financial gains but also emotional and mental satisfaction. This is possible only when the employee is properly assessed by good system, which is away from all discriminations. A good employee friendly appraisal system is required to make them happy. At the same time, the potentialities of the employees have to be recognized and properly leveraged for the success of the organization.*

### Keywords : Potential Appraisal

#### Introduction

With globalization, even to retain the share in domestic markets, firms have to become globally competitive. To be in global competition and develop, HR plays a vital role in molding the people. In this process, the manager has to assess the performance of an employee continuously and train and develop them to suit to the future requirements. At the same time, he has to identify the potentialities of the employees and harness them for organizational development.

Perhaps, one of the most important roles of a manager or a supervisor is to motivate, encourage, build, train, reinforce, and modify behavior of his subordinates. This can happen only if there is regular and frequent interaction between the superior and his subordinate. If the interaction is based on acknowledgement, there should be ample praise, corrections, comments and suggestions by the supervisor on the tasks performed by the subordinate. This interaction process can be seen as performance appraisal because in each interaction process some comments are exchanged on the tasks in hand.

Performance appraisal could, thus, be seen as an objective method of judging the relative worth or ability of an individual employee in performing his tasks. If objectively done, the appraisal can help identify a better worker from a poor one.

Through performance counseling, we can identify the potential of the employee's skills and abilities not known and un-utilized by the organization. Potential appraisal is different from performance appraisal as the latter limits evaluation to what the subordinate has done on the job, whereas the former on the other hand, seeks to examine what it that the subordinate can do is. The distinct advantage of a thoroughly carried out potential appraisal is obvious. The organizations are able to identify individuals who can take higher responsibilities. It also conveys the message that people are not working in dead-end jobs in the organization. In this context, it is very useful for the motivation and morale of the work forced. On the other hand, if potential is identified and not used, it can set in lot of frustration among employees.

#### Concept and Need of Potential Appraisal

Organizational development, increased productivity and fulfillment of corporate objectives can be accomplished only if

the employees of the organization get a feeling of satisfaction and achievement, and consider themselves as a part of that organization. Normally, employees have aspirations to advance and grow in their organization, and a desire to achieve higher and more satisfying performance.

Performance appraisal as a system has been in existence in well-managed organizations for a few decades. The earlier conventional approach to performance appraisal, which required the manager to pass judgment on the subordinate, is outdated. The performance plan was basically designed for administrative purposes, like promotion annual wage increments, transfers, and even demotion. With emerging complexities in business and industry and with the rise of the competitive market people are at the center stage of all sources of energy and power. Well-known progressive organizations like IBM have, in the past, used the appraisal system as a means to evaluate/identify people for higher responsibilities.

In the 1970s, Peter Drucker's concept of management by objectives called for appraisal being linked to targets, mutually determined by agreement between the subordinate and the superior. As such, employee's performance was appraised against the targets. And then, organizations shifted the focus from appraisal to performance. In this, the focus changed from the superior, appraising the subordinates performance to the employees, on their own, analyzing their strengths and weaknesses and the need to improve their skills or knowledge related to the job. The employee became an active agent, and therefore, he was no longer a pawn in the chess game of the manager. The role of the superior accordingly changed from administrator to the helper/coach. The superior could help the subordinate visualize the need to link his career to the needs of the organization. Based on the knowledge, the superior could help the subordinate in setting the target and determining the methods to achieve them. This called for improvements in knowledge and skill for contributing to organizational effectiveness, besides, testing of the self-appraisal by the individual himself. Out of the objectives of an appraisal system, it is seen that the actual objective of development of the staff does not find place in the classical appraisal system. We live in a highly competitive, market-driven environment, in which grooming managers for developing the cutting edge is predominantly significant on every CEO's strategic agenda of the organization. Therefore, in this context, organizational

objective for staff development vis-a-vis the job planned for each employee is of absolute importance. In this process, every organization is concentrating in future and its survival in the ever changing environment. That is the reason the organizations are more interested in people component and their potentialities.

If the performance of people is to be enhanced, their performance needs to be periodically evaluated. For this purpose, performance appraisal interviews between the manager and the subordinate are to be conducted at regular intervals. During of these interviews, the performance over the review period is evaluated; strengths and weaknesses identified, and reasons for any shortfall in performance are examined. The goal, objectives, and action plan with target dates for future is also worked out.

Potential appraisal means the possibility of career advancement. A dynamic and growing organization needs to continuously review its structure and systems, creating new roles, and assigning new responsibilities. Capability to perform new Notes rate roles and responsibilities must continuously be developed among employees. Potential appraisal focuses on identifying the employee's likely future roles within the organization, and can be assessed by observing employees perform different functions.

#### **Procedure of Potential Appraisal System**

The way it is important to understand the present competencies of people, it is equally necessary to identify the latest talent of people to cater to the future needs of the organization. In this context, potential appraisal and succession planning are crucial functions of human resource management. In making potential appraisal of managers, levels of talent and ambition have to be clearly identified. The objectives of potential appraisal are:

- To assess an individual in terms of the highest level of work the individual will be able to handle comfortably and successfully in future without being overstretched.
- To assist the organization in discharging its responsibility of selecting and developing managers for the future to ensure its continuous growth. Potential typically represents latent qualities in an individual which manifests in concrete terms while performing various tasks/jobs. Some characteristics representing potential are:
- Ability to foresee future opportunities and assess impact of any initiative/decision taken today.
- Has an institutionalized way of working to ensure continuity and consistency of active approach.
- Ability to identify resource gaps by the use of basic intelligence/subject knowledge/analytical and quantitative skills and further finds ways and means needs of overcoming these so as to ultimately create higher value.
- Personal qualities to be levelheaded and to respond in an effective and measured manner even under conditions of severe stress.
- Ability to function in varied environments with confidence and deliver high performance.
- Ability to see the larger picture as well as recognize the need to get into micro-credentials.
- To display high degree of personal and intellectual integrity at all times.

#### **Various Ways to make it a Good System**

Over the years, organizations the world over have increasingly become aware of the importance of Human resources.

This awareness in a sub-system is a critical dimension in the organizational effectiveness. The real life experience substantiate the assumption that no matter how sophisticated and modern the business activities of the organization may become, it will be extremely difficult to sustain its growth and effectiveness unless the human resources are complementary to its operations. This realization has propelled human resource management as a major field of study in the recent years. Behavioral scientists who have been examining the concept of work over the past six decades have been able to get a better insight into the human behavior at work. Work performed by man is a behavioral manifestation of need satisfaction. So, performance management is the vital part of HRM activities in which the people capabilities are identified, harnessed and developed towards the organizational goals.

It is imperative to say that good performance appraisal and/or potential appraisal system is a vital one for the success of the organization in the ever-changing competitive business environment. If we can see some of the companies performance/potential appraisal systems, we can have a better view how the system is made.

An Appraisal is not of the performance of the employees but of the individual potential is the mantra of some of the progressive companies like Philips, Glaxo, and Cadbury. This is the major difference in the focus of approach in these companies. Appraising potential is considered a tough practice but with tremendous potential. Some felt that people are like icebergs. What we see in an employee's performance is only a small part, but his potential, which is hidden, is like an iceberg whose major part is under the sea and as much, is not apparently visible. The major parts are attributes of people, which enable them to give their best.

In Cadbury India, Philips India, Glaxo have recently designed their new potential and appraisal system, which involves shifting the focus from performance orientation to potential-cum-performance system. In Philips, Cadbury, and Glaxo the appraisal system is integrated to the organization's management development processes. As such, it is linked to career planning schemes of the companies. Philips India is using the potential appraisal system of Philips NV Holland, which incorporates a five point grading scale-inefficient, weak, adequate/good, and excellent. Employees are appraised on four broad traits, namely, conceptual effectiveness, operational effectiveness, interpersonal effectiveness, and achievement motivation. The final grade assessment is based on what is called 'shared understanding'. In such a system, every employee matters and develops a sense of belonging to the company. Brain drain will not be a problem in such a company.

In Glaxo, potential appraisal is taken to be a critical activity in management success planning. The company encourages employees to grow within the company. As part of its system, the company identifies two potential employees for each of the fifty important posts. Psychometric personality tests are administered on employees to identify their capabilities in areas of logic, deduction, and inference. Further, the superior fills up a section of the performance appraisal form where he indicates his assessment of the individual traits, like commitment, initiatives, drive, judgment, leadership, attitude and ethics. These will cross-checks the appraisal about the individual. All these situations are carefully monitored and appraisal is accordingly made of individual employee's potential for future growth.