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Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Before you start:

[Human Resource Development lecture](#)

[Human Resource Management lecture](#)

CONCEPT OF HRD:-

Development of human resources is essential for any organization that would like to be dynamic and growth-oriented. Unlike other resources, human resources have rather unlimited potential capabilities. The potential can be used only by creating a climate that can continuously identify, bring to surface, nurture and use the capabilities of people. Human Resource Development (HRD) system aims at creating such a climate. Leonard Nadler introduced the term HRD in 1969. Human Resource Development (HRD) is a positive concept in human resource management. It is based on the belief that an investment in human beings is necessary and will invariably bring in substantial benefits to the organization in the long run. It aims at overall development of human resources in order to contribute other well-being of the employees, organization and the society at large. Human Resource Development is the framework for helping employees develop their personal and organizational skills, knowledge, and abilities. It includes such opportunities as employee training, employee career development, performance management and development, coaching, mentoring, succession planning, key employee identification, tuition assistance, and organization development.

A few popular definitions of HRD by:-

- Leonard Nadler - HRD is those learning experiences which are organized for a specific time and designed to bring about the possibility of behavioral change.
- Prof. T V Rao who is considered as father of HRD in India -- HRD is a process in which the employees of an organization are continually helped in a planned way to
 - Acquire or sharpen capabilities required to perform various functions associated with their present or expected future



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- Develop their general capabilities so that they may be able to discover their own inner potentialities and explore them to full for their own and organizational development purpose
- Develop organizational culture where superior subordinate relationships, teamwork and collaboration among different-sub-units are strong and contribute to organizational wealth and motivation and pride of the employees.

Human resource development in the organization context is a process by which the employees of an organization are helped, in a continuous and planned way to:

- Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
- Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organizational development purposes.
- Develop an organizational culture in which supervisor-subordinate relationships, teamwork and collaboration among sub-units are strong and contribute to the professional wellbeing, motivation and pride of employees.

Features Of HRD :-

- **HRD is a system** - It is a system having interdependent parts or subsystems such as procurement, appraisal, development etc. Change in any one subsystem leads to changes in other parts.
- **HRD is a planned process** - It is the planned and systematic approach of developing people.
- **HRD is an interdisciplinary concept** - It is amalgamation of various ideas, concepts, principles and practices drawn from various disciplines like sociology, economics, anthropology, psychology etc.
- **HRD improves quality of work life** - It is concerned with improving the skills, attitudes and behaviors of employees to benefit both the individual as well as organization. HRD



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

enables the employees to discover and utilize his capabilities and potential in service of organizational goals.

- **HRD involved development of competencies** - It tries to develop competencies at four levels- individual level, interpersonal level, group level and organizational level.
- **HRD is a human process** - Human resource development is a process in which employees of the organizations are recognized as its human resource. It believes that human resource is most valuable asset of the organization. It stresses on development of human resources of the organization. It helps the employees of the organization to develop their general capabilities in relation to their present jobs and expected future role.

Importance Of HRD :-

HRD is needed by any organization that wants to be dynamic and growth-oriented or to succeed in a fast-changing environment. Organizations can become dynamic and grow only through the efforts and competencies of their human resources. Personnel policies can keep the morale and motivation of employees high, but these efforts are not enough to make the organization dynamic and take it in new directions. Employee capabilities must continuously be acquired, sharpened, and used. For this purpose, an “enabling” organizational culture is essential. When employees use their initiative, take risks, experiment, innovate, and make things happen, the organization may be said to have an “enabling” culture. Even an organization that has reached its limit of growth, needs to adapt to the changing environment. No organization is immune to the need for processes that help to acquire and increase its capabilities for stability and renewal.

- Empowers and strengthens executive skills. It enhances the capabilities of people by exploring their hidden potentials and shaping them to achieve organization goals.
- Improves the communication system to open the channel of communication so that every one understands the other person in a better way and there is no chance of ambiguity.
- Helps the organization in keeping the right person at the right place for the right time and making its effective use.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- Enhances the employee morale as well as develops the sense of belongingness as proper rewards are being given to the star performer.
- Improves co-ordination and co-operation which leads to cohesive groups and teams.
- Ultimately leads to overall growth and development of the employee through the above mentioned techniques
- Provides a concrete raw material to facilitate human resource planning and control.
- Creates trust and openness among employees and develops analytical and rational skills among employees which helps them in becoming more innovative, proactive and risk taking.
- Makes employees ready to change and undergo transformation and relearn after unlearning what they had already learnt.

Mechanism Of HRD :-

Human resource is the most important resource and needs to be developed to achieve the organizational goals. It has to be developed in a way that is beneficial both to the individual and the organization. It is necessary to have a healthy and open climate to implement the process of human resource development. Trust and mutual collaboration will lead to employee commitment. If organization is able to develop the sense of belongings then the effectiveness will be higher in the organization as it will boost the morale of the employee. To achieve this following techniques are to be adopted:-

- Job Analysis and design
- Performance Appraisal
- Potential Appraisal
- Feedback and Performance Counselling
- Employee Welfare
- Rewards
- Career Planning
- Training and Development



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Thus it is the responsibility of every organization to develop human resource and maintain a healthy working climate. All these mechanisms are based on the following assumptions:

- Human resources are the most valuable assets in the organization.
- Unlike other resources, human resources can be developed and increased to an unlimited extent.
- A healthy climate, characterized by openness, enthusiasm, trust, mutuality and collaboration is essential for developing human resources.
- HRD can be planned and monitored in ways that are beneficial both to the individual and to the organization.
- Employees feel committed to their work and the organization if the organization perpetuates a feeling of “belonging”.
- Employees are likely to have this feeling if the organization provides for their basic needs and for their higher needs through appropriate management styles and systems.
- Employee commitment is increased with the opportunity to discover and use one’s capabilities and potential in one’s work.

Difference Between HRD and HRM :-

Both are very important concepts of management specifically related with human resources of organization. Human resource management and human resource development can be differentiated on the following grounds:

- The human resource management is mainly maintenance oriented whereas human resource development is development oriented.
- Organization structure in case of human resources management is independent whereas human resource development creates a structure, which is inter-dependent and inter-related.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- Human resource management mainly aims to improve the efficiency of the employees whereas aims at the development of the employees as well as organization as a whole.
- Responsibility of human resource development is given to the personnel/human resource management department and specifically to personnel manager whereas responsibility of HRD is given to all managers at various levels of the organization.
- HRM motivates the employees by giving them monetary incentives or rewards whereas human resource development stresses on motivating people by satisfying higher-order needs.

Qualities Of HRD Manager :-

According to Prof. T V Rao, a successful HRD manager requires the following skills:

- Essential Qualities
 - Positive thinking and positive attitude towards people
 - A high desire to learn
 - Helping in nature
 - Initiative taking or being proactive
 - Practice and perseverance
 - Communication skills
 - Objectivity in approach
 - Sense of Discipline
- Functional Competencies
 - Knowledge of appraisal systems and their functioning in various organizations.
 - Knowledge of potential appraisal, assessment centres, in basket exercises and such other potential development mechanisms.
 - Knowledge of various tests, questionnaires and other measures of human and organizational processes.
 - Ability to design and coordinate training programs for managers and supervisors



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- Professional knowledge of human resource management and basic understanding of the industrial relations.
 - Knowledge of organizational culture and organizational diagnosis and development skills.
 - Knowledge of career planning practices and skills to develop systems.
 - Knowledge of role analysis methods, team building interventions, job rotation etc.
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- **Managerial Competencies**
 - Organising ability – the ability to identify talent and organize work, maintenance and monitoring and feedback of information.
 - System design and development
 - Implementing skills
 - Leadership capabilities

Goals Of HRD :-

- **Design Performance Incentives** - By looking at the performance management model, benefits and employee incentives, HR experts can help a small business take a more strategic approach to keeping employees motivated. This is only possible if HR managers understand the effective of certain incentives. Then, they can either tweak existing programs or suggest better incentives. The overall goal is for the right combination of benefits and incentives to produce desirable levels of employee performance.
- **Boost Employee morale** - Another goal, especially important when employees are affected by economic troubles, is boosting employee morale. It's up to the owner and management team to adapt organizational priorities and working conditions so that employees stay positive. For example, using creative approaches to recognizing employee achievements can improve staff morale.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- **Increase Accountability** - HR uses measurement techniques to compile an HR scorecard. A small business quantifies the effectiveness of personnel practices and to what degree they are getting employees to exhibit desired behaviors. Some organizations call these "metrics," and they are useful for making HR decisions.
- **Develop Leaders** - HR must help set priorities for leadership development, especially for future leaders. This requires providing enough support, including senior mentors, training and professional development so that managers will succeed. Future leaders need formal paths for increasing their responsibilities as they develop leadership skills.
- **Increase Organizational Learning** - Organizational learning is more than just HR providing training and development for all employees. The HR department must help managers build a culture of learning, where people use their own creativity to perform their jobs better and freely share their ideas with others across the organization.
- **Effective Recruitment and Staffing** - High-performing organizations will effectively manage their recruitment and staffing. They will get more people to seek employment in their company, do a better job at screening applicants and then provide the best training possible to turn these employees into assets.
- **Increase Efficiency** - Managers and HR experts work together to increase the efficiency of business groups and individuals that perform work routines. This goal sometimes requires analyzing the smallest components of work routines and how they fit the larger process. Experts look for duplication of work to be eliminated and for collaborative partnerships to create between different business functions.

Job Analysis:-

Job Analysis is a systematic exploration, study and recording the responsibilities, duties, skills, accountabilities, work environment and ability requirements of a specific job. Job analysis, contains a simple term called "analysis", which means detailed study or examination of something (job) in order to understand more about it (job). Therefore job analysis is to understand more about a specific job in order to optimize it. Job analysis is a systematic process



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

of collecting complete information pertaining to a job. Job analysis is done by job analyst who is an officer have been trained for it.

Job analysis is a procedure through which you determine the duties and responsibilities, nature of the jobs and finally to decide qualifications, skills and knowledge to be required for an employee to perform particular job. Job analysis helps to understand what tasks are important and how they are carried on. Job analysis forms basis for later HR activities such as developing effective training program, selection of employees, setting up of performance standards and assessment of employees (performance appraisal)and employee remuneration system or compensation plan.

Then intention behind job analysis is to answer questions such as :

- What is the need of the job to exist ?
- What does the physical and mental activities does the work undertake ?
- When is the job to be performed ?
- Where is the job to be performed ?
- How is the job performed by the employee ?
- What qualities and qualifications are required to perform the job?

The details collected by conducting job analysis play an important role in controlling the output of the particular job. Determining the success of job depends on the unbiased, proper and thorough job analysis. It also helps in recruiting the right people for a particular job. The main purpose of conducting this whole process is to create and establish a perfect fit between the job and the employee. Job analysis also helps HR managers in deciding the compensation package and additional perks and incentives for a particular job position. It effectively contributes in assessing the training needs and performance of the existing employees. The process forms the basis to design and establish the strategies and policies to fulfill organizational goals and objectives.



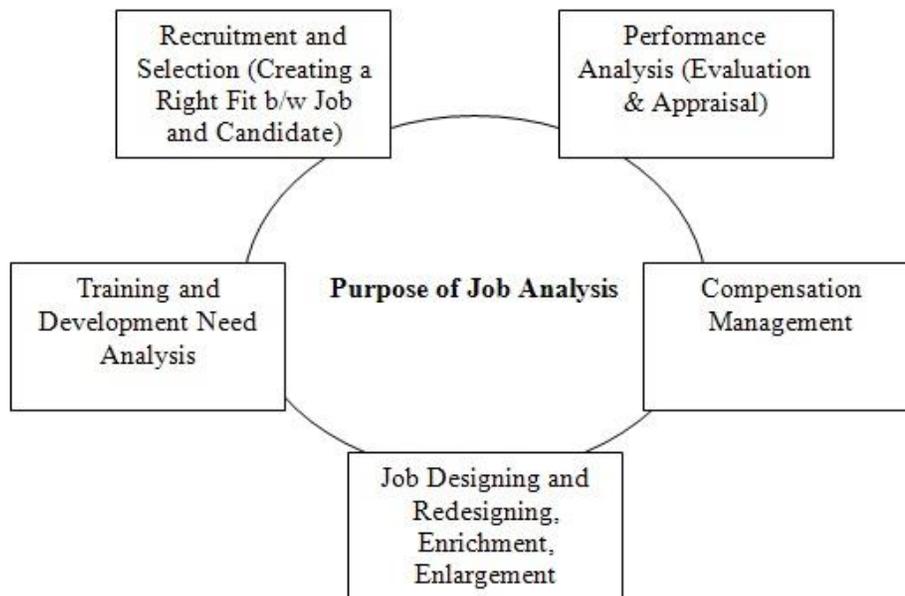
RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

However, analysis of a particular job does not guarantee that the managers or organization would get the desired output. Actually collecting and recording information for a specific job involves several complications. If the job information is not accurate and checked from time to time, an employee will not be able to perform his duty well. Until and unless he is not aware of what he is supposed to do or what is expected of him, chances are that the time and energy spent on a particular job analysis is a sheer wastage of human resources. Therefore, proper care should be taken while conducting job analysis.

Purpose of Job Analysis:-

Job Analysis plays an important role in recruitment and selection, job evaluation, job designing, deciding compensation and benefits packages, performance appraisal, analyzing training and development needs, assessing the worth of a job and increasing personnel as well as organizational productivity.



- Recruitment and Selection: Job Analysis helps in determining what kind of person is required to perform a particular job. It points out the educational qualifications, level of experience and



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

technical, physical, emotional and personal skills required to carry out a job in desired fashion. The objective is to fit a right person at a right place.

- **Performance Analysis:** Job analysis is done to check if goals and objectives of a particular job are met or not. It helps in deciding the performance standards, evaluation criteria and individual's output. On this basis, the overall performance of an employee is measured and he or she is appraised accordingly.
- **Training and Development:** Job Analysis can be used to assess the training and development needs of employees. The difference between the expected and actual output determines the level of training that need to be imparted to employees. It also helps in deciding the training content, tools and equipment to be used to conduct training and methods of training.
- **Compensation Management:** Of course, job analysis plays a vital role in deciding the pay packages and extra perks and benefits and fixed and variable incentives of employees. After all, the pay package depends on the position, job title and duties and responsibilities involved in a job. The process guides HR managers in deciding the worth of an employee for a particular job opening.
- **Job Designing and Redesigning:** The main purpose of job analysis is to streamline the human efforts and get the best possible output. It helps in designing, redesigning, enriching, evaluating and also cutting back and adding the extra responsibilities in a particular job. This is done to enhance the employee satisfaction while increasing the human output.

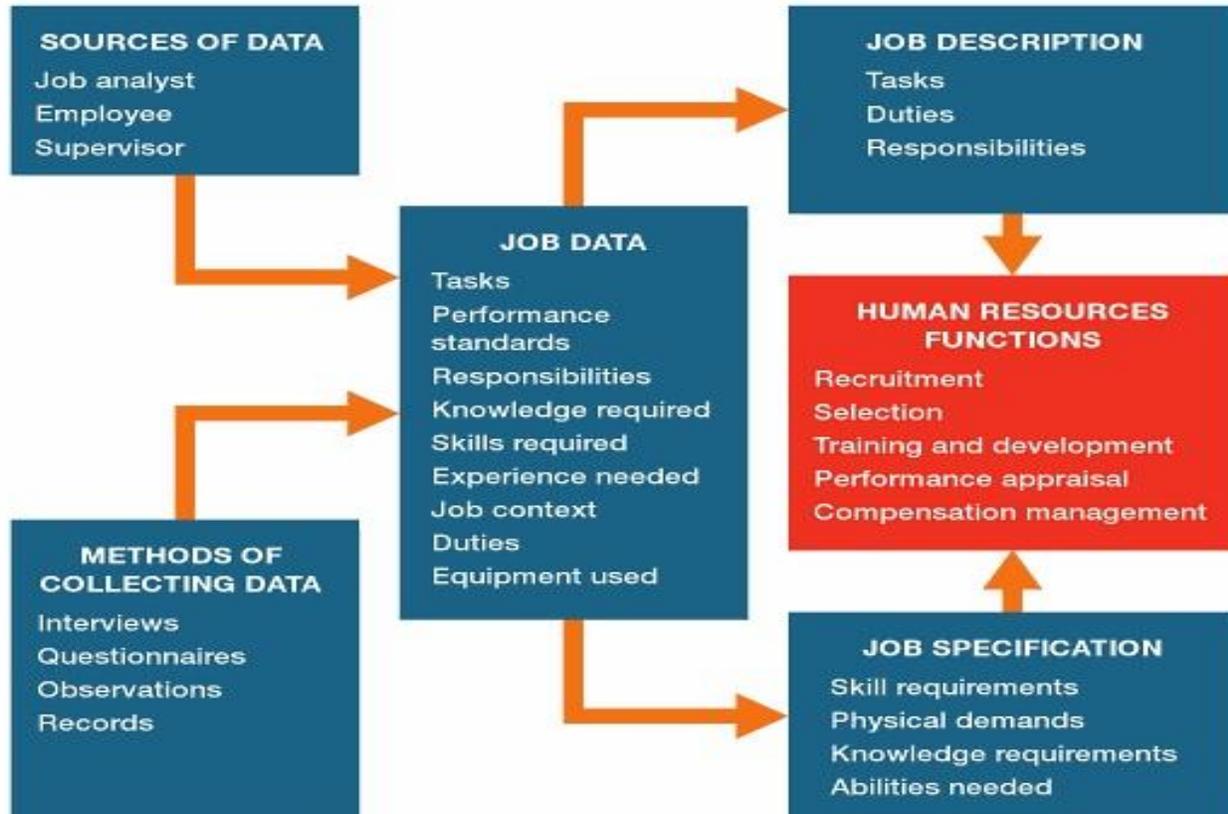
Process of Job Analysis :-

Job Analysis is a primary tool to collect job-related data. The process results in collecting and recording two data sets including job description and job specification. Any job vacancy cannot be filled until and unless HR manager has these two sets of data. It is necessary to define them accurately in order to fit the right person at the right place and at the right time. This helps both employer and employee understand what exactly needs to be delivered and how. Both job description and job specification are essential parts of job analysis information. Writing them clearly and accurately helps organization and workers cope with many challenges while onboard.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development



Job description and job specification are two integral parts of job analysis. They define a job fully and guide both employer and employee on how to go about the whole process of recruitment and selection. Both data sets are extremely relevant for creating a right fit between job and talent, evaluate performance and analyze training needs and measuring the worth of a particular job.

Job Description:-

It is a written statement containing complete information about what all a job involves including job title, duties, tasks and responsibilities related to job, working conditions and hazards, reporting relationships, tools, machines and equipments to be used, and relationships with other positions. Job description includes basic job-related data that is useful to advertise a specific job and attract a pool of talent. It includes information such as job title, job location, reporting to and



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

of employees, job summary, nature and objectives of a job, tasks and duties to be performed, working conditions, machines, tools and equipments to be used by a prospective worker and hazards involved in it.

Purpose of Job Description:-

- The main purpose of job description is to collect job-related data in order to advertise for a particular job. It helps in attracting, targeting, recruiting and selecting the right candidate for the right job.
- It is done to determine what needs to be delivered in a particular job. It clarifies what employees are supposed to do if selected for that particular job opening.
- It gives recruiting staff a clear view what kind of candidate is required by a particular department or division to perform a specific task or job.
- It also clarifies who will report to whom.



Job Specification:-

It provides particulars about capabilities that an individual should possess to perform the job efficiently. This includes educational qualification, experience, training, appropriate skills, knowledge, and abilities required to perform the job. Also known as employee specifications, a job specification is a written statement of educational qualifications, specific qualities, level of experience, physical, emotional, technical and communication skills required to perform a job, responsibilities involved in a job and other unusual sensory demands. It also includes general



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

health, mental health, intelligence, aptitude, memory, judgment, leadership skills, emotional ability, adaptability, flexibility, values and ethics, manners and creativity, etc.

Purpose of Job Specification:-

- Described on the basis of job description, job specification helps candidates analyze whether are eligible to apply for a particular job vacancy or not.
- It helps recruiting team of an organization understand what level of qualifications, qualities and set of characteristics should be present in a candidate to make him or her eligible for the job opening.
- Job Specification gives detailed information about any job including job responsibilities, desired technical and physical skills, conversational ability and much more.
- It helps to select the most appropriate candidate for a particular job.

Different methods in Job Analysis :-

- Observation Method :- When the observation method is used, a manager, job analyst, or industrial engineer observes the individual performing the job and takes notes to describe the tasks and duties performed. Observation may be continuous or based on intermittent sampling. It is due to the fact that every person has his own way of observing things. Different people think different and interpret the findings in different ways. Therefore, the process may involve personal biasness or likes and dislikes and may not produce genuine results. This error can be avoided by proper training of job analyst or whoever will be conducting the job analysis process. This particular method includes three techniques: direct observation, Work Methods Analysis and Critical Incident Technique. The first method includes direct observation and recording of behaviour of an employee in different situations. The second involves the study of time and motion and is specially used for assembly-line or factory workers. The third one is about identifying the work behaviours that result in performance.
- Interview Method :- In this method, an employee is interviewed so that he or she comes up with their own working styles, problems faced by them, use of particular skills and techniques while performing their job and insecurities and fears about their careers. This method helps interviewer



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

know what exactly an employee thinks about his or her own job and responsibilities involved in it. It involves analysis of job by employee himself. In order to generate honest and true feedback or collect genuine data, questions asked during the interview should be carefully decided. And to avoid errors, it is always good to interview more than one individual to get a pool of responses.

- Questionnaire Method :- This method is used by getting the questionnaires filled from employees, their superiors and managers. However, this method also suffers from personal biasness. A great care should be taken while framing questions for different grades of employees. In order to get the true job-related info, management should effectively communicate it to the staff that data collected will be used for their own good. It is very important to ensure them that it won't be used against them in anyway. If it is not done properly, it will be a sheer wastage of time, money and human resources.

Stages in Job Analysis Process :-

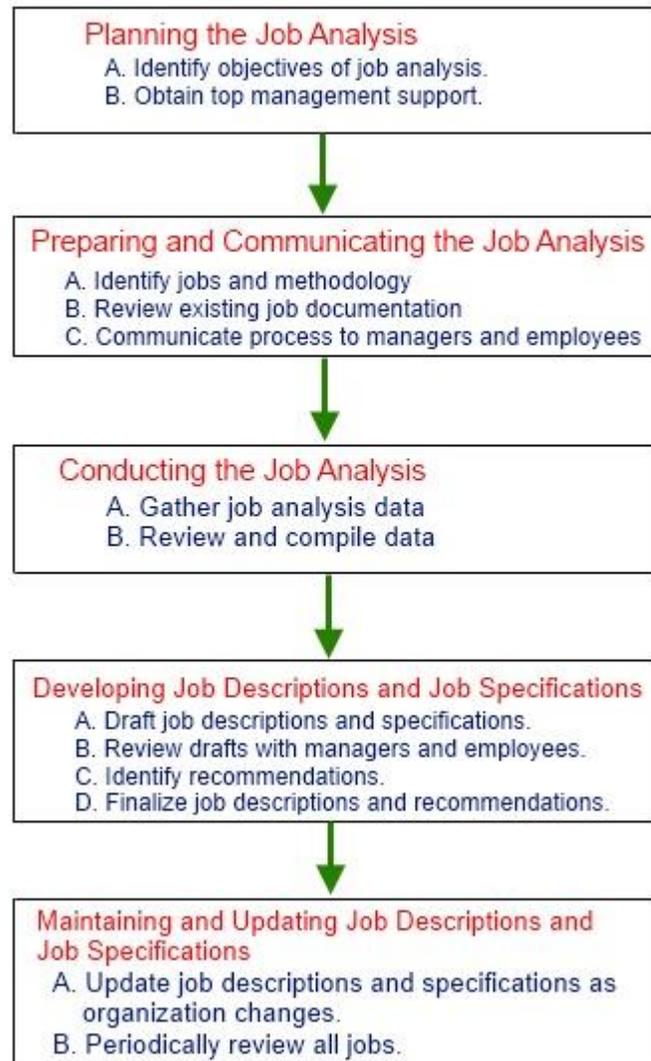
The process of job analysis must be conducted in a logical manner, following appropriate management and professional psychometric practices. Therefore, a multistage process usually is followed, regardless of the job analysis methods used. The stages for a typical job analysis are outlined here, but they may vary with the methods used and the number of jobs included.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Stages in the Job Analysis Process



- **Planning the Job Analysis :-**

The process of job analysis must be conducted in a logical manner, following appropriate management and professional psychometric practices. Therefore, a multistage process usually is followed, regardless of the job analysis methods used. The stages for a typical job analysis are outlined here, but they may vary with the methods used and the number of jobs included.

- **Preparing and Introducing Job analysis :-**



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

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A crucial step is to communicate and explain the process to managers, affected employees, and other concerned people. Explanations should address the natural concerns and anxieties people have when someone puts their jobs under close scrutiny. Items to be covered often include the purpose of the job analysis, the steps involved, the time schedule, how managers and employees will participate, who is doing the analysis, and whom to contact as questions arise.

- **Conducting the job analysis :-**

With the preparation completed, the job analysis can be conducted. The methods selected will determine the time line for the project. Sufficient time should be allotted for obtaining the information from employees and managers. If questionnaires are used, it is often helpful to have employees return them to supervisors or managers for review before giving them back to those conducting the job analysis. The questionnaire should be accompanied by a letter explaining the process and instructions for completing and returning the job analysis questionnaires

Once data from job analysis has been compiled, it should be sorted by job, the job family, and organizational unit. This step allows for comparison of data from similar jobs throughout the organization. The data also should be reviewed for completeness, and follow-up may be needed in the form of additional interviews or questions to be answered by managers and employees.

- **Developing Job Description and Job Specification :-**



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

At this stage the job analysts will prepare draft job descriptions and job specifications. Later in this chapter is a section discussing details on how to write job descriptions and job specifications.

Once the drafts are completed, they should be reviewed by managers. Whether employees review the drafts or wait to receive the final job descriptions is often determined by the managerial style of the supervisors/managers and the culture of the organization regarding employee participation and communication. When finished, job descriptions are distributed by the HR department to managers, supervisors, and employees. It is important that each supervisor or manager review the completed description with individual employees so that there is understanding and agreement on the content that will be linked to performance appraisals, as well as to all other HR activities.

- **Maintaining and Updating Job Description and Job Specification :-**

Once job descriptions and specifications have been completed and reviewed by all appropriate individuals, a system must be developed for keeping them current. Otherwise, the entire process, beginning with job analysis, may have to be repeated in several years. Because organizations are dynamic and evolving entities, rarely do all jobs stay the same for years. For example, each time a vacancy occurs, the job description and specifications should be reviewed and revised as appropriate before recruiting and selection efforts begin. Similarly, in some organizations, managers review the job description during each performance appraisal interview. This review enables the job holder and the supervisor to discuss whether the job description still describes the actual job adequately or whether it needs to be revised. In addition, a comprehensive and systematic review may be done during HR planning efforts.

Job Design:-

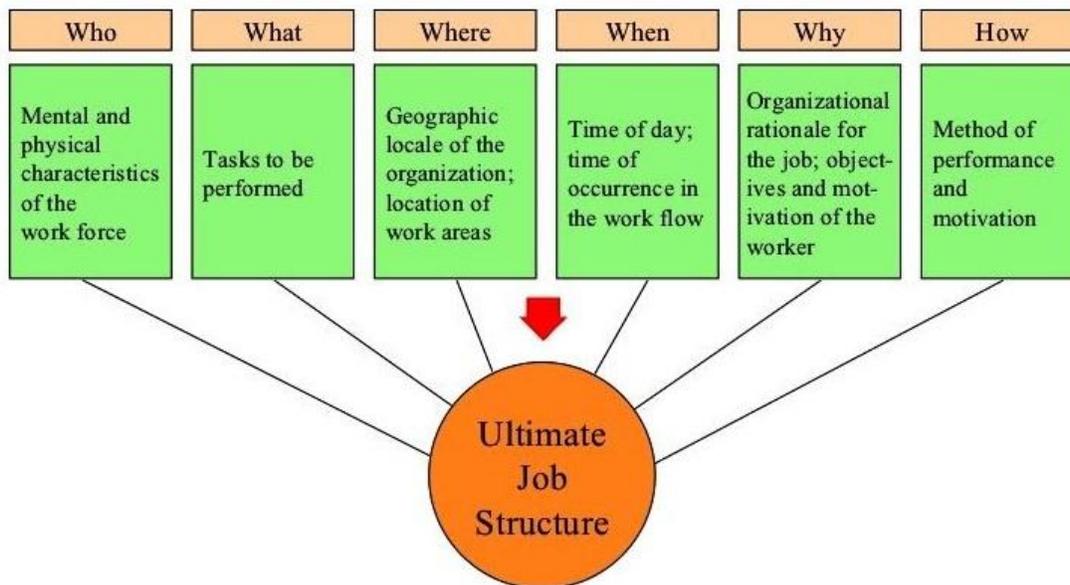
Job design is the process of Work arrangement (or rearrangement) aimed at reducing or overcoming job dissatisfaction and employee alienation arising from repetitive and mechanistic tasks. Through job design, organizations try to raise productivity levels by offering non-monetary rewards such as greater satisfaction from a sense of personal achievement in meeting the



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

increased challenge and responsibility of one's work. Job enlargement, job enrichment, job rotation, and job simplification are the various techniques used in a job design exercise. In a very simple sense, job design means the ways that decision-makers choose to organize work responsibilities, duties, activities, and tasks. Job Redesign thus involves changing work responsibilities, duties, activities, and tasks, which is also sometimes called work redesign. Job design gives framework to job analysis as it tries to figure out what qualities, skills and other requirements are needed to perform the given job by a job holder.



Approaches to Job Design:-

- **Engineering Approach** - The engineering approach was devised by FW Taylors. He introduced the idea of the task that gained prominence in due course of time. According to this approach the work or task of each employee is planned by the management a day in advance. The instructions for the same are sent to each employee describing the tasks to be undertaken in detail. The details include things like what, how and when of the task along with the time deadlines. The approach is based on the application of scientific principles to job design. Work, according to this approach should be scientifically



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

analyzed and fragmented into logical tasks. Due emphasis is then laid on organizing the tasks so that a certain logical sequence is followed for efficient execution of the same. The approach also lays due emphasis on compensating employees appropriately and training them continuously for work efficiency

- Human Approach - The human approach of job design laid emphasis on designing a job around the people or employees and not around the organizational processes. In other words it recognizes the need of designing jobs that are rewarding (financially and otherwise) and interesting at the same time. According to this approach jobs should gratify an individual's need for recognition, respect, growth and responsibility. Job enrichment as popularized by Herzberg's research is one the ways in human approach of job design. Herzberg classified these factors into two categories - the hygiene factors and the motivators.
 - Motivators include factors like achievement, work nature, responsibility, learning and growth etc that can motivate an individual to perform better at the work place.
 - Hygiene factor on the other hand include things like working conditions, organizational policies, salary etc that may not motivate directly but the absence of which can lead to dissatisfaction at the work place.
- **The Job Characteristic Approach** - The job characteristics approach was popularized by Hackman and Oldham. According to this approach there is a direct relationship between job satisfaction and rewards. They said that employees will be their productive best and committed when they are rewarded appropriately for their work. They laid down five core dimensions that can be used to describe any job - skill variety, task identity, task significance, autonomy and feedback.

Methods of Job Design :-

Job Rotation :-



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

A job design technique in which employees are moved between two or more jobs in a planned manner. The objective is to expose the employees to different experiences and wider variety of skills to enhance job satisfaction and to cross-train them. Job rotation implies systematic movement of employees from one job to the other. Job remains unchanged but employees performing them shift from one job to the other. With job rotation, an employee is given an opportunity to perform different jobs, which enriches his skills, experience and ability to perform different jobs.

Objectives of Job Rotation:-

- **Reducing Monotony of the Job:** The first and foremost objective of job rotation is to reduce the monotony and repetitiveness involved in a job. It allows employees to experience different type of jobs and motivates them to perform well at each stage of job replacement.
- **Succession Planning:** The concept of succession planning is 'Who will replace whom'. Its main function of job rotation is to develop a pool of employees who can be placed at a senior level when someone gets retired or leaves the organization. The idea is to create an immediate replacement of a high-worth employee from within the organization.
- **Creating Right-Employee Job Fit:** The success of an organization depends on the on-job productivity of its employees. If they're rightly placed, they will be able to give the maximum output. In case, they are not assigned the job that they are good at, it creates a real big problem for both employee as well as organization. Therefore, fitting a right person in right vacancy is one of the main objectives of job rotation.
- **Exposing Workers to All Verticals of the Company:** Another main function of job rotation process is to exposing workers to all verticals or operations of the organization in order to make them aware how company operates and how tasks are performed. It gives them a chance to understand the working of the organization and different issues that crop up while working.
- **Testing Employee Skills and Competencies:** Testing and analyzing employee skills and competencies and then assigning them the work that they excel at is one of the major functions of job rotation process. It is done by moving them to different jobs and



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

assignments and determining their proficiency and aptitude. Placing them what they are best at increases their on-job productivity.

- Developing a Wider Range of Work Experience: Employees, usually don't want to change their area of operations. Once they start performing a specific task, they don't want to shift from their comfort zone. Through job rotation, managers prepare them in advance to have a wider range of work experience and develop different skills and competencies. It is necessary for an overall development of an individual. Along with this, they understand the problems of various departments and try to adjust or adapt accordingly.

Job Enrichment :-

Job enrichment is a management concept that involves redesigning jobs so that they are more challenging to the employee and have less repetitive work. It is an attempt to motivate employees by giving them the opportunity to use the range of their abilities. It is an idea that was developed by the American psychologist Frederick Herzberg in the 1950s. It can be contrasted to job enlargement which simply increases the number of tasks without changing the challenge. As such job enrichment has been described as 'vertical loading' of a job, while job enlargement is 'horizontal loading'. An enriched job should ideally contain:

- A range of tasks and challenges of varying difficulties (Physical or Mental)
- A complete unit of work - a meaningful task
- Feedback, encouragement and communication

Job enrichment is a way to motivate employees by giving them increased responsibility and variety in their jobs. Many employers traditionally believed that money was the only true motivating factor for employees and that if you wanted to get more work out of employees, offering them more money was the only way to do it. While that may be true for a small group of people, the majority of workers today like to work and to be appreciated for the work they do. Job enrichment— allowing the employees to have more control in planning their work and deciding how the work should be accomplished—is one way to tap into the natural desire most



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

employees have to do a good job, to be appreciated for their contributions to the company, and to feel more a part of the company team.

Job Enlargement :-

Job Enlargement, a job design technique in which the number of tasks associated with a job is increased (and appropriate training provided) to add greater variety to activities, thus reducing monotony. Job enlargement is considered a horizontal restructuring method in that the job is enlarged by adding related tasks. Job enlargement may also result in greater workforce flexibility. Job enlargement involves combining various activities at the same level in the organization and adding them to the existing job. It increases the scope of the job. It is also called the horizontal expansion of job activities.

Job enlargement can be explained with the help of the following example - If Mr. A is working as an executive with a company and is currently performing 3 activities on his job after job enlargement or through job enlargement we add 4 more activities to the existing job so now Mr. A performs 7 activities on the job. It must be noted that the new activities which have been added should belong to the same hierarchy level in the organization. By job enlargement we provide a greater variety of activities to the individual so that we are in a position to increase the interest of the job and make maximum use of employee's skill.

Performance Appraisal:-

Before you study further

[Performance appraisal lecture](#)

Performance appraisal is the process of evaluating an employee's performance of a job in terms of its requirements. Performance appraisal involves assessment of the actual performance of an employee against what is expected of him/her. Such assessment is the basis for awarding promotions, effecting transfers or assessing training needs.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

As said above the very purpose of performance appraisal is to know performance of employee, subsequently to decide whether training is needed to particular employee or to give promotion with additional pay hike. performance appraisal is the tool for determining whether employee is to be promoted, demoted or sacked (remove) in case of very poor performance and no scope for improvement. Every corporate sector uses performance appraisal as a tool for knowing about the employee and take decisions about particular employee. for the purpose of performance appraisal of employees there are different methods under the category of traditional methods and modern methods.

Objective of Performance Appraisal:-

- **Providing Feedback** - Through performance appraisal process the individual learns exactly how well he/she did during the previous twelve months and can then use that information to improve his/her performance in the future. In this regard, performance appraisal serves another important purpose by making sure that the boss's expectations are clearly communicated.
- **Facilitating Promotion Decisions** - Almost everyone in an organization wants to get ahead. How should the company decide who gets the brass rings? Performance appraisal makes it easier for the organization to make good decisions about making sure that the most important positions are filled by the most capable individuals.
- **Rightsizing or Downsizing Decisions** - If promotions are what everybody wants, layoffs are what everybody wishes to avoid. But when economic realities force an organization to downsize, performance appraisal helps make sure that the most talented individuals are retained and to identify poor performers who effects the productivity of the organization.
- **Encouraging Performance Improvement** - How can anyone improve if he doesn't know how he's doing right now? A good performance appraisal points out areas where individuals need to improve their performance.
- **Motivating Superior Performance** - Performance appraisal helps motivate people to deliver superior performance in several ways. First, the appraisal process helps them learn just what it is that the organization considers to be "superior." Second, since most people want to be seen



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

as superior performers, a performance appraisal process provides them with a means to demonstrate that they actually are. Finally, performance appraisal encourages employees to avoid being stigmatized as inferior performers.

- **Setting and Measuring Goals** - Goal setting has consistently been demonstrated as a management process that generates superior performance. The performance appraisal process is commonly used to make sure that every member of the organization sets and achieves effective goals.
- **Counseling Poor Performances** - Not everyone meets the organization's standards. Performance appraisal forces managers to confront those whose performance is not meeting the company's expectations.
- **Determining Compensation Changes** - Almost every organization believes in pay for performance. But how can pay decisions be made if there is no measure of performance? Performance appraisal provides the mechanism to make sure that those who do better work receive more pay.
- **Encouraging Coaching and Mentoring** - Managers are expected to be good coaches to their team members and mentors to their proteges. Performance appraisal identifies the areas where coaching is necessary and encourages managers to take an active coaching role.
- **Supporting Manpower planning** - Well-managed organizations regularly assess their bench strength to make sure that they have the talent in their ranks that they will need for the future. Companies need to determine who and where their most talented members are. They need to identify the departments that are rich with talent and the ones that are suffering a talent drought. Performance appraisal gives companies the tool they need to make sure they have the intellectual horsepower required for the future.
- **Improving Overall Organization Performance** - This is the most important reason for an organization to have a performance appraisal system. A performance appraisal procedure allows the organization to communicate performance expectations to every member of the team and assess exactly how well each person is doing. When everyone is clear on the expectations and knows exactly how he is performing against them, this will result in an overall improvement in organizational success.



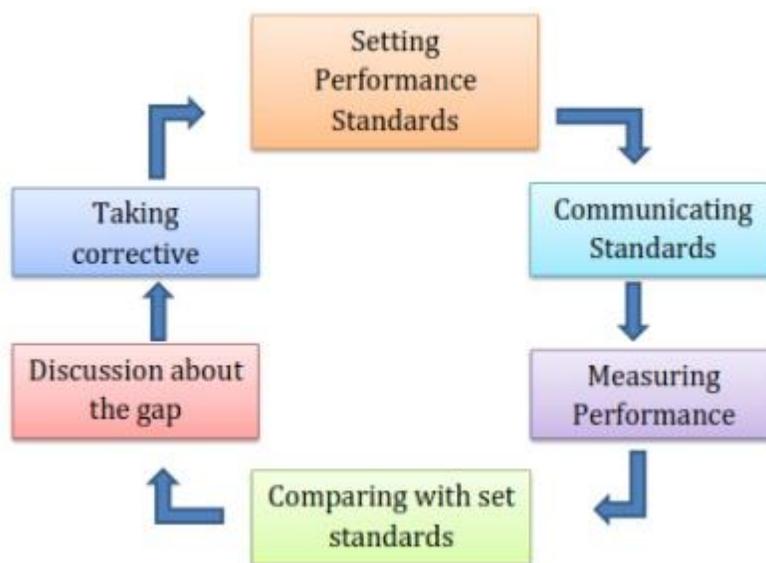
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Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Characteristics/Features of Performance Appraisal :-

- It aims to develop a rational bases for personnel decisions.
- It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.
- It is not a past oriented activity rather it is a future oriented activity showing employees where things have gone wrong, how to set everything in order, and deliver results using their potential in a proper way.
- Its focus is on employee development. It forces managers to become coaches rather than judging.
- It may be formal or informal.

The Process of Performance Appraisal :-





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Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- **Establishing Performance Standards** - The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.
- **Communicating the standards** - Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.
- **Measuring the Actual Performance** - The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.
- **Comparing actual performance with desired performance** - The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

- **Discussing Results** - The result of the appraisal is communicated and discussed with the employees on an e-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate. Performance feedback task should be handled very carefully as it may lead to emotional outburst if it is not handled properly. Sometimes employees should be prepared before giving them feedback as it may be received positively or negatively depending upon the nature and attitude of employees.

Methods of Performance Appraisal :-

As mentioned earlier there were 2 ways to measure performance appraisal one being the traditional approach and the other being modern approach. We will see the different methods one by one.

Traditional Methods of Performance Appraisal -

- **Rating Scale Method** - Rating Scales Method is commonly used method for assessing the performance of the employees and well-known traditional method of performance appraisal of employees. Many companies like Dell and Airtel use this approach for evaluating employees and subsequently take decisions on concerned employee. Depending upon the job of employee under this method of appraisal traits like attitude, performance, regularity, accountability and sincerity etc, are rated with scale from 1 to 10. 1 indicates negative feedback and 10 indicates positive feedback as shown



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

below.

Attitude of employee towards his superiors, colleagues and customers

1	2	3	4	5	6	7	8	9	10
Extremely poor								Excellent	

Regularity in the job

1	2	3	4	5	6	7	8	9	10
Extremely poor								outstanding	

Under this method of performance appraisal, employee may be assessed by his superiors, colleagues, subordinates or sometimes by his customers which all depends on nature of the company or job which is added where the employee. Appraiser is a person who appraises employee will give rating for every trait given by marking or choosing number basing on his observation and satisfaction. Ultimately all numbers chosen or marked will be added to determine highest score gained by employee. Employee who scored more points will be treated as top performer following descending scored employees will be treated as low performer and the least scored employee will be treated as non-performers.

- **Essay Appraisal Method** - This traditional form of appraisal, also known as “Free Form method” involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator. Under this method, the rater is asked to express the strong as well as weak points of the employee’s behavior. This technique is normally used with a combination of the graphic rating scale because the rater can elaborately present the scale by substantiating an explanation for his rating. Essay evaluation is a non-quantitative technique. This method is



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

advantageous in at least one sense, i.e., the essay provides a good deal of information about the employee and also reveals more about the evaluator. On the other hand it is highly subjective in nature and performance depends totally on how the evaluator expresses in the essay. The appraiser is supposed to find time to write the essay, if in a busy schedule jots down a hurried essay then it effects the performance appraisal of a genuine employee.

- **Ranking Method** - Under the ranking method, the manager compares an employee to other similar employees, rather than to a standard measurement. An offshoot of ranking is the forced distribution method, which is similar to grading on a curve. Predetermined percentages of employees are placed in various performance categories, for example, excellent, above average, average, below average, and poor,. The employees ranked in the top group usually get the rewards (raise, bonus, promotion), those not at the top tend to have the reward withheld, and those at the bottom sometimes get punished. In Self-Assessment and Skill Builder 8-1, you are asked to rank the performance of your peers.

Managers have to make evaluative decisions, such as who is the employee of the month, who gets a raise or promotion, and who gets laid off. So when we have to make evaluative decisions, we generally have to use ranking. However, our ranking can, and when possible should, be based on other methods and forms. Ranking can also be used for developmental purposes by letting employees know where they stand in comparison to their peers—they can be motivated to improve performance.

- **Paired Comparison Method** - In this method one employee's performance is compared with that of the other employees. Two employees are taken at a time and a decision is made on who is more competent. Then another pair is compared and the same process is repeated until all are compared and ranked. The number of times an employee is judged better than the other determines his performance. Comparison is made on the basis of overall performance. The number of comparisons to be made can be decided on the basis of the following formula

$$N(N-1)/2$$

Where N is the number of persons to be compared.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

	A	B	C	D	E	Final Rank
A	-	-	-	+	+	3
B	+	-	-	+	+	2
C	+	+	-	+	+	1
D	-	-	-	-	+	4
E	-	-	-	-	-	5

Herein, plus (+) sign implies the employee is considered better and minus (-) sign means worse than the other employee in the C gets the highest number of plus signs, therefore, his rank is the highest and so on. It is not suitable for large organizations as it becomes very cumbersome to compare large number of employees.

- **Forced Distribution Method** - This method was developed by Tiffen to eliminate the central tendency of rating most of the employees at a higher end of the scale. This method assumes that employees performance level confirms to a normal statistical distribution that is only 10% of the employees can be high performers and only 10% can be low performer. This is useful for rating a large number of employee job performance and promotion ability. The drawback of this approach is that there are chances that sometimes more than 10% are high performers but since only 10% are allowed in the range of high performers they are forced to go to lower performance rating.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development



- **Graphic Rating Scale** - Under this method, core traits of employee pertaining to his job are carefully defined like Attitude, Knowledge of Work, Managerial Skills, Team Work, Honesty, Regularity, Accountability, Interpersonal relationships, Creativity and Discipline etc. These traits are allotted with numerical scale to tabulate the scores gained by appraisee (employee) in performance assessment relating to his job by appraiser (employer) and sum-up to determine the best performer. Appraiser ticks rating of particular trait depending upon his endeavor in his job. Score vary form employee to employee depending up on his performance levels and endeavor in his job. This method is popular because it is simple and does not require any writing ability. The method is easy to understand and use. Comparison among pairs is possible. This is necessary for decision on salary increases, promotion, etc.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Example of Graphic Rating Scales Method

Performance Trait	Excellent	Good	Average	Fair	Poor
Attitude	5	4	3	2	1
Knowledge of Work	5	4	3	2	1
Managerial Skills	5	4	3	2	1
Team Work	5	4	3	2	1
Honesty	5	4	3	2	1
Regularity	5	4	3	2	1
Accountability	5	4	3	2	1
Interpersonal relationships	5	4	3	2	1
Creativity	5	4	3	2	1
Discipline	5	4	3	2	1

- **Checklist Method** - Another simple type of individual evaluation method is the checklist. A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behavior. If the rater believes strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others. There are 3 types of Checklist that can be used :
 - Simple Checklist - equal importance to each statement
 - Weighted Checklist - Weights are assigned to different statements
 - Forced Choice Checklist - Five statements are given for each trait



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Simple Checklist

1. Is the employee punctual	Yes/No
2. Does employee has in depth knowledge of his/her job	Yes/No
3. Does the employee follow the instructions properly	Yes/No
4. Is willing to help peers	Yes/No
5. Does maintain discipline	Yes/No

Weighted Checklist

Traits	Weights	Performance Ratings (Scale 1 to 5)
1. Attendance	0.8	
2. Communication ability	1.0	
3. Knowledge of job	1.0	
4. Discipline	1.5	
5. Dependability	1.5	
6. Interpersonal relations	2.0	
7. Leadership quality	1.5	
8. Integrity and honesty	1.5	

Forced Choice Block

Regularity on the job	Most	Least
1. Always regular	✓	
2. Informs in advance for delay	✓	
3. Never regular		✓
4. Remains absent		✓
5. Neither regular nor irregular		

- **Critical Incident Method** - This technique of performance appraisal was developed by Flanagan and Burns. An appraiser keeps a diary to record critical incidents involving effective and ineffective job behaviours. Appraisers pay attention to exceptional behaviours in some performances areas at certain times and in other areas at different times. These critical incidents



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

are later used as criteria for evaluating employee's performance. It is very time consuming and cumbersome for the superior to maintain a written record for each employee during every major. Critical incidents occur infrequently and therefore, a continuous record of performance might not be available.

- **Group Appraisal** - In this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employees, other supervisors who have close contact with the employee's work, manager or head of the department and consultants. The immediate supervisors enlightens other members about the job characteristics, demands, standards of performance, etc. Then the group appraises the performance of the employee, compares the actual performance with standards, find out deviations, discusses the reasons therefore, suggests ways for improvement of performance, prepares an action plan, studies the need for change in the job analysis and standards and recommended changes, if necessary. This method eliminates personal bias to large extent, as performance is evaluated by multiple raters.
- **Field Review Method** - In this method, a training officer from the human resource department interviews line supervisors to evaluate their respective subordinates. The interviewer prepares in advance the questions to be asked. By answering these questions a supervisor gives his opinions about the level of performance of his subordinate, the subordinate's work progress, his strengths and weaknesses, promotion potential, etc. The evaluator takes detailed notes of the answer which are then approved by the concerned supervisor. These are then placed in the employee's personal service file. It is time consuming and a skilled and competent interviewer is required.

Modern Methods of Performance Appraisal -

- **Assessment Center Method** - An assessment center is a place to evaluate an individual potentiality and performance, so as to position he/she in the core functional areas. normally, organizations outsource assessment centers instead of making them by their own. [This method



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

of performance appraisal is being opted by the RBI (Reserve Bank of India) for assessment of its officers]. An assessment center typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted. The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics. The major competencies that are judged in assessment centers are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc. assessment centers are also an effective way to determine the training and development needs of the targeted employees. Assessment center method is suitable for senior or middle management levels. It is costly and needs experts to carry out the processes. The main tools used in assessment centers are :

- Psychometric Tests - Three types of tests or questionnaires such as aptitude tests, ability test and personality test are employed. These tests are selected keeping in view Measurement objectives, Reliability and validity, time required for administration and cost involved.
- Interviews - Structured Interviews are used to probe background, critical incidents, and situational behavioral event of the employee.
- Leadership group discussion - A small group of employees are given a problem to solve and are instructed to arrive at a group decision within a specified time frame.
- In-basket Exercise - The in-basket exercise or in-tray represents day to day decision making situation which a manager is likely to face. The in-tray consists of various written messages and communications from customers, suppliers, government authorities, internal departments, seniors management etc. The objective is to assess an employee's activity level, problem analysis skills, planning and organizing skills, time management, delegation etc. The in-tray materials are given keeping in view the job duties and competencies required of each employee.
- Business Games/Simulation Exercise - A real life situation such as running a manufacturing operation, stock trading etc. is simulated to the entire group of employees. The complexities varies in these games, the common denominator is the relatively unstructured nature of interactions among the participants and the variety of actions that can be taken by all



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

participants. The interactive nature of the business game provides opportunities to assess dimensions such as strategic planning, teamwork, team skills, leadership and analytical ability.

- Role Playing - It is the method of human interaction which involves realistic behavior in an imaginary or hypothetical situation. Role playing tends to evaluate the human relations processes and personal attitudes and behavior in a particular role such as conflict management, leadership skills, group problem solving, team skills, communication, interpersonal skills etc.
- Presentation - Presentations on vision, organizational issues, case studies etc. are extensively used for assessing employees/participants.
- **Behaviorally Anchored Rating Scale [BARS]** - Behaviorally Anchored Rating Scales (BARS) is a relatively new technique which combines the graphic rating scale and critical incidents method. It consists of predetermined critical areas of job performance or sets of behavioral statements describing important job performance qualities as good or bad (for eg. the qualities like inter-personal relationships, adaptability and reliability, job knowledge etc). These statements are developed from critical incidents. In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS. Developing and practicing BARS requires expert knowledge. A behaviorally anchored rating scale is an employee appraisal system where raters distinguish between successful and unsuccessful job performance by collecting and listing critical job factors. These critical behaviors are categorized and appointed a numerical value which is used as the basis for rating performance.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

Performance	Points	Behavior
Extremely good	7	Can expect trainee to make valuable suggestions for increased sales and to have positive relationships with customers all over the country.
Good	6	Can expect to initiate creative ideas for improved sales.
Above average	5	Can expect to keep in touch with the customers throughout the year.
Average	4	Can manage, with difficulty, to deliver the goods in time.
Below average	3	Can expect to unload the trucks when asked by the supervisor.
Poor	2	Can expect to inform only a part of the customers.
Extremely poor	1	Can expect to take extended coffee breaks and roam around purposelessly.

- **Human Resource Accounting Method** - Human Resource Accounting is a method to measure the effectiveness of personnel management activities and the use of people in an organization. HRA is the process of Assigning, budgeting, and reporting the cost of human resources incurred in an organization, including wages and salaries and training expenses. Human resources are valuable assets for every organization. Human resource accounting method tries to find the relative worth of these assets in the terms of money. In this method the Performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.
- **Management by Objective** - The concept of Management by Objectives was first given by Peter Drucker in 1954 and by Douglas McGregor in 1960. They defined "Management by objectives



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

is a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members". To avoid, or deal with , the feeling that they are being judged by unfairly high standards, employees in some organizations are being asked to set or help set their own performance goals. The main steps involved in performance appraisal through MBO are as follows:

Set Organizational Goals - First of all, goals of the organization in key areas of performance are laid down. These goals are defined in clear, precise and measurable terms. They should be challenging yet attainable. A thorough analysis of internal environment (strengths and weaknesses) and external environment (opportunities and threats) of the organization is made to set these goals.

Define Performance Targets - On the basis of organizational goals, performance standards for each employee are defined. Every subordinate writes down his own performance goals which are work-related and career-oriented. His manager also writes down the goals he thinks the subordinate should strive for. The two then discuss them, reach an agreement and put agreed goals in writing. Thus, employees at all levels are actively involved in goal-setting. Clear attainable goals help channel energies in the right direction and let the employee know the basis on which he will be judged. The goals are periodically reviewed and revised to keep them up-to-date. The level of performance considered satisfactory to achieve the goal is defined. Measure checkpoints are established to measure progress towards the goals. Action plans required to achieve the goals are also decided through mutual consultation among an employee and his superior. Joint goal-setting and joint action planning are essential elements of appraisal through MBO.

Performance Reviews - Frequent performance review meetings between the manager and the subordinate are held. Initially, monthly reviews may be used and then extended to quarterly reviews. In the review meetings, progress is assessed, weaknesses and constraints



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

are identified and steps to be taken to improve performance are decided. Subordinates actively participate in this process. This leads to self-control by the employee.

Feedback - After every performance review, feedback on performance is communicated to employee so that he can regulate and improve upon his own performance. On the basis of performance review rewards are decided. New goals and performance targets are determined for the next period.

- **Customer Feedback Method** - This method is truly one of the modern methods of performance appraisal system. Customer feedback method is used, especially for sales staff who deal with sales activity in the organization. Under this method of appraisal system, customer feedback is directly linked with employee performance. This method of assessment could be unbiased and reliable since customers who are outsiders may give correct judgement about employee performance than the insiders who are superiors.
- **360 Degree Performance Appraisal** - 360-degree feedback or multi-source feedback is an appraisal or performance assessment tool that incorporates feedback from all who observe and are affected by the performance of a candidate. This method takes information from more than one source, that is, superiors, subordinates, peers, customers and oneself in order to get a 360 degree view of an individual's performance. For instance 360 degree evaluation of a manager involves evaluation of a manager by everyone above, alongside and below him. Structured questionnaire are used to collect responses about a manager from his bosses, peers and subordinates. Several parameters relating to performance and behaviour are used in the questionnaires. Each manager is assessed by a minimum of fifteen colleagues, at least two of them being his bosses, four of them peers, and six of them subordinates. The results from 360-degree feedback are often used by the person receiving the feedback to plan training and development. Results are also used by some organizations in making administrative decisions, such as pay or promotion. When this is the case, the 360 assessment is for evaluation purposes, and is sometimes called a "360-degree review." Different Stake holders in performing 360 Degree performance appraisal are



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- Self Appraisal
- Subordinate Appraisal
- Superiors Appraisal
- Peer Appraisal

Problems in Performance Appraisal/Limitations of Performance Appraisal :-

- **Error in Rating** - Performance appraisal may not be valid indicator of performance and potential of employees due to the following types of errors:

Halo Effect - The halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly, an employee might be rated high on performance simply because he has good dress sense and comes to office punctuality.

Stereotyping - Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste etc. by generalizing behavior on the basis of such blurred images, the rater grossly overestimates or underestimates a person's performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background, if they view rural background negatively.

Central Tendency - It means assigning average ratings to all the employees in order to avoid commitment or involvement. This is adopted because the rater has not to justify or clarify the average ratings. As a result, the ratings are clustered around the midpoint.

Constant Error - Some evaluators tend to be lenient while others are strict in assessing performance. In the first case, performance is overrated (leniency error) while in the second type it is underrated (strictness error). This tendency may be avoided by holding meetings so that the raters understand what is required of them.

Personal Bias - Performance appraisal may become invalid because the rater dislikes an employee. Such bias or prejudice may arise on the basis of regional or religious beliefs and



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

habits or interpersonal conflicts. Bias may also be the result of time. Recent experience or first impression of the rater may affect the evaluation.

Spill Over Effect - This arises when past performance affects assessment of present performance. For instance, recent behaviour or performance of an employee may be used to judge him. This is called recency.

- **Lack of Reliability** - Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal. Inconsistent use of measuring standards and lack of training in appraisal techniques may also reduce reliability. Different qualities may not be given proper weight-age. Factors like initiative are highly subjective and cannot be quantified.
-
- **Poor Performance Appraisal** - The appraisal process might also be influenced by the following factors relating to the forms that are used by raters:
 - The rating scale may be quite vague and unclear
 - The rating form may ignore important aspects of job performance.
 - The rating form may contain additional, irrelevant performance dimensions.
 - The forms may be too long and complex.
- **Incompetence** - Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.
- **Negative Approach** - Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.
- **Multiple Objectives** - Raters may get confused due to too many objectives or unclear objectives of performance appraisal.



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- **Resistance** - Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.
- **Lack of knowledge** - The staff appraising performance of employees might not be trained and experienced enough to make correct appraisal.

Potential Appraisal:-

The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organizations consider and use potential appraisal as a part of the performance appraisal processes.

The purposes of a potential review are:

- To inform employees of their future prospectives
- To enable the organization to draft management succession programme
- To update training and recruitment activities
- To advice employees about the work to be done to enhance their career opportunities

Techniques of Potential Appraisal :-

- Self Appraisal
- Peer Appraisal
- Superior Appraisal



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Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

- Management by objectives
- Psychological and Psychometric tests
- Management games like role playing

Potential appraisal helps to identify what can happen in future so that it can be guided and directed towards the achievement of individual and organizational growth and goals. Therefore, potential should be included as a part of the Performance appraisal in organizations.

Steps to be followed before potential appraisal :-

- **Role Description:** A good potential appraisal system would be based on clarity of roles and functions associated with the different roles in an organization. This requires extensive job descriptions to be made available for each job. These job descriptions should spell out the various functions involved in performing the job.
- **Qualities Required:** Besides job descriptions, it is necessary to have a detailed list of qualities required to perform each of these functions. These qualities may be broadly divided into four categories - Technical knowledge and skills, Managerial capabilities and qualities, Behavioral capabilities and Conceptual capabilities.
- **Indicators of Qualities:** A good potential appraisal system besides listing down the functions and qualities would also have various mechanisms for judging these qualities in a given individual. Some of the mechanisms for judging these qualities are - rating by others, psychological tests, simulation games and exercise, performance appraisal records.
- **Organizing the System:** Once the functions, the qualities required to perform these functions, indicators of these qualities, and mechanisms for generating these indicators are clear, the organization is in a sound position to establish and operate the potential appraisal system. Such establishment requires clarity in organizational policies and systematization of its efforts.
- **Feedback:** If the organization believes in the development of human resources it should attempt to generate a climate of openness. Such a climate is required for helping the



RBI Grade B 2019

Chapter- 4 Human Resource Development: Concept of HRD; Goals of HRD; Performance Appraisal – Potential appraisal and development

employees to understand their strengths and weaknesses and to create opportunities for development. A good potential appraisal system should provide an opportunity for every employee to know the results of assessment. He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organization to appraise his potential, and the results of such an appraisal.

Potential Appraisal Vs. Performance Appraisal :-

Potential Appraisal is forward looking process whether performance appraisal is backward looking process. Any good or worse assessment results of performance appraisal may not be a good factor for potential appraisal. But current performance of an employee could show evidence somewhere whether he/she is flexible for new working conditions.