

QUADRANT –I

1. Module :
2. Learning Outcome
3. Concept of Potential Appraisal
4. Difference between performance appraisal and potential appraisal
5. Purposes of Potential Appraisal
6. Process of Potential Appraisal
7. Techniques of Potential Appraisal
8. Steps in introducing potential appraisal system
9. Assessing managerial potential
Summary

1. Module 21: Potential Appraisal

2. Learning outcome:

After studying this module, you shall be able to

- ❖ Know the concept of potential appraisal
- ❖ Understand the difference between potential appraisal and performance appraisal
- ❖ Understand the purposes of potential appraisal
- ❖ Comprehend the process of potential appraisal
- ❖ Understand the techniques of potential appraisal
- ❖ Become aware of the steps in introducing potential appraisal system
- ❖ Comprehend assessing managerial potential

3. Introduction

Potential appraisal is a very important component of the process of performance appraisal. It refers to the recognition of the concealed skills, talents and abilities of a person. Estimating the potential of an employee assists to evaluate his/her capability for growth and development to face challenges and responsibilities in the organization. Many organizations put in potential appraisal in their appraisal process for establishing and developing suitable ground for employee succession planning. Potential appraisal focuses on the future and assists in the development of the personal interests of the employees in tune with the organizational goals.

The person might or might not be knowing of them. Potential appraisal is oriented towards the future. Its main objective is to identify and evaluate the potential of the employees to take up higher job position and responsibilities in the hierarchy of the organization. Many enterprises think and use the potential appraisal. Knowingly or unknowingly managers are habitual to make potential assessments. Every time a manager recommends or fails to recommend an employee for a promotion, a potential evaluation is essential. The appraisal of potential of an individual may be considered as a process of determining an employee's strengths and weaknesses with a view to use this as a predictor of future performance. This would ascertain the ability of an individual for a promotion to a higher position and help chalk out his career plan.

4. Distinction between Potential Appraisal and Performance Appraisal

The distinction between potential appraisal and performance appraisal is that potential appraisal is looking ahead whereas performance appraisal is looking at the past. Potential appraisal is performed to identify the concealed potential of an employee. Correspondingly plans are formulated for training and development to increase the potential of employees. Performance appraisal involves establishing work standards of work, evaluating the employees' real performance in comparison to these standards, furnishing feedback to the employees for the purpose of encouraging the individual to get rid of his deficiencies and /or go on performing higher.

While performance appraisal is carried out after some task is accomplished and it verifies how the employee performed in those tasks. Ranking method, rating method etc are a few among the various techniques. Potential appraisal is taken upon prior to task or project is allocated. Management by Objectives is one such technique appropriate for potential appraisal.

5. The objectives of a potential appraisal

In most Indian organizations, past performance of employees determine their promotions. The past performance is a good indicator of future job success. This could be true, if the job to be performed by the employee to be promoted is similar. However, in actual practice, the roles that a person played in the past may not be the same as he is expected to play if he is assigned a different job after his transfer or promotion to a higher position. Past performance, therefore, may not serve to be a nice predictor of the appropriateness for a higher role.

To overcome this inadequacy, organizations must think of a system known as potential appraisal. The purpose of potential appraisal is to discover the potential of a given employee to engage higher positions in the hierarchy of the organization and take upon greater responsibilities.

- ✓ The potential appraisal informs employees of their future prospects;
- ✓ It make the organization able to plan succession program for management;
- ✓ Add new information to training and recruitment attempts;
- ✓ Suggest employees the work to be done to expand opportunities for their career..
- ✓ To counsel employees about their entire career development.
- ✓ Motivates the employees to develop their skills and competencies.
- ✓ To identify the training needs of employees

6. Process of Potential Appraisal

The process of evaluating the managerial potential of employees' deals with the question of whether or not they have the ability to tackle job positions at a future point of time involving sizably greater responsibility compared to the present time. As long as individuals are viewed as being able to handle increased or different responsibilities, they would be regarded as having potential.

Potential appraisal is an important part of the appraisal process. The potential appraisal of an employee helps to evaluate his/her capability for growth and development to more challenges, responsibilities and positions in the organization. Most organizations incorporate potential appraisal in their appraisal processes for identifying and developing suitable employee ground for succession planning. The potential appraisal focuses on the future on the basis of performance of the past and helps in developing the personal interests of the employees in alignment to the organizational goals. Potential appraisal is another powerful tool of employee development. The fundamental difference between reviewing performance and assessing potential is the criteria used. In reviewing

performance, the criterion used is the goals employee has achieved and the skills an employee currently possesses that could be indicators of his or her ability to assume different or more advanced responsibilities. This makes the potential appraisal a very crucial area. If an employee gets promotion to a higher position without requisite abilities and does not perform as per expectations, then it becomes difficult to demote him. Thus, he is unable to perform at the higher level and becomes a dead weight for the organization. It is correct to assume that every person has potential. Many organizations have people with low potential; performance too is not up to the standard.

7. Techniques of potential appraisal:

There are different techniques of potential appraisal. Some of them are discussed here:

7.1 Self – appraisals

Empowers employee to think about themselves over time and identify their own accomplishments, challenges, strengths and opportunities for improvement.

It helps people to focus on their behavior. The better they are at understanding the behaviors and skills related to success, the better one can be at targeting efforts on the job. Self appraisal prepares employees to have a productive and meaningful performance review discussion with your manager. Self appraisal helps the employees understand better how their self appraisal will be use in the performance evaluation process and determine who will view the self appraisal and clarify how the supervisor plans to see it in completing the final performance review. Self-appraisal also assists the employees to review their job description and performance goal to ensure the fresh understanding of expectations. It also enables to think about the past year and review work sample that showcase the abilities and efforts of the employees. This refreshes the memory of all the hard work and goals achieved. Self appraisal is the self evaluation where the employee himself gives the feedback of his performance. He makes a critical analysis of his performance his strengths, weaknesses, accomplishments, problems faced, the training and development needs (if any) etc. Peer appraisals

7.2 Peer Appraisal

Various methods for evaluating employee performance have been used world-wide since a long time. While many traditional approaches to performance appraisal remain popular and widely accepted, one of the lesser known models, is peer appraisal, though there are significant potential advantages of peer ratings, yet relatively few organizations have embraced the peer appraisal. At the time when flatter organizations, self-managed work teams, and the empowerment of workers are in vogue, it seems natural that people will be more interested in this organizational climate and accept peer participation in the appraisal process.

7.3 Superior appraisals

Most commonly an employee's potential is evaluated by his superior who on continuous basis assigns work to the employees and is able to know the potential of the employees.

7.4 Management by Objectives

Management by Objectives is a process of establishing common goals and determines the individual's responsibility for achieving those goals. This helps in evaluating the growth on regular basis. Management by objectives (MBO) is a system

that features an agreement by a superior and a subordinate on the subordinate's objectives for a particular period and a period review of how well the subordinate achieved those objectives. An attempt is usually made to write objectives in quantitative terms, although some experts believe that certain objectives on targets can and should be stated in qualitative terms.

The MBO system generally includes the following steps:

- ❖ The supervisor and the subordinate mutually agree on the primary elements of the subordinate's job.
- ❖ The supervisor and the subordinate mutually agree on the subordinate's specific objectives for the specified period.
- ❖ The subordinate establishes a plan of action necessary to meet each objective.
- ❖ During the specified period, the subordinate periodically reviews progress towards objectives, perhaps jointly with the supervisor. Progress checks may indicate the need to change action plans or modify objectives.
- ❖ At the end of the specified period, the supervisor and subordinate meet to jointly evaluate the subordinate's performance on objectives.

7.5 Management games like role playing

For the assessment of potential, the employees/ individuals are judged on many performance and behavioral factors like:

- The performance areas in which the improvement or development is shown
- the targets achieved in the present appraisal period
- Overall rating of the performance
- the skills, knowledge, competencies and qualities to be developed.
- The steps taken by the employee for improving his performance and the development of his career.
- Recommendations for the training and development of the employee
- Updating of knowledge on the recent developments concerning job related and subject areas.

8. Steps in introducing a potential appraisal system

There are some requirements and steps to be followed while introducing a potential-appraisal system. These steps are shown in Fig.1



Fig.1 Step in introducing a potential appraisal system

8.1 Role Description:

The clarity of roles and functions connected with different roles in an organization would be the basis of a good potential appraisal. This requires extensive job descriptions for each job articulating various functions involved in the performance of a job.

8.2 Qualities Needed:

In addition to job descriptions, it is essential to acquire various qualities needed to perform each of these functions. These qualities may largely comprise technical knowledge, managerial capabilities and conceptual and behavioral capabilities

The technical knowledge and skills should list out for each function the nature of knowledge, the nature of the skill, and the level at which the knowledge or the skill is required to perform each of the functions. These should be listed out function-wise. The managerial skills should deal with capabilities like planning ability, coordination, management of systems development, organization etc. The behavioral qualities may be initiative, drive creativity, aptitude, leadership, etc.

8.3 Rating mechanisms

In addition to enumerating the functions and qualities, the potential appraisal system must find out systems of assessing the characteristics of employees.

(a) Rating by others: The immediate supervisor acquainted with the candidate's work in the past could rate his potential, particularly his technical capabilities.

(b) Tests:

A battery of psychological tests can measure the managerial and behavioral dimensions.

(c) Simulation games and exercises:

Simulation games and exercises can be applied to reveal the potential of an employee

(d) Records of Performance appraisal

Records of performance appraisal and ratings of a candidate on his earlier jobs could be examined with caution on various aspects such as creativity, initiative, risk taking ability, etc. which might play a main role in performing duties in a new job.

8.4 System organization:

At this stage, the organization is now in a strong position to place in position and make function the potential appraisal system with lucid organizational policies and make its efforts systematic

The following are the questions that need to be answered by the organization for an effective implementation of the system:

- How much importance to be given to seniority in promotions?
- What is the relative weight to be given to the technical managerial and behavioral qualities and, within each of these categories, to different qualities?
- What are the mechanisms of assessing the individual on different indicators of his potential and with what reliability?

8.5 Feedback:

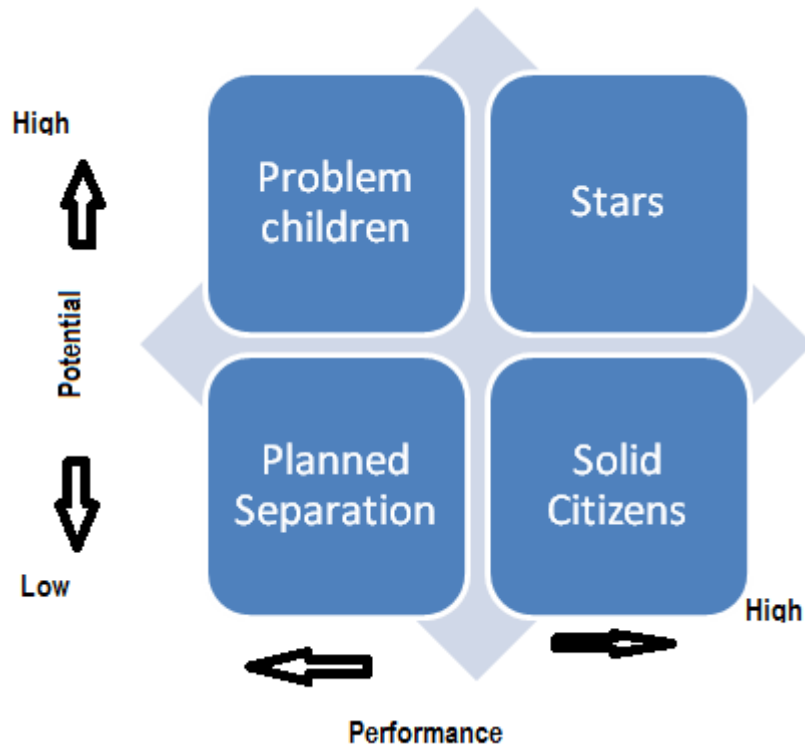
If the organization expresses faith in the enlargement of human resources it should make effort to create a climate of transparency needed for helping the employees to understand their strengths and weaknesses and to take advance of opportunities for development. An efficient potential appraisal system should furnish an opportunity to everyone to understand the outcome of evaluation. He need to know the attributes required for performing the role he has the potential, the systems used to appraise his potential, and the outcomes of such appraisal. This enables the employee to acquire real self-perception and formulate his own career and development.

8.6 Introducing potential appraisal

Most companies do not have any systematic way of appraising the potential of their employees. Consequently, even through a company encourages internal talent it runs the risk of stirring up a controversy by bringing even a few people from outside. A formalized policy in this regard, plus making clear the organizational beliefs and orientation, would considerably build up the morale of the employees. However, a policy to encourage internal potential is not sufficient and one should make systematic efforts to introduce systems of this kind.

9. Potential Appraisal in leading Indian companies.

Several Indian companies like Philips, Glaxo, Cadbury, Sandoz, Pfizer, Mafatlal, Proctor and Gamble reformulated their appraisal systems, moving from a mere performance orientation to a potential-cum-performance based appraisal system. The Philips model needs mention which shown below in Fig.2.



- (a) Low potential low performance
The question marks are the employees with both low potential and low performance. Such employees are required to bring up their performance. If the beginning effort is not successful, a planned separation is brought into action.
- (b) Low potential high performance
People with high performance but low potential are known as solid citizens. They have limited skill to grow beyond their current job profile.
- (c) Low performance –high potential
The employees possessing high potential but their performance are at low level are regarded as problem children. In majority of cases, they perform well in their jobs – if they go on in the same situation without a change of place, supervisor or profile of the job. To draw out their potential, such employees are furnished a fresh scenario to perform under close supervision. If their performance continues to be low, the process of separation process is indispensable.
- (d) High performance- high potential
They are star performers and ought to be pampered like race horses- putting them on challenging tasks constantly. In Philips the potential of an employee is measured using a five point scale and classify employees into above four categories. The potential appraisal criteria include: Vision, business and entrepreneurial orientation and the sense of reality assess the conceptual effectiveness
Network directedness, negotiating power, personal influence and verbal behavior reflect interpersonal effectiveness. Result orientation, individual effectiveness, risk-taking ability, and control indicate operational effectiveness of the individual
Achievement motivation includes drive, professional ambition, innovativeness and stability.

Further, Philips prepares a fast career growth plan for the star performers to proceed on over 5 to 10 year period. Companies such as Glaxo, Cadbury offer similar processes to distinguish the star performers and utilize their potential solely applying rewards and incentives.

10. Assessing managerial potential

The assessment of managerial potential is to identify training and development needs, provide guidance on possible directions which an individual's career might take, and make known who possess potential for promotion. The use of assessment centers provides a more comprehensive approach. These incorporate a range of assessment techniques and typically have the following features:

- ❖ The focus of the center is on behavior.
- ❖ In order to capture and simulate the key dimensions of the job managerial exercises are practiced including role plays and group exercises. It is assumed that performance in the simulations predicts behavior on the job.
- ❖ In addition to group exercises interviews and tests will be used.
- ❖ Different dimensions in terms of competencies required to achieve the target level of performance in a particular job or at a particular level in the organization measure the managerial potential.
- ❖ A number of candidates or participants are evaluated together to permit interaction and make the experience open and participative one.
- ❖ Several assessors or observers are used in order to enhance the objectivity of assessments. Involving senior managers are involved to ensure that they own the process. Assessors must be carefully trained.
- ❖ Assessment centers provide opportunities for knowing to what extent candidates and culture of the organization match. This will be established by observation of the behavior in different but typical situations, and by the range of the tests and structured interviews involved in proceedings.

Summary

- ❖ Potential appraisal focuses on the future and assists in the development of the personal interests of the employees in tune with the organizational goals.
- ❖ The distinguishing feature between potential appraisal and performance appraisal is that potential appraisal concentrates on future performance whereas performance appraisal evaluates performance that has already occurred.
- ❖ The purpose of potential appraisal is to discover the potential of a given employee to engage senior positions in the organizational hierarchy and willingly assume greater responsibilities.
- ❖ The process of evaluating the managerial potential of employees' deals with the question of whether or not they have the ability to tackle job positions at a future point of time involving sizably greater responsibility compared to the present time.
- ❖ There are different techniques of potential appraisal including self – appraisals, peer appraisal, superior appraisals, Management by Objectives (MBO), psychological and psychometric tests and management games like role playing.
- ❖ The steps in introducing a potential appraisal system are role description, qualities required, indicators of qualities, organizing the system and feedback