

UNIT III

HR TRAINING PROCESS

Employee Training

introduction

Training is an organised activity for increasing the knowledge and skills of people for a definite purpose. It involves systematic procedures for transferring technical know-how to the employees so as to increase their knowledge and skills for doing specific jobs with proficiency. In other words, the trainees acquire technical knowledge, skills and problem-solving ability by undergoing the training programme.

According to Edwin B. Flippo, —Training is the act of increasing the knowledge and skills of an employee for doing a particular job.

Training involves the development of skills that are usually necessary to perform a specific job. Its purpose is to achieve a change in the behavior of those trained and to enable them to do; their jobs better. Training makes newly appointed workers fully productive in the minimum of time.

Training is equally necessary for the old employees whenever new machines and equipment are introduced and/or there is a change in the techniques of doing the things. In fact, training is a continuous process. It does not stop anywhere. The managers are continuously engaged in training their subordinates. They should ensure that any training programme should attempt to bring about positive Changes in the (i) Knowledge, (ii) skills, and (iii) attitudes of the workers. The purpose of training is to bring about improvement in the performance of work. It includes the learning of such techniques as are required for the better performance of definite tasks.

The objective of training is to achieve a change in the behaviour of those trained. In the industrial situation, this means that the trainees acquire new techniques skills, problems solving abilities and develop proper, work attitude. The trainees apply the newly acquired knowledge on the job in such a way as to keep them in the achievement of organisational goals and targets. Training is a necessary activity in all organisations, it plays a large part in determining the effectiveness and efficiency of the organisation. Training is must for all. A training programme enables the trainee to achieve the reasonable level of acceptable performance. To achieve improved performance and increase in productivity, quality and profitability. Change Organisational climate and culture, to improve health and safety and Possibility and personal growth and development.

Training generally is intended to provide training experiences that help people perform efficiently in their present and future jobs. Training is a process in which abilities are developed into specific required skills knowledge or attitudes. Thus, managing the training process can go a long way towards enhancing its effectiveness. If training programs are well conceived and well executed, both the organisation and its employees benefit. A

comprehensive process helps managers ensure that the objectives of the training program are met.

NATURE OF TRAINING AND DEVELOPMENT

Training is the most important component of Human Resource Development (HRD) but HRD is training plus. An organisation which aspires to grow must be in tune with the changing needs of the society. Training becomes relevant in the context since it is only through training that the gap between performance of the organization and the felt need of a changing society can be neutralised. Training reduces the gap by increasing employees' knowledge, skill, ability and attitude.

Training makes a very important contribution to the development of the organisation's human resources and hence to the achievement of its aims and objectives. To achieve its purpose, training needs to be effectively managed so that the right training is given to the right people, in the right form, at the right time and at the right costs.

The term training indicates the process involved in improving the aptitudes, skills and abilities of the employees to perform specific jobs. Training helps in updating old talents and developing new ones. Training is a vital phase of management control. It helps in reducing accidents, eliminating wastages and increasing the quality of work.

Training and Development are terms which are sometimes used interchangeably. Development was seen as an activity associated with managers, in contrast training has a more immediate concern and has been associated with improving the knowledge and skill of non-managerial employees in the present job. Training and development may be regarded interactive, each complementing the other. The logical step for the organisation is to produce a plan for human resource development (i.e. training and development) which will dovetail into the employee resourcing plan (i.e. Selection) and the organisation's overall strategic plan.

Objectives of Training

The primary objective of training is to prepare employees – both new and old, for promotions to positions which require added skill and knowledge. This means that the training may range from highly specific instruction as to steps in the performance of a given job to very general information concerning the economy and society. Therefore, it is necessary to establish the goals of training very cautiously. The objectives of training are as follows:

- (i) To impart to new entrants the basic knowledge and skill they need for an intelligent performance of definite tasks;
- (ii) To assist employees to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing the skills, they will need in their particular fields;

- (iii) To build up a second line of competent officers and prepare them to occupy more responsible positions;
- (iv) To broaden the minds of senior managers by providing them with opportunities for an interchange of experiences within and outside with a view to correcting the narrowness of the outlook that may arise from over-specialisation;
- (v) To impart customer education for the purpose of meeting the training needs of Corporations which deal mainly with the public.

In a nutshell, the objectives of training are —to bridge the gap between existing performance ability and desired performance.

NEED AND IMPORTANCE OF TRAINING

- 1. Increasing Productivity:** Instruction can help employees increase their level of performance on their present job assignment. Increased human performance often directly leads to increased operational productivity and increased company profit. Again, increased performance and productivity, because of training, are most evident on the part of new employees who are not yet fully aware of the most efficient and effective ways of performing their jobs.
- 2. Improving Quality:** Better informed workers are less likely to make operational mistakes. Quality increases may be in relationship to a company product or service, or in reference to the intangible organisational employment atmosphere.
- 3. Helping a Company Fulfil its Future Personnel Needs:** Organisations that have a good internal educational programme will have to make less drastic manpower changes and adjustments in the event of sudden personnel alternations. When the need arises, organisational vacancies can more easily be staffed from internal sources if a company initiates and maintains an adequate instructional programme for both its non-supervisory and managerial employees.
- 4. Improving Organisational Climate:** An endless chain of positive reactions results from a well planned training programme. Production and product quality may improve; financial incentives may then be increased, internal promotions become stressed, less supervisory pressures ensue and base pay rate increases result. Increased morale may be due to many factors, but one of the most important of these is the current state of an organisation's educational endeavour.
- 5. Improving Health and Safety:** Proper training can help prevent industrial accidents. A safer work environment leads, to more stable mental attitudes on the part of employees. Managerial mental state would also improve if supervisors now that they can better themselves through company-designed development programmes.
- 6. Obsolescence Prevention:** Training and development programmes foster the initiative and creativity of employees and help to prevent manpower obsolescence, which

may be due to age, temperament or motivation, or the inability of a person to adapt himself to technological changes.

7. Personal Growth: Employees on a personal basis gain individually from their exposure to educational experiences. Again, —Management development programmes seem to give participants a wider awareness, an enlarged skin, an enlightened altruistic philosophy, and make enhanced personal growth possible.

PROCESS OF EMPLOYEE TRAINING

Training Process

Definition: The Training Process comprises of a series of steps that needs to be followed systematically to have an efficient training programme. The Training is a systematic activity performed to modify the skills, attitudes and the behavior of an employee to perform a particular job.

Figure 9 Training Process



1. **Needs assessment:** The first step in the training process is to assess the need for training the employees. The need for training could be identified through a diagnosis of present and future challenges and through a gap between the employee's actual performance and the standard performance. The needs assessment can be studied from two perspectives: Individual and group. The individual training is designed to enhance the individual's efficiency when not performing adequately. And whereas the group training is intended to inculcate the new changes in the employees due to a change in the organization's strategy.

2. **Deriving Instructional Objectives:** Once the needs are identified, the objectives for which the training is to be conducted are established. The objectives could be based on the gaps seen in the training programmes conducted earlier and the skill sets developed by the employees.
3. **Designing Training Programme:** The next step is to design the training programme in line with the set objectives. Every training programme encompasses certain issues such as: Who are the trainees? Who are the trainers? What methods are to be used for the training? What will be the level of training? etc. Also, the comprehensive action plan is designed that includes the training content, material, learning theories, instructional design, and the other training requisites.
4. **Implementation of the Training Programme:** Once the designing of the training programme is completed, the next step is to put it into the action. The foremost decision that needs to be made is where the training will be conducted either in-house or outside the organization. Once it is decided, the time for the training is set along with the trainer who will be conducting the training session. Also, the trainees are monitored continuously throughout the training programme to see if it's effective and is able to retain the employee's interest.
5. **Evaluation of the Training Programme:** After the training is done, the employees are asked to give their feedback on the training session and whether they felt useful or not. Through feedback, an organization can determine the weak spots if any, and can rectify it in the next session. The evaluation of the training programme is a must because companies invest huge amounts in these sessions and must know its effectiveness in terms of money.

Thus, every firm follows the series of steps to design an effective training programme that serves the purpose for which it was intended.

METHODS OF EMPLOYEE TRAINING

There are wide ranges of training methods which are suitable as per the different categories of personnel in the organization. It depends upon the organization to select the relevant training method as per the organization needs. The various training methods are as follows:

i) On the job method of training:

It is the most effective training where the workers are given training at the place of work. It means they learn in the actual working environment which means they are learning while doing. This type of training is cheaper and less time-consuming as it involves learning the skills that can be learnt in a short span of time. It involves:

- a) **Understudy:** – here the superior gives training to his subordinate as his understudy or assistant. It helps the subordinate to prepare for the superior's job in case superior leaves the organization.

b) Coaching: – here supervisor gives knowledge to his subordinate. This type of training is given in case where the superior has enough time to give coaching to the subordinate.

c) Job rotation: job rotation means changing the position of the employee from time to time to help them to learn different skills, to develop all round workers. This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees. But there should be no frequent changes in the job of the employees as they must be given sufficient time to acquire the full knowledge of the job. This kind of training is suitable for higher level employees.

d) Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

e) Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

ii) Off the job method of training:

It means the employees get the training for a specific period but not at the work place rather away from the work place. It means they are free from the tension of work while training. The different types of off the job training are:

a) Vestibule method of training:

It means training in class room for semi-skilled jobs. Here large number of employees can be trained at the same time for same type of work. The emphasis on learning rather than the production. Here the attempt is made to create the similar type of working conditions as actual. It is generally given to clerks, typists etc. but this kind of training is expensive as it requires duplicate machines to learn the skill.

b) Role play:

In Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.this case also a problem situation is simulated asking the employee to assume the

role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

c) **Lecture method:** this is also called class room training. The special lectures can be given by the top executive of the organization or by the specialist in a particular field. The person is generally expert in the particular field. The trainees generally had the note books to note down the important points said by the expert.

This method can also be used for the new entrant in the organization or to deliver the message to large group in that case the cost per trainee is less. But only in case of lecture method alone the learners are passive, there is only one-way communication between them .

d) **Conference/Discussion method:** in this kind of training there is a group meeting in which different persons present their view relating to a particular topic. The members learn from the others and respect the others viewpoint. The proceedings of the conference are conducted by the chairman who is responsible for summing up the conference.

e) **Case study:** under this method trainees are given a problem or a case study which is more or less related to their job. Then they analyze the problem and give solutions which are discussed in the classroom. Then the instructor helps them to reach at a common solution.

f) **Programmed instruction method:** “Programmed instruction is the process of arranging a learning material into a series of planned sequential units, arranged in simple to complex level, by which employees are giving feed back to new and complex facts, theories and concepts”.

Advantages of Training

1. Increased efficiency of employees:

An effective training programme can make the employees of the company work in an effective manner. With training people gain confidence and this confidence is seen in the output and results.

2. Reduced supervision:

An employee needs to be supervised when he works. When the employee has got sufficient training the amount of supervision required is less as mistakes are less. This reduces the workload of the supervisor.

3. Less amount of wastage:

The amount of wastage by an employee is reduced a lot due to training and therefore if we take an account of the amount of wastage we find that the company has saved a lot of money.

4. Reduced employee turnover:

Proper training improves chances of obtaining promotions and employees are happy because they have better opportunities. Due to this their chances of leaving their current job reduces greatly thereby reducing [employee turnover](#) in the company.

5. Helps new employees in the organization:

Training always benefits employees whether old or new. In case of new employees, training helps them a lot. This is because new employees may not be aware of the functioning of the organization and training helps them to gain knowledge and insight into the working of the company.

Disadvantages of Training

1: High costs

The expenses associated with employee training can be daunting for small and medium-sized companies. The costs of travel, training facilities, in-house training development, and equipment can quickly add up! While the average budget for large companies was \$17.7 million in 2019, in comparison, small companies had an average budget of \$367,490 [5]. However, there is good news. Utilizing online learning can cut many of these [costs](#)! Learn more about the [benefits of online learning](#).

Disadvantage 2: Requires time away from work

The time that your employee spends training is time that they spend away from their job. It might not be possible to support a large amount of non-work hours for your employee. However, we would argue that while training takes time in the short run (time away from work), it will save you time in the long run. For instance, after they complete their training they will not need to ask others for help and are less likely to make costly mistakes. Online learning can also help cut down on training time. According to Chapman Alliance, a half-day of classical training is equivalent to a one-hour e-learning course.

Disadvantage 3: Poor quality training can result in poor quality work

We have all heard the saying “practice makes perfect”. But, what happens when you start to practice bad habits? Creating high quality training materials, and finding quality instructors, is time intensive and challenging. It might be tempting to bypass quality in favor of simplicity. But it can quickly backfire if the training passes on bad habits and incorrect knowledge to your employees.

EXECUTIVE DEVELOPMENT

Concept of Executive Development:

Executive development or management development is a systematic process of growth and development by which the managers develop their abilities to manage. So, it is the result of not only participation in formal courses of instruction but also of actual job experience.

Management development involves relating experience to learning. The main aims of formal education for manager is to increase his ability to learn from experience

Executive Development consists of all the means by which executives learn to improve their behaviour and performance. Flippo defines management development as “the process by which managers and executives acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.”

Executive development is a planned effort to improve current and future managerial performance. **Characteristic of Executive Development:**

1. Development is a planned and organized process of learning rather than a haphazard or trial and error approach.
2. It is an ongoing or never-ending exercise rather than a ‘one shot’ affair. It continues throughout an executive’s entire professional career because there is no end to learning.
3. Executive development is a long-term process as managerial skills cannot be developed over night.
4. Executive Development is guided self-development. An organisation can provide opportunities for development of its present and potential managers. Executive Development is possible only when the individual has the desire to learn and practice what he learns. No amount of coercion can lead to development.
5. Executive Development aims at preparing managers for better performance and helping them to realise their full potential.

Objectives of Executive Development:

- (i) To overhaul the management machinery.
- (ii) To improve the performance of the managers.
- (iii) To give the specialist an overall view of the function of an organisation and equip them to coordinate each other’s efforts effectively.
- (iv) To identify persons with the required potential and prepare them for senior positions.
- (v) To increase morale of the members of the management group.
- (vi) To increase versatility of the management group.

- (vii) To keep the executives abreast with changes and developments in their respective fields.
- (viii) To create the management succession which can take over in case of contingencies?
- (ix) To improve thought process and analytical ability.
- (x) To broaden the outlook of the executive regarding his role positional and responsibilities.

Executive Development Objective at Different Levels:

(a) Top Management:

1. To improve thought processes and analytical ability in order to uncover and examine problems and take decisions in the best interests of the country and organisation.
2. To broaden the outlook of the executive in regard to his role, position and responsibilities in the organisation and outside.
3. To think through problems this may confront the organisation now or in future.
4. To understand economic, technical and institutional forces in order to solve business problems.
5. To acquire knowledge about the problem of human relations.

(b) Middle Management:

1. To establish a clear picture of executive functions and responsibilities.
2. To bring about an awareness of the broad aspects of management problem, and an acquaintance with, and appreciation of, inter-departmental relations.
3. To develop the ability to analysis problems and to take appropriate action.
4. To develop familiarity with the managerial uses of financial accounting, psychology, business law and Business Statistics.
5. To inculcate knowledge of human motivation and human relationship.
6. To develop responsible leadership.

(c) Middle Functional Level and Specialists:

1. To use knowledge of business functions and operations in specific field in marketing, production, finance and personnel.
2. To use proficiency in management techniques such as work study, inventory control, operations research and quality control.

3. To stimulate creative thinking in order to improve methods and procedures.
4. To understand the functions performed in a company.
5. To understand industrial relations problem.
6. To develop the ability to analyses problem in one's area or functions.

Importance of Executive Development:

1. The size and complexity of organisation, both business and non-business are increasing. Managers need to be developed to handle the problems of giant and complex organisation in the face of increasing competition.
2. The rapid rate of Technological and Social change in society requires training of managers so that they are able to cope with these changes.

Automations cutthroat competition, growth of new markets, enlarged labour participation, in management, growing public and government interest in business activities are the major problems that have to be handled.

3. Business and industrial leaders are increasingly recognizing their social and public responsibilities. They require a much broader outlook to discharge their new responsibilities. Executive Development is required to broaden the outlook of managers.
4. Labour management relations are becoming increasingly complex. Executives require new and better skills in union negotiation, collective bargaining and grievance redressed. Workers are better educated and more aware. More competent managers are needed to manage the modern workforce.
5. There is a noticeable shift from owner-managed to professionally managed enterprises. Even in family Business houses, development programmes are required to tram and develop professional managers.
6. Executives need education and training to understand and adjust to changes in socio-economic forces. Changes in public policy, concept of social justice, industrial democracy, ecology (pollution) ergonomics cultural anthropology are the main socio-economic changes.

Without management development programmes, executives may become obsolete. Executive personnel will not be able to survive in future unless they keep pace with modern management education, research, principles and practices.

7. Management of public utilities, state enterprise, and civic Bodies is being professionalized in order to improve operational efficiency. Similarly, agriculture, rural development and public administration require professional executives.

The Process of Executive Development

Contemporary organizations have realized the importance of human capital and increasingly finding it necessary to continuously train and develop human resources. The training and development needs of the employees cannot be looked at in isolation; any proactive organization has to view the individual training needs in the overall organizational context. The training and development processes are no longer adjunct to other departments but have become a part of organizational strategy and one of the key organizational objectives. The process of arriving at the development needs of the executives can be comprehensively viewed through the process given in Fig.-

Process of Executive Development

Executive development covers all those activities that can substantially change the individual performance, such that it will improve their present and future assignment as well. The steps involved in the process of executive development are discussed as under:



Being Intelligent

Ascertaining Development Needs: Prior to the introduction of a management development programme, a complete and strategic analysis of the current and future development needs of the organization is conducted. The analysis will clarify how many and what kind of managers are

needed, to fulfil present and future requirements, taking into account the changes in production methods and techniques, in industrial development and the size of the organization.

In this step, a comparison will be made amidst the existing pool of talent and the required pool of talent, to fulfil the anticipated needs. This will help in determining the need for executive development.

Appraisal of Present Management Talent: Once the development needs are identified, the management must assess the talent of its existing staff, which is possible by making a comparison between actual and standard performance.

At this stage, a qualitative assessment of the executives is made so as to ascertain, the kind of executive talent is present in the organization. The information will be helpful in gaining knowledge about the strengths and weaknesses of the managers.

Inventory of Management Talent: A funnel of qualified managers should be developed, as well as the selection of various development programmes has to be designed. This will provide relevant personnel data, with respect to the executives in each position, who are qualified for the development.

Further, for every member of the executive team, a card is created which lists out details as to the name, age, education, length of service, health record, experience, psychological test score, and so forth. It must be noted that the selection of the executives for the development programme is based on background information.

Planning Development Programme for Individuals: The performance appraisal of each executive will list out the positive and negative characteristics of each executive as per their physical and mental abilities. On the basis of such information, a programme for the development of executives is designed, which may cover special projects, committee assignments, etc.

Establishment of Training and Development Programme: A systematic procedure must be initiated, for executive development, which will identify their current level of skills, knowledge,

competencies, abilities, etc. of various executives and comparing the same with the concerned job requirements.

Hence, it will diagnose the developmental needs and establish development programmes such as special courses, conference training, seminars, sensitivity training, role plays, management games and so forth.

Evaluating Development Programme: Once the development programme is complete, its evaluation is performed to check if the objectives of the programmes have been attained or not. It is important to ascertain the relevance of the development programme for the organization.

It may involve a survey of the trainee's behaviour, interviews with the trainees, opinion surveys, observations, etc. which can be used to assess the cogency of executive development. Further, the result of the development programme can be seen in their performance, quality, productivity and efficiency.

Executive development is a systematic programme, to upgrade the present as well as future performance of the executives, which in turn will help in improving the overall performance of the firm.

Methods of Executive Development

Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is concerned with not only improving the performance of managers but also giving them opportunities for growth and development.

There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences. On the job training is very important since real learning takes place only when one practices what they have studied.

But it is also equally important in gaining knowledge through classroom learning. Learning becomes fruitful only when theory is combined with practice. Therefore, on the job methods can be balanced with classroom training methods (off-the-job methods).

1. On-the-job Methods:

This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.

The advantages of OJT are as follows:

1. On the job method is a flexible method.
2. It is a less expensive method.
3. The trainee is highly motivated and encouraged to learn.
4. Much arrangement for the training is not required.

On-the-job methods are as follows:

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem.

This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

2. Off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision-making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training:

It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

7. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

9. Management education:

At present universities and management institutes give great emphasis on management education. For e.g., Mumbai University has started bachelors and postgraduate degree in Management. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analysing and discussing various issues related to the topic. Everyone can express their own view point.

Importance And Effectiveness Of Training And Development

Training and development can help employees perform better as they become more skilled in their job and are able to complete their work quicker than before.

Training programs provide a great opportunity for employees to expand their knowledge base and increase their efficiency and productivity at work. While training is an investment on the company's part, it is worthwhile in the long run. The return on investment from training employees can benefit a business in multifold as employees can use their training to keep up with the latest advancements in technology and serve their customers better. Here are a few reasons why training is essential to companies:

More productivity

Training and development can help employees perform better as they become more skilled in their job and are able to complete their work quicker than before. Moreover, training can increase the quality of the employees work and there is less wastage of time and money. As productivity increases, workers are able to work more independently and require a lot less supervision than before.

Improve on weaknesses

Employees may find areas in their job that they can improve on. A training program allows employees to address those weaknesses and work at getting better at them. As the knowledge level in the organization increases, it removes any weak links in the company. Workers can use their knowledge from the training to multi-task and become less dependent on others to get the work done.

Increased job satisfaction

Training and development make employees feel more satisfied with their job as it makes them feel more valued by the company. This is because they are now armed with the knowledge to perform their duties with greater efficiency which gives them a sense of belonging to the company.

Employees can learn faster

Training and development in an organization can help employees learn faster and this leaves little room for error. If employees learn through trial and error, a lot of time will be wasted in the learning, causing delays in their work.

Training and development can help an organization increase motivation of employees and create a positive and productive work culture. It is the responsibility of the administration to implement them into a workplace in such a manner as to maximize output and also keep employee satisfaction in mind.

Difference between Training and Development:

Basis	Training	Development
Meaning	Training refers to the process of increasing the knowledge, skills and abilities of employees for doing a work.	Development refers to the overall growth of the employees. These are learning opportunities which are designed for employees to grow.
Aim	Its main aim is to help the employee to do the job better.	Its main aim is overall growth of employees.

Basis	Training	Development
Orientation	It is job oriented.	It is career oriented.
Scope of learning	It has a narrow scope as it is a part of development.	It has a broader scope as it includes training.
Suitability	It is more suitable for technical staff.	It is more suitable for managerial staff.
Skills	It involves teaching technical skills.	It involves teaching technical, human and conceptual skills.
Duration	It is a short-term process.	It is a long-term process as it is career oriented.
Level of trainees involved	Trainees are non-managerial here.	Trainees are managerial here.
Depth of knowledge imparted	Knowledge is imparted for doing a specific kind of job.	Knowledge is imparted for the growth of an employee in all respects.
Initiative in learning	Employers take initiative in providing training to their employees.	Individuals take initiative by themselves for their growth and development.

What is Performance Management?

Performance Management is a continuous and systematic approach that ensures the achievement of organizational business goals by streamlining employee performance and efforts to match the set goals efficiently. Performance Management builds a communication system between a Manager and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization.

Performance management is an important aspect in [HRM](#). It is used to create a work environment where people are motivated to provide their best performance and do quality work.

In the existing business scenario, the role of Performance Management in HRM is very huge and important. The Performance Management compiles all the functions such as Goal Setting, regular performance review in accordance with the set goals, set instant communication amongst the team member for coaching, providing performance feedback and its report for creating better employee training and development programs, and finally connect performance with [reward and recognition](#)

Performance Management Definition and Its Meaning in HRM

Managing the Performance of the employee is the most important function of [Human Resource](#).. Performance management is defined as an ongoing process of identifying, measuring, and developing the performance of the employees in the organization. Its main objective is to focus on employee performance and direct their efforts towards achieving the business goal of the organization.

Performance management is a tool that is widely used by managers to monitor and evaluate the work performance of employees.

The tools start working from Job design followed by coaching, [training and development](#) and connect performance with reward and recognition and ultimately result to achieve the organization's goals and objectives

Importance of Performance Management in an Organization

By Danni White - Last Updated on February 2, 2023

In some ways, performance appraisals and evaluations have just become something that we either look forward to or dread, usually once a year. They have long been accepted as something that is done in business, but many people have no idea why. The importance of performance management goes beyond evaluations, raises, and promotions. It has the propensity to make or break an organization.

Importance of Performance Management

Below are some of the reasons that ongoing performance management is so important to every organization.

1. It Provides a Look into the Future

By consistently monitoring and managing workplace performance, leaders can see potential future problems. Like with any type of issue, early detection is key. The earlier problems are confronted the less effect that they will likely have.

For instance, if the company notices that a certain employee is not a team player, they can either move that employee to a position that does not require teamwork, provide training to that employee revolving around teamwork, or let that employee go before it becomes a problem. By acting before the potential problem becomes an actual problem, the organization can prevent unnecessary trouble.

2. Helps Create Development and Training Strategies

As mentioned above, the earlier a problem is detected, the better. One of these problems could be that employees do not know how to perform certain processes correctly. If this continues, the organization might fall apart due to oversight. However, with performance management, this would probably be detected. The organization could then create [training programs](#) to change the issue into an opportunity for improvement.

3. Provides Clarity in the Organization

It is a common problem that many employees are unsure of what exactly their role entails, what is expected of them, and who they are to report to. Through performance management, the company can make all of this very clear. A lack of understanding often leads to a lack of productivity. Therefore, by providing clarity for employees, the result will often be increased productivity and confidence.

4. Provides the Opportunity for Exchanging Feedback

A lack of communication in a relationship is grounds for trouble, and this includes working relationships. Quite often, management speaks to employees about their performance, but

employees do not very often get a chance to voice concerns or frustrations. [Effective performance management](#) provides an avenue through which both the employer and the employee exchange feedback. In addition to gaining insight, employees often feel much more valued when they can voice their thoughts.

5. Increases Employee Retention

Performance management also encourages organizations to reward and recognize their employees. Lack of recognition is a big reason some employees leave a job and look for another. They want to be appreciated for their hard work. In addition to the clarity, the ability to share feedback, and the additional training when needed, rewards and recognition can play an important role in [employee retention](#).

6. Boosts Employee Engagement

Performance management, when it truly involves employees, will boost employee engagement. When there is a disconnect between management and employees, it is almost as though employees are just going through the motions of the day. Their position becomes merely a job as opposed to a rewarding career. However, performance management has the capability of engaging employees fully and making them feel invested in the company. This leads to job satisfaction and employee loyalty, all of which increase productivity.

It is imperative that you and the other leaders in your organization acknowledge the importance of performance management. By avoiding it, you are setting yourself up for disaster. Meet with your human resources department and other leaders to put a performance management plan in place. You might consider asking employees for feedback on what they feel should be addressed. Though it may take some time to put together, investing your resources into developing an [effective performance management strategy](#) will be well worth the effort.

7. It encourages employee recognition and reward

Most businesses tend to neglect the importance of recognizing and rewarding their employees. Doing that can be greatly disastrous to your organization. According to a survey carried out by

American Express, a third of top businesses believe that recognition and reward lead to higher staff retention, with half also attributing better motivation to giving incentives.

Effective recognition and reward systems can only work in organizations where there is a visible and accurate process of discussions and performance feedback. With continuous performance management, the management can identify efforts and activities worthy of encouragement and reward. Consequently, this drives a development mindset among members of your team.

Managers can use a continuous performance system to identify employees that go above and beyond for the company. It makes it easier for them to track progress in terms of personal development and business goals and execute informed decisions concerning additional incentives, like bonuses or pay-rises. Good reward systems are highly important for staff satisfaction and happiness.

Below are a few essential statistics you may want to consider:

- Companies that implement meaningful reward systems enjoy as much as a 50% increase in their employee engagement.
- 68% of employees will put in more effort if they're aware that their input is appreciated and valued.
- 84% of workers working in organizations with great recognition and reward systems say they are satisfied with their position.

8. It helps in boosting employee productivity and engagement

One remarkable benefit of an engaged workforce is that they stay longer, actively contribute to the company, and deliver better results. Enhancing levels of staff engagement are paramount to maximizing ROI and boosting productivity. Excellent performance management is a great tool for having an engaged workforce. The burning question, however, is how to utilize performance management to increase levels of staff engagement?

Performance management typically creates an ongoing interaction and an atmosphere of encouragement, support, and trust. It also assists in developing a relationship between the company and its employees. If members of the staff know that their employer and the

organization cares about their efforts and is committed to assisting them in doing more and advance their career – the odds are very high that they will want to engage better with the business.

Let us consider an organization where the manager only discusses with the workers once a year concerning their progress. The result would be that the staff are not in tune with the direction of the team or organization as a whole. But on other hand, when a business has an ongoing engagement with the staff, encouraging them to advance in their career, and setting targets that help them grow and develop, there is a sincere commitment and higher chances of genuine efforts towards the growth of the business.

9. Helps to enforce goal setting and achievement

A good performance management system helps employees to understand the goals of the company and what they are expected to do to achieve these goals. This means they understand how their contributions affect the overall growth of the business.

Thus, performance management will help in business and executive goal setting. Aligning the whole of your teams with higher organizational goals sets conspicuous priorities and direction, ensuring that individuals have a beneficial sense of ownership in the business via personal objectives.

10. It offers mentoring for increasing performance

The ultimate aim of performance management is to improve performance. It will help managers to devise ways through which they can increase performance while providing the opportunity to talk about career prospects and direction. In all, it will help the executive manager and/or HR manager to provide additional mentoring and training which will be useful in developing criteria for promotions.

Features of Performance Management

Performance management is a complex concept that encompasses different dimensions of the organization and the people. The mission, [the objectives and the goals of the organization](#) should

be well designed. Performance planning, development and reward systems enable the managers to realize their true potential in order to contribute for [organizational growth](#) and development. The managers performance and quality is a function of several prerequisites that managers need to take care of. The following constitute the prerequisites /characteristics to ensure effective [practice of Performance management](#):

1. **Clarity of organizational goals** — the managers need to clearly and precisely lay down the organizational goals, objectives and ensure that these are well informed to the managers and other employees and make them to realize what the organization expects from them. The [organizational goals](#) need to be translated into individual, team and departmental/ divisional goals.
2. **Evaluation** — the individual, team, department/ divisional performance needs to be evaluated on continuous basis. The organization should develop an evaluation system and process, which is designed and developed on scientific lines.
3. **Cooperation but not control** — the managers should nurture the practice of getting work done through the system of obtaining managers consensus rather than through control or coercion.
4. **Self-management teams** — the management need to encourage the individual and teams for self-management of their performance. This procedure creates in the managers a sense of responsibility and develops a spirit to work with commitment and evaluate his/her strengths and weaknesses from time to time and plan for reducing the [performance gaps](#).
5. **Leadership development** — the managers need to identify such of the managers who have leadership potential and apart from sincerity and honesty to ensure better and effective two-way communication between the managers and the managers.
6. **System of feedback** — the organization must have a foolproof feedback system of managers/individuals/teams/departments performance. It should be monitored continuously and generate feedback loops for better performance management.

There must be a system that would help to monitor and measure all performance against the set standards and the managers need to be informed of their shortcomings. The evaluation system should be made transparent so as to repose manager's faith in the system.

Performance appraisal:

Organizations use performance appraisal as a critical process to evaluate the performance of their employees. It involves a systematic review of employee performance, including their strengths, weaknesses, and room for growth. This process can significantly impact the employee's performance and career development as well as the organization's overall success.

This blog will go over the definition, objectives, process, methods, advantages, and disadvantages of performance appraisals.

What is performance appraisal?

Performance appraisal is defined as a process that systematically measures an employee's personality and performance, usually by managers or immediate supervisors, against predefined attributes like skillset, knowledge about the role, technical know-how, attitude, punctuality, and so on.

Performance appraisal has many names across organizations. Some call it [performance evaluation](#), and some prefer performance review, merit rating, annual performance review, etc.

This process is carried out to identify the inherent qualities of an employee and the abilities and level of competency of an employee for their future growth and development and that of the organization they are associated with. It aims at ascertaining the value of an employee and his/her offering to the organizational performance.

Performance appraisals help managers and supervisors place the right employee to do the right job, depending on the skill set they possess. Without an ounce of doubt, every organization needs a robust performance appraisal process.

There are various methods that managers and supervisors use to evaluate employees based on objective and subjective factors. However, it can get a bit tricky, but to effectively evaluate an employee, both factors are essential.

Objectives of performance appraisal

The following are the objectives for conducting performance appraisals year after year:

- **Employee promotion**

This is an essential first step towards promoting an employee based on subjective and objective factors- performance and competency.

- **Employee needs**

To identify the training and development needs of an employee.

- **Employee Confirmation**

To provide confirmation to those employees who were recently hired and are on their probation period.

- **Making decisions about promotions and compensation**

To make a concrete decision, what should be the percentage of a hike in the salary of an employee based on the work done by them?

- **Improving communication**

To encourage a proper feedback system between the manager and employees.

- **Scope of improvement**

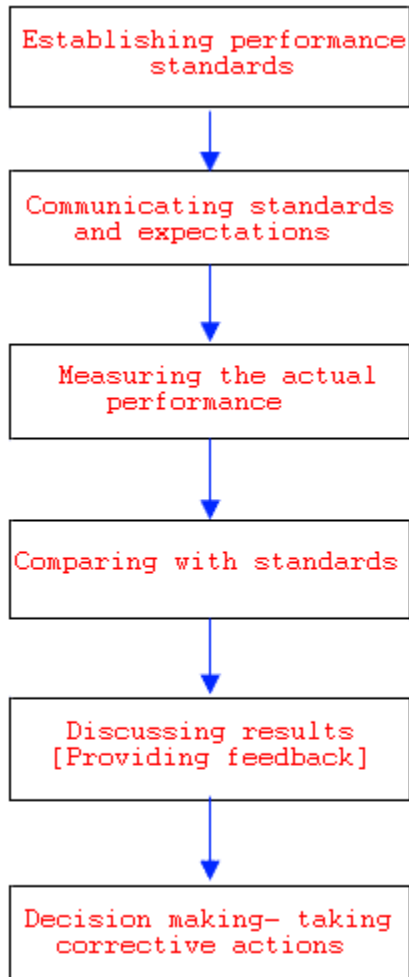
To help employees understand where they stand in the current year and what is the scope of improvement.

Performance appraisal process

The performance appraisal process is a key part of how an organization manages the performance and growth of its employees. It entails assessing an employee's job performance and providing feedback on their strengths and weaknesses in order to improve [employee](#)

[performance evaluation](#) and achieve organizational goals. Here, we will learn the key steps of the performance appraisal process:

Performance Appraisal Process



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1. 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.

2.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.

3.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.

4.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 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.

5.Discussing results

The result of the appraisal is communicated and discussed with the employees on one-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.

6. Decision-making

The purpose of conducting employee performance appraisal is for making decisions about employees without any bias by the HR manager. Decision-making by HR managers about employees regarding rewarding, promotions, demotions, transfers and sometimes suspensions/dismissal of employees are dependent upon the employee performance appraisal. The decision taken by HR manager should match exactly with performance appraisal results of employees to avoid grievance or disturbances in between them, as they affect overall performance of the organisation.

Performance Appraisal Methods

Performance Appraisal Methods: Traditional and Modern Methods!

Each method of performance appraisal has its strengths and weaknesses may be suitable for one organisation and non-suitable for another one. As such, there is no single appraisal method accepted and used by all organisations to measure their employees' performance.

All the methods of appraisal devised so far have been classified differently by different authors. While DeCenzo and Robbins[^] have classified appraisal methods into three categories: absolute methods, relative methods and objective methods; Aswathappa has classified these into two categories past-oriented and future-oriented.

Michael R Carrell et. al. have classified all appraisal methods into as many as six categories: rating scales, comparative methods, critical incidents, essay, MBO and combination methods. Rock and Levis^{''} have classified the methods into two broad categories: narrow interpretation and broad interpretation. Beatty and Schneier have categorised various methods of appraisal into four groups: comparative methods, absolute methods, goal setting, and direct indices.

A more widely used classification of appraisal methods into two categories, viz., traditional methods and modern methods, is given by Strauss and Sayles". While traditional methods lay emphasis on the rating of the individual's personality traits, such as initiative, dependability, drive creativity, integrity, intelligence, leadership potential, etc.; the modern methods, on the other hand, place more emphasis on the evaluation of work results, i.e., job achievements than the personal traits! Modern methods tend to be more objective and worthwhile. The various methods included in each of the two categories are listed in Table 28.4.

Table 28.4 : Methods of Performance Appraisal

<i>Traditional Methods</i>	<i>Modern Methods</i>
1. Ranking method	1. Management by Objectives (MBO)
2. Paired comparison	2. Behaviourally anchored rating scales
3. Grading	3. Assessment centres
4. Forced distribution method	4. 360-degree appraisal
5. Forced choice method	5. Cost accounting method
6. Checklist method	
7. Critical incidents method	
8. Graphic scale method	
9. Essay method	
10. Field review method	
11. Confidential report	

In the discussion that follows, each method under both categories will be described briefly.

Traditional Methods:

Ranking Method:

It is the oldest and simplest formal systematic method of performance appraisal in which employee is compared with all others for the purpose of placing order of worth. The employees are ranked from the highest to the lowest or from the best to the worst.

In doing this the employee who is the highest on the characteristic being measured and also the one who is L lowest, are indicated. Then, the next highest and the next lowest between next highest and lowest until all the employees to be rated have been ranked. Thus, if there are ten employees to be appraised, there will be ten ranks from 1 to 10.

However, the greatest limitations of this appraisal method are that:

(i) It does not tell that how much better or worse one is than another,

(ii) The task of ranking individuals is difficult when a large number of employees are rated, and

(iii) It is very difficult to compare one individual with others having varying behavioural traits. To remedy these defects, the paired comparison method of performance appraisal has been evolved.

Paired Comparison:

In this method, each employee is compared with other employees on one- on one basis, usually based on one trait only. The rater is provided with a bunch of slips each coining pair of names, the rater puts a tick mark against the employee whom he insiders the better of the two. The number of times this employee is compared as better with others determines his or her final ranking.

The number of possible pairs for a given number of employees is ascertained by the following formula:

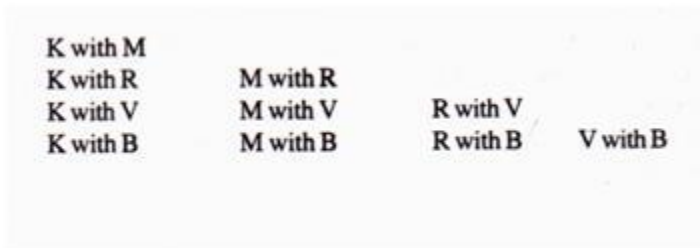
$$N(N-1)/2$$

Where N = the total number of employees to be evaluated. Let this be exemplified with an imaginary example.

If the following five teachers have to be evaluated by the Vice Chancellor of a University:

(K), Mohapatra (M Raul (R), Venkat (V), and Barman (B), the above formula gives $5(5 - 1) / 2$ or 10 pairs.

These are:



Thus, the pairs so ascertained give the maximum possible permutations and combinations. The number of times a worker is considered better makes his/her score. Such scores are determined

for each worker and he/she is ranked according to his/her score. One obvious disadvantage of this method is that the method can become unwieldy when large numbers of employees are being compared.

Grading Method:

In this method, certain categories of worth are established in advance and carefully defined. There can be three categories established for employees: outstanding, satisfactory and unsatisfactory. There can be more than three grades. Employee performance is compared with grade definitions. The employee is, then, allocated to the grade that best describes his or her performance.

Such type of grading is done in Semester pattern of examinations and in the selection of a candidate in the public service sector. One of the major drawbacks of this method is that the rater may rate most of the employees on the higher side of their performance.

Forced Distribution Method:

This method was evolved by Tiffen to eliminate the central tendency of rating most of the employees at a higher end of the scale. The method assumes that employees' performance level conforms to a normal statistical distribution i.e., 10,20,40,20 and 10 per cent. This is useful for rating a large number of employees' job performance and promo ability. It tends to eliminate or reduce bias.

It is also highly simple to understand and easy to apply in appraising the performance of employees in organisations. It suffers from the drawback that if everyone improves similarly, no single grade would rise in a ratings.

Forced-Choice Method:

The forced-choice method is developed by J. P. Guilford. It contains a series of groups of statements, and rater rates how effectively a statement describes each individual being evaluated. Common method of forced-choice method contains two statements, both positive and negative.

Examples of positive statements are:

1. Gives good and clear instructions to the subordinates.

2. Can be depended upon to complete any job assigned.

A pair of negative statements may be as follows:

1. Makes promises beyond his limit to keep these.
2. Inclines to favour some employees.

Each statement carries a score or weight, which is not made known to the rater. The human resource section does rating for all sets of statements— both positive and negative. The final rating is done on the basis of all sets of statements. Thus, employee rating in this manner makes the method more objective. The only problem associated with this method is that the actual constructing of several evaluative statements also called ‘forced-choice scales’, takes a lot of time and effort.

Check-List Method:

The basic purpose of utilizing check-list method is to ease the evaluation burden upon the rater. In this method, a series of statements, i.e., questions with their answers in ‘yes’ or ‘no’ are prepared by the HR department (see Figure 28-2). The check-list is, then, presented to the rater to tick appropriate answers relevant to the appraisee. Each question carries a weight-age in relationship to their importance.

Fig. 28.2: Sample Check-list for Appraising University Teachers

	<i>Yes</i>	<i>No</i>
1. Is regular on the job?	—	—
2. Does maintain discipline well?	—	—
3. Does show consistent behaviour to all students?	—	—
4. Is interested in (teaching) job?	—	—
5. Does ever make mistakes?	—	—
6. Does show favouritism to particular students?	—	—
7. Is willing to help colleagues?	—	—

When the check-list is completed, it is sent to the HR department to prepare the final scores for all appraises based on all questions. While preparing questions an attempt is made to determine the degree of consistency of the rater by asking the same question twice but in a different manner (see, numbers 3 and 6 in Figure 28-2).

However, one of the disadvantages of the check-list method is that it is difficult to assemble, analyse and weigh a number of statements about employee characteristics and contributions. From a cost stand point also, this method may be inefficient particularly if there are a number of job categories in the organisation, because a check-list of questions must be prepared for each category of job. It will involve a lot of money, time and efforts.

Critical Incidents Method:

In this method, the rater focuses his or her attention on those key or critical behaviours that make the difference between performing a job in a noteworthy manner (effectively or ineffectively). There are three steps involved in appraising employees using this method.

First, a list of noteworthy (good or bad) on-the-job behaviour of specific incidents is prepared. Second, a group of experts then assigns weightage or score to these incidents, depending upon their degree of desirability to perform a job. Third, finally a check-list indicating incidents that describe workers as “good” or “bad” is constructed. Then, the check-list is given to the rater for evaluating the workers.

The basic idea behind this rating is to apprise the workers who can perform their jobs effectively in critical situations. This is so because most people work alike in normal situation. The strength of critical incident method is that it focuses on behaviours and, thus, judge’s performance rather than personalities.

Its drawbacks are to regularly write down the critical incidents which become time-consuming and burdensome for evaluators, i.e., managers. Generally, negative incidents are positive ones. It is rater’s inference that determines which incidents are critical to job performance. Hence, the method is subject to all the limitations relating to subjective judgments.

Graphic Rating Scale Method:

The graphic rating scale is one of the most popular and simplest techniques for appraising performance. It is also known as linear rating scale. In this method, the printed appraisal form is used to appraise each employee.

The form lists traits (such as quality and reliability) and a range of job performance characteristics (from unsatisfactory to outstanding) for each trait. The rating is done on the basis of points on the continuum. The common practice is to follow five points scale.

The rater rates each appraisee by checking the score that best describes his or her performance for each trait all assigned values for the traits are then totaled. Figure 28-3 shows a typical graphic rating scale.

Fig. 28.3: Sample of Graphic Rating Scale Items and Format

Performance Factor	Performance Rating				
<i>Quality of work is the accuracy, skill, and completeness of work.</i>	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior
<i>Quantity of work is the volume of work done in a normal workday.</i>	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior

Performance Factor	Performance Rating				
<i>Job knowledge is information pertinent to the job that an individual should have for satisfactory job performance.</i>	<input type="checkbox"/> Poorly informed about work duties	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Can answer most questions about the job	<input type="checkbox"/> Understands all phases of the job	<input type="checkbox"/> Has complete mastery of all phases of the job
<i>Dependability in following directions and company policies without supervision.</i>	<input type="checkbox"/> Required constant supervision	<input type="checkbox"/> Requires occasional follow-up	<input type="checkbox"/> Usually can be counted on	<input type="checkbox"/> Requires very little supervision	<input type="checkbox"/> Requires absolute minimum of supervision

This method is good for measuring various job behaviours of an employee. However, it is also subjected to rater's bias while rating employee's behaviour at job. Occurrence of ambiguity in design- mg the graphic scale results in bias in appraising employee's performance.

Essay Method:

Essay method is the simplest one among various appraisal methods available. In this method, the rater writes a narrative description on an employee's strengths, weaknesses, past performance, potential and suggestions for improvement. Its positive point is that it is simple in use. It does not require complex formats and extensive/specific training to complete it.

However, essay method, like other methods, is not free from drawbacks. In the absence of any prescribed structure, the essays are likely to vary widely in terms of length and content. And, of course, the quality of appraisal depends more upon rater's writing skill than the appraiser's actual level of performance.

Moreover, because the essays are descriptive, the method provides only qualitative information about the employee. In the absence of quantitative data, the evaluation suffers from subjectivity problem. Nonetheless, the essay method is a good start and is beneficial also if used in conjunction with other appraisal methods.

Field Review Method:

When there is a reason to suspect rater's biasedness or his or her rating appears to be quite higher than others, these are neutralised with the help of a review process. The review process is usually conducted by the personnel officer in the HR department.

The review process involves the following activities:

- (a) Identify areas of inter-rater disagreement.
- (b) Help the group arrive at a consensus.
- (c) Ensure that each rater conceives of the standard similarity.

However, the process is a time-consuming one. The supervisors generally resent what they consider the staff interference. Hence, the method is not widely used.

Confidential Report:

It is the traditional way of appraising employees mainly in the Government Departments. Evaluation is made by the immediate boss or supervisor for giving effect to promotion and transfer. Usually a structured format is devised to collect information on employee's strength weakness, intelligence, attitude, character, attendance, discipline, etc. report.

Modern Methods:**Management by Objectives (MBO):**

Most of the traditional methods of performance appraisal are subject to the antagonistic judgments of the raters. It was to overcome this problem; Peter F. Drucker propounded a new concept, namely, management by objectives (MBO) way back in 1954 in his book.

The Practice of management. The concept of MBO as was conceived by Drucker, can be described as 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 results expected of him and use these measures as guides for operating the unit and assessing the contribution of each its members".

In other words, stripped to its essentials, MBO requires the manager to goals with each employee and then periodically discuss his or her progress toward these goals.

In fact, MBO is not only a method of performance evaluation. It is viewed by the Practicing managers and pedagogues as a philosophy of managerial practice because .t .s a method by wh.ch managers and subordinates plan, organise, communicate, control and debate.

An MBO programme consists of four main steps: goal setting, performance standard, comparison, and periodic review. In goal-setting, goals are set which each individual, s to attain. The superior and subordinate jointly establish these goals. The goals refer to the desired outcome to be achieved by each individual employee.

In performance standards, the standards are set for the employees as per the previously arranged time period. When the employees start performing their jobs, they come to know what is to be done, what has been done, and what remains to be done.

In the third step the actual level of goals attained are compared with the goals agreed upon. This enables the evaluator to find out the reasons variation between the actual and standard performance of the employees. Such a comparison helps devise training needs for increasing employees' performance it can also explore the conditions having their bearings on employees' performance but over which the employees have no control.

Finally, in the periodic review step, corrective measure is initiated when actual performance deviates from the standard established in the first step-goal-setting stage. Consistent with the MBO philosophy periodic progress reviews are conducted in a constructive rather than punitive manner.

The purpose of conducting reviews is not to degrade the performer but to aid in his/her future performance. From a motivational point of view, this would be representative of McGregor's theories.

Figure 28.4 present the MBO method of performance appraisal presently used by an engineering giant i.e., Larsen and Turbro Limited.

CONFIDENTIAL
PA Form: 2B

NAME	EMP. P. S. No.	CADRE	GROUP	DEPT.

EXECUTIVES &
SUPERVISORS



LARSEN & TOUBRO LIMITED
HUMAN RESOURCE DEVELOPMENT—PERFORMANCE APPRAISAL SYSTEM
PERFORMANCE ANALYSIS AND REVIEW
APRIL ... TO MARCH

	NAME	DATE	SIGNATURE
EMPLOYEE			
IMMEDIATE. SUPERIOR			
NEXT SUPERIOR	1. 2.		
PERSONNEL/HRD DEPT.			

A PERFORMANCE REVIEW AGAINST OBJECTIVES		B1 By Immediate Superior				
A1 By Employee		Outstanding	V. Good	Good	Adequate	Inadequate
AGREED OBJECTIVES & TARGETS (Not more than five)	RESULTS ACHIEVED					
1.						
2.						
3.						
4.						
5.						

A2 SELF REVIEW (By Employee)
SIGNIFICANT CONTRIBUTORS (JOB OR PROFESSION RELATED—NOT COVERED ABOVE)
IMPORTANT FACTORS FACILITATING PERFORMANCE
IMPORTANT FACTORS HINDERING PERFORMANCE

B2 PERFORMANCE AGAINST OBJECTIVES (By Immediate Superior)
OUTSTANDING V. GOOD GOOD ADEQUATE INADEQUATE (Contd..)

C Appraisal of Critical Attributes (By Immediate Superior)			OUTSTANDING	V.GOOD	GOOD	ADEQUATE	INADEQUATE
C1 Critical Attributes							
1.	INNOVATIVENESS	Ability to think new and better ways of doing things that result in introduction of new ideas or improvements of the systems and operations.					
2.	INITIATIVE	Ability to determine and initiate actions that result in improved handling of jobs, without waiting to be told.					
3.	INTERPERSONAL & TEAM RELATIONSHIP	Ability to interact effectively with people at all levels to gain their confidence and respect and work in a collaborative and participative manner.					
4.	RESOURCEFULNESS	Ability to muster resources to achieve desired results and devise ways and means of solving problems in difficult situations.					
5.	COMMUNICATION SKILLS	Ability to convey thoughts and feelings clearly both through oral as well as written expressions for better understanding.					
Specific role related attributes (Identified in the beginning of the year)							
6.							
7.							
C2 Areas of Strengths & Improvements (By Immediate Superior)							
MAJOR STRENGTHS							
AREAS OF IMPROVEMENTS							
C3 Potential Areas for Growth (By Immediate Superior)							
D Recommendations for Training & Development (By Immediate Superior)							
D1 IN-COMPANY TRAINING PROGRAMMES							
Description		Code	Description		Code		
1.			2.				
D2 OTHER TRAINING PROGRAMMES							
1.			2.				
D3 SPECIFIC DEVELOPMENT PLANS							
Proposed Action (Tick as applicable)				Details of Actions Required			
<input type="checkbox"/> Job Rotation		<input type="checkbox"/> Job Enlargement		<input type="checkbox"/> Special Assignment			
<input type="checkbox"/> Deputation to Other Dept.		<input type="checkbox"/> Other (Please Specify)					
E Comments by Next Superior (S)							
E1 On Specific Development Plans Stated Above in D3							
E2 Overall Observations:							
F For Use by Personnel/HRD Co-ordinator							

Fig. 28.4 : MBO Method of Performance Appraisal at Larsen and Toubro Limited

Limitation of MBO:

MBO is not a panacea, cure for all organisational problems.

As with other methods, it also suffers from some limitations as catalogued below:

(i) Setting Un-measurable Objectives:

One of the problems MBO suffers from is unclear and un-measurable objectives set for attainment. An objective such as “will do a better job of training” is useless as it is un-measurable. Instead, “we will have four subordinates promoted during the year” is a clear and measurable objective.

(ii) Time-consuming:

The activities involved in an MBO programme such as setting goals, measuring progress, and providing feedback can take a great deal of time.

(iii) Tug of War:

Setting objectives with the subordinates sometimes turns into a tug of war in the sense that the manager pushes for higher quotas and the subordinates push for lower ones. As such, goals so set are likely to be unrealistic.

(iv) Lack of Trust:

MBO is likely to be ineffective in an environment where management has little trust in its employees. Or say, management makes decisions autocratically and relies heavily on external controls.

Behaviourally Anchored Rating Scales (BARS):

The problem of judgmental performance evaluation inherent in the traditional methods of performance evaluation led to some organisations to go for objective evaluation by developing a technique known as “Behaviourally Anchored Rating Scales (BARS)” around 1960s. BARS are descriptions of various degrees of behaviour with regard to a specific performance dimension.

It combines the benefits of narratives, critical incidents, and quantified ratings by anchoring a quantified scale with specific behavioural examples of good or poor performance. The proponents of BARS claim that it offers better and more equitable appraisals than do the other techniques of performance appraisal we discussed so far.

Developing BARS typically involves five steps:

1. Generating Critical Incidents:

Critical incidents (or say, behaviours) are those which are essential for the performance of the job effectively. Persons who are knowledgeable of the job in question (jobholders and/or supervisors) are asked to describe specific critical incidents of effective and ineffective performance. These critical incidents may be described in a few short sentences or phrases using the terminology.

2. Developing Performance Dimensions:

The critical incidents are then clustered into a smaller set of performance dimensions, usually five to ten. Each cluster, or say, dimension is then defined.

3. Reallocating Incidents:

Various critical incidents are reallocated dimensions by another group of people who also know the job in question. Various critical incidents so reallocated to original dimensions are clustered into various categories, with each cluster showing similar critical incidents. Those critical incidents are retained which meet 50 to 80% of agreement with the cluster as classified in step 2.

4. Scaling Incidents:

The same second group as in step 3 rates the behaviour described in each incident in terms of effectiveness or ineffectiveness on the appropriate dimension by using seven to nine points scale. Then, average effectiveness ratings for each incident are determined to decide which incidents will be included in the final anchored scales.

5. Developing Final BARS Instrument:

A subset of the incidents (usually six or seven per cluster) is used as a behavioural anchor for the final performance dimensions. Finally, a BARS instrument with vertical scales is drawn to be used for performance appraisal, as in Figure 27-5.

How BARS is developed can be exemplified with an example of grocery checkout clerks working in a large grocery chain.

A number of critical incidents involved in checking out of grocery can be clustered into seven performance dimensions:

1. Knowledge and Judgment
2. Conscientiousness
3. Skill in Human Relations
4. Skill in Operation of Register
5. Skill in Bagging
6. Organizational Ability of Check stand Work
7. Skill in Monetary Transactions
8. Observational Ability

Now, a BARS for one of these performance dimensions, namely, “knowledge and judgment” can be developed, as in Figure 28-5. Notice how the typical BARS is behaviourally anchored with specific critical incidents.

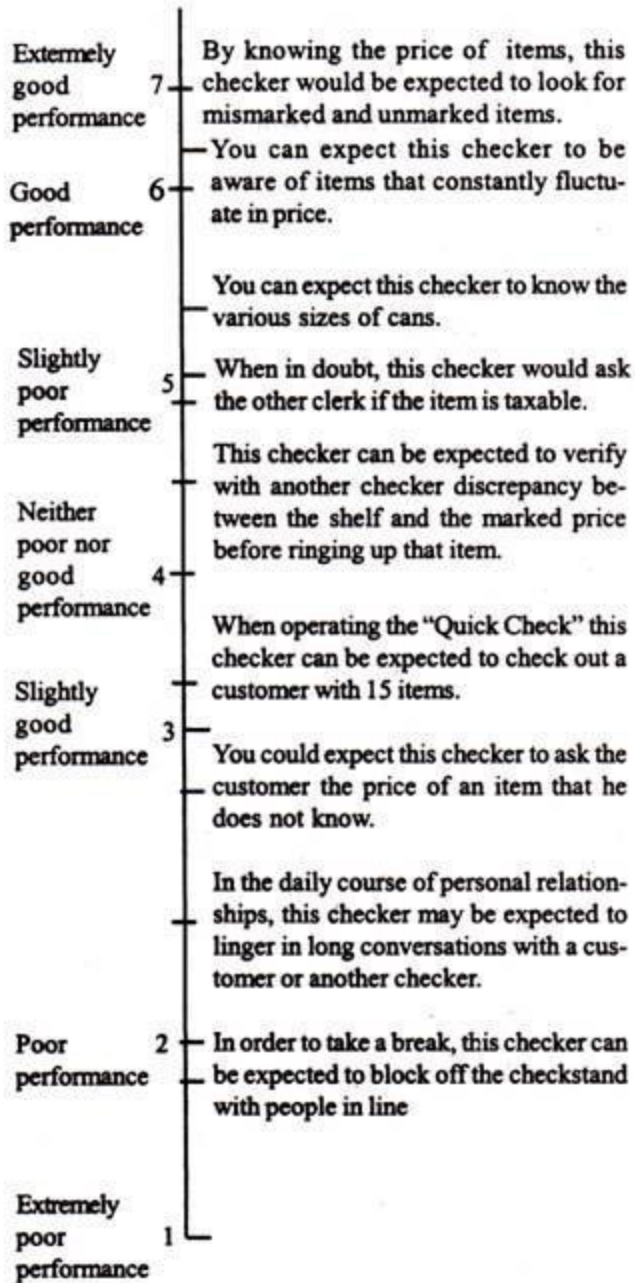


Fig. 28.5 : BARS for Appraising of a Grocery Checker's Job

BARS method of performance appraisal is considered better than the traditional ones because it provides advantages like a more accurate gauge, clearer standards, better feedback, and consistency in evaluation. However, BARS is not free from limitations.

The research on BARS indicates that it too suffers from distortions inherent in most rating scales. The research study concluded that "it is clear that research on BARS to date does not support the

high promise regarding scale independence In short, while BARS may outperform conventional rating techniques, it is clear that they are not a panacea for obtaining high interrater reliability”

Assessment Centres:

The introduction of the concept of assessment centres as a method of performance method is traced back in 1930s in the Germany used to appraise its army officers. The concept gradually spread to the US and the UK in 1940s and to the Britain in 1960s.

The concept, then, traversed from the army to business arena during 1960s. The concept of assessment centre is, of course, of a recent origin in India. In India, Crompton Greaves, Eicher, Hindustan Lever and Modi Xerox have adopted this technique of performance evaluation.

In business field, assessment centres are mainly used for evaluating executive or supervisory potential. By definition, an assessment centre is a central location where managers come together to participate in well-designed simulated exercises. They are assessed by senior managers supplemented by the psychologists and the HR specialists for 2-3 days.

Assessee is asked to participate in in-basket exercises, work groups, simulations, and role playing which are essential for successful performance of actual job. Having recorded the assessee's behaviour the raters meet to discuss their pooled information and observations and, based on it, they give their assessment about the assessee. At the end of the process, feedback in terms of strengths and weaknesses is also provided to the assessee.

The distinct advantages the assessment centres provide include more accurate evaluation, minimum biasedness, right selection and promotion of executives, and so on. Nonetheless, the technique of assessment centres is also plagued by certain limitations and problems. The technique is relatively costly and time consuming, causes suffocation to the solid performers, discourages to the poor performers (rejected), breeds unhealthy competition among the assessee, and bears adverse effects on those not selected for assessment.

360 – Degree Appraisal:

Yet another method used to appraise the employee's performance is 360 – degree appraisal. This method was first developed and formally used by General Electric Company of USA in 1992.

Then, it travelled to other countries including India. In India, companies like Reliance Industries, Wipro Corporation, Infosys Technologies, Thermax, Thomas Cook etc., have been using this method for appraising the performance of their employees. This feedback based method is generally used for ascertaining training and development requirements, rather than for pay increases.

Under 360 – degree appraisal, performance information such as employee’s skills, abilities and behaviours, is collected “all around” an employee, i.e., from his/her supervisors, subordinates, peers and even customers and clients.

In other words, in 360-degree feedback appraisal system, an employee is appraised by his supervisor, subordinates, peers, and customers with whom he interacts in the course of his job performance. All these appraisers provide information or feedback on an employee by completing survey questionnaires designed for this purpose.

All information so gathered is then compiled through the computerized system to prepare individualized reports. These reports are presented to the employees being rated. They then meet the appraiser—be it one’s superior, subordinates or peers—and share the information they feel as pertinent and useful for developing a self-improvement plan.

In 360 – degree feedback, performance appraisal being based on feedback “all around”, an employee is likely to be more correct and realistic. Nonetheless, like other traditional methods, this method is also subject to suffer from the subjectivity on the part of the appraiser. For example, while supervisor may penalise the employee by providing negative feedback, a peer, being influenced by ‘give and take feeling’ may give a rave review on his/her colleague.

Cost Accounting Method:

This method evaluates an employee’s performance from the monetary benefits the employee yields to his/her organisation. This is ascertained by establishing a relationship between the costs involved in retaining the employee, and the benefits an organisation derives from Him/her.

While evaluating an employee’s performance under this method, the following factors are also taken into consideration:

1. Unit wise average value of production or service.
2. Quality of product produced or service rendered.
3. Overhead cost incurred.
4. Accidents, damages, errors, spoilage, wastage caused through unusual wear and tear.
5. Human relationship with others.
6. Cost of the time supervisor spent in appraising the employee.

Advantages of performance appraisal

While some businesses may consider performance evaluation as a time-consuming and administrative task, there are several advantages of using employee performance appraisal processes. In this section, we will go over some of the most potential advantages of performance appraisals and how it can benefit both employees and organizations.

1. A systematic performance appraisal method helps the managers/supervisors to correctly identify the performance of employees and also highlight the areas they need improvement.
2. It helps the management place the right employee for the right kind of job. This is a win-win situation for both the employee and the organization.
3. Potential employees who have done some exceptional work are often offered a promotion on the basis of the result of performance evaluation.
4. This process is also effective in determining the effectiveness of the training programs conducted by the organization for the employees. It can show managers how much an employee has improved after the training. This will give actionable insights to the managers on how to improve the programs.
5. It creates a competitive environment amongst the employees in a good way. Employees try to improve their performance and get better scores than their colleagues.

6. Managers use this as a platform to get first-hand feedback from employees to talk about their grievances and how to handle them.
7. Keeping year-on-year records of appraisals gives managers a very good idea what is the pattern of the growth rate of employees and which ones have a declining rate, and what actions need to be taken to improve it.

Disadvantages of performance appraisal

While performance appraisal is an effective tool for assessing employee performance and providing feedback, it is not without disadvantages. In this section, we will look at some of the major disadvantages of performance appraisals and how they affect employees and organizations.

1. If the attributes being used in this method are not correctly defined, the data collected won't be useful.
2. Sometimes biases can be an issue in this system.
3. Some objective factors can be vague and difficult to pin down. There are no known scientific methods to measure that.

Managers sometimes are not qualified enough to assess the abilities of the employees, thus being detrimental to the growth of an employee.