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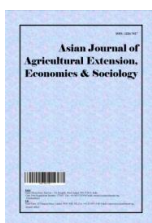
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## **Potential Appraisal and Development in Human Resource Development (HRD): A Review**

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### **Author's contribution**

*The sole author designed, analysed, interpreted and prepared the manuscript.*

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### **ABSTRACT**

Human Resource Development (HRD) process is denoted as how personnel are recruited, trained and put into use depending upon their skills, knowledge and potential as per the need of the job and keeping in line with organizational objectives. Potential appraisal refers to the identification and evaluation of hidden talents and underlying skills of a person. Potential appraisal enhances human resource development and enables the attainment of organizational goals. Steps in the potential appraisal system include a detailed job description, job specified quality traits, rating mechanisms and organizing the system. Techniques used for carrying out potential appraisal includes self-appraisal technique, peer appraisal technique, superior appraisal technique, management by objectives, psychological and psychometric techniques, leadership exercises, management games etc. Growth of companies lies in the hands of potential employees and hence it is the responsibility of companies to recognize the potential and reward befittingly to retain the talent. Thus it lowers the chance of good employees leaving the organization for green pastures.

**Keywords:** *Human resource development; potential appraisal; organizational goals; skills; potential.*

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## 1. INTRODUCTION

In the growing business world, the phrase potential appraisal has become a very common term. Potential refers to latent but unrealized talent in any individual. Potential varies from person to person. The industries around the world make use of potential appraisal for effective promotion decisions.

### 1.1 Objective

To study the influence of potential appraisal in Human Resource Development, to study the techniques involved in the potential appraisal.

## 2. METHODOLOGY

The study is completely based on secondary data. Secondary data is taken from previous studies in potential appraisal and HRD.

## 3. REVIEW OF LITERATURE

Dharmaraj A, Sulaiman MI [1] revealed that most organizations incorporate potential appraisal in their appraisal processes for identifying and developing suitable employee base for succession planning. It has been concluded that the managerial cadre employees perceived view of the Potential Performance Appraisal Metric does not differ from one level of manager to the other.

Hassan A. [2] revealed that HRD practices like potential appraisal and promotion, learning / training, performance guidance and development were positively related to organizational values of collaboration, creativity, quality, delegation, and humane treatment.

Mittal S, Verma BL. [3] concluded that HRD mechanism vary according to the experience so the performance appraisal, training and development, reward and feedback, career planning and potential appraisal need to differ with the experience of the employees.

### 3.1 Present Scenario

Nowadays, most of the employees complain about the high work pressure put upon them. Looking from a brighter side such workloads are basically to trigger the hidden possibilities within them. Usually, employees are pushed to their limits. They are forced to be at the brim by deadlines and tagged attainments. These

activities ensure the utmost utilization of the potentiality of the employee. Situations of healthy competition always stir up due to continuous efforts. Many organizations deal with the problem of employing people with much lesser potential and productivity. Some faces the issue of employees, where some of them are good at regular works but cannot be trusted to handle greater responsibility due to low potentiality [4,5]. Yet another situation is the presence of potential employees who are not able to show their capability due to lack of opportunity. All the mentioned possibilities can be effectively tackled by a fruitful HRD system. They encourage the employees to pull off the veil and expand their possibilities. An efficient potential appraisal is mandatory for the expansion and attainment of organizational goals.

### 3.2 What is HRD?

Human Resource Development (HRD) process is denoted as how personnel are recruited, trained and put into use depending upon their skills, knowledge and potential as per the need of the job and keeping in line with organizational objectives. HRD process also takes care of employee's interest and prospects to make every employee satisfied and contended for their maximum contribution to organizational growth [6-8]. It includes opportunities such as training, career development, learning new skills, performance management and development, mentoring, succession planning, distributing resources that are beneficial for the employee's tasks, organization development and any other developmental activities. It initiates the competencies that enable the individuals in an organization to perform current and future jobs through planned learning activities. The main focus is on developing the foremost workforce so that the organization and the individual employees is able to accomplish their work goals in commission to customers [9,10]. HRD is considered as the key to higher productivity, better relations and greater profitability for any organization. Without learning and development of personal and professional skills, employees grow stale and stagnant.

### 3.3 Potential Appraisal

As the phrase suggests potential appraisal refers to the identification and evaluation of hidden talents and underlying skills of a person. The potential appraisal could be a future-oriented assessment done by organizations to relieve the

potentialities of the employees to assume a higher position and responsibility in the organizational hierarchy. It helps in determining the strength and weakness of individuals with a view of predicting their future performance.

Potential appraisal and Performance assessment are the two terms that go hand in hand. The former is a forward-oriented process and the latter a backward oriented process that gives an employer a well-refined outlook of the possibilities of the employees [11-13]. Performance assessment points out the pros and cons of the present conduct of employees while potential appraisal shows his flexibility in carrying out works on a future date. The potential appraisal is a part and parcel of Performance assessment as it helps to view the future and thereby guides and directs the organization towards achieving its goal and growth.

### **3.4 How Potential Appraisal Related to HRD?**

In an organization that subscribes to HRD, the potential of each employee is assessed periodically. Such an assessment is helpful for development planning as well as for placements. Potential appraisal of employees is an integral part of the HRD department. It is a holistic approach to study the wholesome qualities of an employee with a given intellect, personality and character. The feedback provided to employees could help them to improve upon to shape for future positions. A dynamic and growing organization needs to continuously review its structure and systems, creating new roles and assigning new responsibilities to employees. At this point, potential appraisal rescues the HR department [14]. A potential appraisal is carried out using five indicators. Sense of reality, imagination, power of analysis, breadth of vision and persuasiveness are the judging factors of potentiality that is used by HRD for appraisal. The combined effect of these key characters defines a person's potentiality. Potential appraisal enhances HRD and enables the attainment of organizational goals.

HR departments lay more emphasis on the development and capabilities of an employee rather than evaluating them based on current performance. Recommendations for promotions are nowadays based on potential appraisal. Previously, promotion and responsibilities assignment were done based on performance assessment and eventually, it turned out to be

inefficient decisions. Performance assessment can only provide the efficiency of an employee in carrying out the present work. It does not provide any guarantee for their effectiveness in handling a higher responsibility. Performance assessment becomes effective only when future assigned work is almost similar to that of the previously completed one. So, comparing to this scenario potential appraisal gets an upper hand. It ensures the flexibility of an employee in handling the responsibility that has entrusted with them. It helps to estimate the promotability of an individual in the organizational hierarchy and help chalk out employee's career plan. In simple terms, performance assessment reveals how an employee did work while potential appraisal estimates how well the employee might do.

HR department makes decisions on increments and incentives based on performance assessment while promotion's recommendation is on the bases of the potential appraisal. The potential appraisal is the tool of HRD which enables them to instill the hidden potentialities of an employee. It aims to exploit the goodwill of both the organization as well as the individual. The feedback of such appraisal accredits the employee to chase after his probable employability.

The potential appraisal is advantageous, not only employees but also organizations. The operational goals and goodwill of an enterprise can be achieved through the potential appraisal. The training need of the employees for better performance is assessed through potential appraisal while the recruits training is planned and provided. These activities eventually help in the flourishing of an enterprise. Each job will be having professionals and choosing the right one for the right position is inevitable. A company can get rid of employees with below-average potential. Corrective measures can be adopted at a quicker rate using the appraisal technique. It helps to maintain a higher degree of proficiency and forces individuals to keep up their performance. The total output and performance of the organization improve at a faster rate by making use of the potentialities of the employees. The HR department plays a role in the responsibility to trigger the potentialities of individuals. Training and evaluation sections help to improve the qualities within individuals. The individual competencies sometimes may be lesser than what is desired by the company. The betterment of the company lies in the hands of productive and efficient workers. Employees may

not always possess the traits and qualities that the company was looking for but the HR department provides enough space for building up such competencies.

The potential appraisal can be performed in two methods, either the 'Helicopter approach' or the 'Whole person qualities approach'. Helicopter approach is performed for broad as well as for specific purpose while the whole person qualities approach is done for analyzing the complete potentialities. Both methods are effective in measuring the ability to perform higher responsibilities with ease and efficiency.

### **3.5 Main Objectives for Conducting the Potential Appraisal**

Potential appraisal aims to recognize the capability of an employee to perform superior jobs. Employer learns about the hidden potential within an employee and thereby provides an opportunity to nourish undiscovered creativities.

Potential appraisal methods determine the general potential levels of employees and thereby establish the resource base and maximum potentialities of an organization.

Another important aspect of conducting potential appraisal is to access the training requirements of individual and in planning organizational follow-up activities to ensure effective utilization of individual capabilities.

The individual development process is highly aided through the various potential appraisal methods carried out by the organization. These methods uncover hidden talents and thereby inform the employees about their prospects and opportunities.

Potential appraisal techniques help in the holistic growth of individual and organization. From the organization point of view, these methods help to form a suitable succession plan by the organization and updates on the training efforts.

As days passing, the potential appraisal is gaining more importance in the industrial level. Identification of individual capabilities and hidden talents along with the estimation to perform particular activities is a notable benefit from the potential appraisal. It aids in choosing an employee for a critical responsibility. Career development is another benefit from the potential appraisal. Employees reveal those traits hidden

in them which expands their employability and career options. Such appraisal works also create an environment of healthy competition. The highlights and shortcomings of individuals are unveiled which eventually help them in pondering more on the strengths and in reducing their weakness. The feedback from appraisal motivates the employees to build up qualities and soft skills. Enhancement of competencies and confidence are the other utilities.

Dictionary meaning of potential is anything that may or might be possible but does not exist. The HR department plays the crucial role of finding the fire within an individual and harness the same by providing environment and conditions favourable for the nourishment of those traits which helps them to climb the ladder opportunities and indirectly provides the organization with a possible material to hold more responsible assignments in near and distant future. Training, corrections and exposures are done to rectify the limitations and to discover the best version of an individual. Works of HRD ensures the supply of professionals who are guaranteed to be the best suited for various assignments and critical responsibility. Future leaders at various levels are identified and encouraged by these types of continued activities.

The competency of an employee to perform a particular job is not an immediate measure of his potential. It reveals only his ability to perform a job in his best possible way and hence cannot be used an automatic criterion for promotion to higher levels. For example, an excellent production supervisor may not be worthy enough as an assistant production manager as the later requires broader skill and has greater responsibilities to perform. Duties assigned to both these jobs are at different levels even if both are engaged in the production field. Similarly, an efficient chief engineer may emerge as a poor engineering director. Potential appraisal reviews are extremely helpful for career planning as well as for assessing promotion capabilities of individuals. The buzz word in the potential appraisal is 'CATCH THEM YOUNG' as it is easier to mould and bring up the individuals in a younger age than the elders who are difficult to be transformed.

Sivaramakrishnan and Mohammed Sulaiman [15] highlighted the success story of Malabar Cements Limited in Indian Cement Industry. Malabar Cements is a dazzling performer in

Public Sectors in Kerala with a global standard having with ISO quality certification. They are spending lakhs of rupees for training and developments helping the managerial cadre employees to develop their competencies in tune with the fast-developing technological innovations. Ajay Solkhe [16] investigated the link between HRD and organizational performance, which in turn ensure sustainable competitive advantage. Analyses study suggests the use of various HRD mechanisms like training, potential appraisal, performance management, carrier planning and development, employee participation and quality work life. The study provides insight into Indian HR managers to invest in Human Resource of a firm for developing the desired knowledge base, skills, attitudes, and other behaviours results in higher performance of the firm.

#### **4. STEPS IN THE POTENTIAL APPRAISAL SYSTEM**

For a potential appraisal system to work effectively the following steps are required;

##### **4.1 Detailed Job Description**

For an effective potential appraisal, an employee must know the detailed description of the job. The employee must be familiarized with the work he/she is going to perform. Sufficient knowledge regarding the job makes it better for the employee to adjust and be flexible.

##### **4.2 Job Specified Quality Traits**

A detailed description of the quality traits required for a specific job has to be mentioned beforehand. Employees can nurture their abilities based on these quality parameters put forth by the company.

##### **4.3 Rating Mechanisms**

Rating by others: The potential capabilities of an employee is evaluated by supervisors who have the first-hand experience with the employee's previous works.

Tests: A series of psychological tests are conducted to determine the candidate's potentialities in various levels of organizational management.

Games: The hidden capabilities of an employee could be discovered using games and exercises such as role-play & stimulation games.

Records: Potential appraisal records of an employee regarding the previous jobs assigned to him can help to judge various qualities of the employee which in turn help in assigning new duties.

#### **4.4 Organizing the System**

##### **4.4.1 The interest of top management**

The support and interest from the top officials like CEO, Executive Managers towards the potential appraisal activities trigger the efficiency of the system. Errors and negligence will not happen in such a system and regular appraisal works help in speeding up the identification of capabilities.

##### **4.4.2 Co-operation from employees**

Potential appraisal activities should be made mandatory for the goodwill of the organization and the employees must truthfully cooperate in such activities. Employees must have a positive outlook on the appraisal system and should be encouraged to reveal the undiscovered talents within them.

##### **4.4.3 Conducive working conditions**

The working environment should be proper and accurate. Such atmosphere builds up the confidence of employee as well as ensures better employee-employer relationships. Individuals will only be able to express their full potential under a conducive environment.

##### **4.4.4 Healthy organizational culture**

A sense of we- feeling, togetherness and belongingness should exist between the employees of an organization. Such feelings eventually bring out the true capabilities of individuals. Because groups offer the opportunity to share ideas and interests, to demonstrate their abilities, and to gain personal recognition, all of which contributes to increased self-esteem.

##### **4.4.5 Feedback system**

An effective and open feedback system must operate within the organization. Feedback enables the employee to identify his limitations and help in the rectification of the same. The pros and cons of the potential appraisal review is an effective method to improve upon.

The above-mentioned factors help in effective implementation of the potential appraisal.

## **5. TECHNIQUES USED FOR CARRYING OUT POTENTIAL APPRAISAL**

### **5.1 Self Appraisal Technique**

A self-evaluation technique where the employees are to fill an already set questionnaire, based on their opinion on their performance. The questions are prepared based on the view of examining the self-perspective of employees.

### **5.2 Peer Appraisal Technique**

In this method of potential appraisal, the HR head will ask the peers or the colleagues to evaluate an employee. This reveals the capabilities identified by others on an employee.

### **5.3 Superior Appraisal Technique**

This method is mostly carried out as an annual appraisal process by most of the organizations. Here employees will be assessed and examined by superior officials.

### **5.4 Management By Objectives**

MBO, management by objectives is a method of potential appraisal put forth in the 1950s by the prominent management theorist Peter Drucker. It is a result-oriented method of appraisal where the potentiality is measured based on the attainment of objectives of pre-assigned works.

### **5.5 Psychological and Psychometric Techniques**

A psychologist has been assigned to evaluate the intelligence, aptitude, behaviour of employees since the early 1900s. Psychometric test is used to bring out the job preferences in individuals and can guide them in the choice of career opportunities. Aptitude, interest, preference and passion of an individual is analyzed in psychometric tests.

### **5.6 Leadership Exercises**

HR heads assign leadership activities to employees which helps them to learn the art leading. Exposure to the life of such a person will motivate others to take up the same path. Leadership can be an inborn character and hence identification of leaders is possible through such appraisal technique.

### **5.7 Management Games**

Companies often arrange team-building games, exercise ideas as icebreakers and energizers to warm up meetings, workshops, training and conferences. These help in motivating and energizing the employees. It also helps in innovation and retention of ideas.

## **6. CONCLUSION**

Potential appraisal techniques are widely used for identifying and evaluating employees around the world. Potential analysis in HR is pioneering as a part of a goal and future-oriented talent management. Not identifying high potential and development of skills alone leads to an insufficient and unsatisfying succession planning and it ends to failed employee retention. High potential talent can be defined as an employee whose particular skills and knowledge value make them vital to organizational success. Appraising an employee's potential helps to evaluate his/her capability for growth and development to take greater challenges, take up responsibilities and positions within the organizational hierarchy. Most organizations incorporate potential appraisal in their appraisal processes for identifying and developing suitable employee base for succession planning. Though potential appraisal has its own merits, how far the employees accept the same is a million-dollar question, which is to be answered. For appraisal to yield the desired outcomes, adequate attention should be paid to the avoidance of appraisal politics and the fairness and transparency in the process.

The brain drain from India is an excellent example of improper potential appraisal within the country. Growth of companies lies in the hands of potential employees and hence it is the responsibility of companies to recognize the potential and reward befittingly to retain the talent and to reduce the chance of good employees leaving the organization for green pastures. Professional point of view emphasizes on the need for integration of HRD and potential appraisal. A present concept of Human Potential Management (HPM) argues the replacement of HRM. Human Potential Management is an integrative and continuous process of enhancing human capabilities by promoting their existing potentials and aiding them to discover hidden talents. It emphasizes more on identification and nurturing of employee's potential for their benefits thereby automatically leading towards

organizations advantage. It has been concluded that the management has to take steps to incorporate Potential Appraisal as part of the Performance Appraisals and must use the Potential Appraisal for career progression and succession planning.

## COMPETING INTERESTS

Author has declared that no competing interests exist.

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