

# Chapter 41

## Utility Based Tool to Assess Overall Effectiveness of HRD Instruments

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### **ABSTRACT**

*Humans practically measure everything in life. For any business, they measure revenue, sales, profits, earning per share, stake holders value and so forth. In HR management they measure staff attrition, cost of training per candidate, rating awarded in performance management system etc. Measurement of Effectiveness of HRD instruments namely training and development, compensation, feedback and coaching, job design, career planning etc. are required for any organization, regardless of size, industry, location or success. In this paper an attempt has been made to analyze prominent HR instruments to determine their individual measure of effectiveness and the Total Expected Utility Measure based on Multiple-Attribute Utility analysis, from both the employees' and employers' view point. To assign relative importance to each HRD instrument, Analytical Hierarchical Process has been used. The methodology adopted was questionnaire, to a random sample of teaching faculty in a large private university in north India. The findings indicate that the total expected utility measure is an important measure and facilitates comparing firms in the same industry, region, size, etc.*

### **INTRODUCTION**

In our daily lives we measure practically everything. To answer as to why we measure? Is it really required? In practice measurements helps us in our day –to-day issues. Furthermore, measurements suggest as to what business strategy we should adopt. A drop of water will not cause flow, but a large collection of water drops may constitute flow. Similarly, a single digit is not sufficient to drive a strat-

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egy, but a compilation of a number surely will. A staff turnover of 25% per annum may alarm us, and may require interventions to decrease the number. We also need to know as to what is happening to the world economy in general and country's economy in particular. We should also know how the present turn over compares with previous year's data, what is the turn over level for other companies in our industry, region or size category. From the above information available we try to gauge the meaning of these information and devise an appropriate strategy.

Unlike the disciplines of operations management and marketing, HRM has not, in general, had a strong focus on the development of performance measures. However, HRM researchers have an interest in the use of performance measures as part of reward systems at the shop floor level. Variable performance payments have been included in employee remuneration such as best employee award, one-time award for any innovation in any process/system, cost saving, profit sharing, stock option etc. However, the concerns of HRM with many aspects of managing people have helped as to how performance measures should be developed to accommodate the 'human' element of the organization.

Measuring overall effectiveness (MOE) of a system provides for holistic view of a department/organization and assists in identifying objectives/goals of an organization. MOE helps in measuring company's current performance and this may provide vital inputs in taking mid-course correction, assist in drawing out norms etc. Today's norms may become tomorrow's historical data. This data may assist in improving future work estimates and quality levels. In the absence of historical data, estimates could just be vague guesses.

Some of the benefits of MOE of any process/system are as below:

- Predict long-term direction.
- Provides means for control/status reporting
- Identifies potential problems and areas of improvement.

## **LITERATURE REVIEW**

An important concern for HRM is planning and evaluating how employees' overall knowledge, skills and abilities be assessed with a view to providing employee development, as well as facilitating promotion and succession planning. The innovation of 360 degree performance ratings provides a way of gaining insight into an individual's performance from a variety of sources such as supervisors, peers, sub-ordinates, customers and suppliers Hazucha et al. (1993). The provision of information from a wide set of individuals who have close working relationships with the employees provide multiple perspectives of the individual's performance. Also, it is important to assess if additional measures provide incremental information beyond the ratings from a single source Borman (1997). From a development viewpoint, such rating can be a rich source of information on areas that may need improvement. Also, benefits to socialization may accrue from the process of having a wide spectrum of parties participating in performance measurement. From a performance measurement perspective, 360 degree performance ratings raise several important measurement issues. To operationalize 360 degree performance ratings, measures are required for the different perspectives. On the one hand, measures from within a group, such as peer group concerns with cooperativeness, should have high reliability. However, performance measures drawn from different sources may reflect performance from a variety of perspectives. For ex-

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