ABSTRACT

After you read this chapter, you will be able to understand how to carry out the performance appraisal, the content about promotion, performance standard, and the relationship between promotion and performance appraisal.

INTRODUCTION

Promotion refers to the movement of an employee to a job involving more responsibilities, status, pay, and perquisites. However, promotion may involve an increase in salary or no increase in salary (Deb, 2006). Companies use promotion as a tool to recognize and reward the merit and sincerity of their employees. Compared to external hiring, internal promotion is able to increase the loyalty and morale of employees through filling job vacancies. Nevertheless, when an employer uses promotion as an effective tool to meet its employment needs, it has to understand that “promotion” is a double-edged sword. The reason is that when promotion is imprudent or unfair, it causes exactly the opposite effect on employees (Durai, 2010).

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Why is promotion so important? Deb (2006) considers that promotion has several objectives, as follows:

1. To make best utilization of potentialities and competencies of employees.
2. To reward the competencies of the employees.
3. To make internal recruitment of competent personnel at lesser cost.
4. To motivate and search for commitment of employees to the goals and objectives of the organization on long-term basis.
5. To decrease the cost of training.
6. To establish harmonious industrial relations.
7. To attract and retain capable employees.
8. To maintain proper discipline in the organization.
9. To accomplish human resource planning effectively.

There are three main styles of promotion: horizontal or lateral promotion, vertical or upward promotion, and dry promotion (Deb, 2006). The definitions of the three types of promotion are presented in Table 1.

Although promotion is able to be used to motivate employees, there are several principles that should be paid attention to. The main principles are shown in Table 2.

If a high-performing employee wants either recognition from the organization, greater challenges, more responsibility, and/or a major salary increase that is exclusively associated with promotion, then the employee may understand that promotion is an important factor regarding the decision to stay at or leave the company or organization (Nyberg, 2008). Furthermore, performance-based promotion offers a powerful motivating force for individuals to contribute their effort. From a theoretical standpoint, performance-based promotion generates a tournament-like system in the company, in which

<table>
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<tr>
<th>Types of Promotion</th>
<th>Definitions</th>
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<tr>
<td>Horizontal or lateral promotion</td>
<td>In this type of promotion, there is an increase in responsibilities, salary, as well as facilitates with the change in the designation. But, the nature of job remains the same.</td>
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<tr>
<td>Vertical or upward promotion</td>
<td>In this type of promotion, there is a change in the status, responsibilities, job classification, salary and facilities.</td>
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<tr>
<td>Dry promotion</td>
<td>In this type of promotion, there is an increase in responsibilities and status without any increase in salary and facilities.</td>
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Source: Deb (2006).
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