

The problem with performance appraisals

Are staff performance appraisals a bane or a boon?

FEATURE ARTICLE

Dread and foreboding is the typical feeling anyone has whenever annual performance appraisals come around every year. Several things depend on a favourable assessment - promotions, pay increments and even retention. And much as it is difficult to give tough feedback about the year's work, it is even less enjoyable receiving it. In a worse case scenario, a bad performance appraisal can create unnecessary friction and conflict between manager and staff, inducing a negative working environment which would have very adverse effects on staff engagement and productivity.

So, if performance appraisals are so hard to sit through, why are we still doing it?

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NEWS FLASH

Foreigners, firms gear up for changes

Singapore - The new changes to the Employment Pass (EP), which will come into force from 1 January 2012, will see about 20% of some 142,000 EP holders affected. According to Ministry of Manpower, the changes are aimed to ensure salaries of young foreign graduates are kept in pace with the starting pay of Singaporean graduates which was about S\$2,900 last year. Josh Goh, assistant director, corporate service for The GMP Group, said EP renewals in support function jobs, particularly in finance or administration, are not coming in. "These candidates' salaries are usually near the cut-off mark. It is apparent that the Government wants to keep foreign manpower at a manageable level and improve the overall quality of foreigners in Singapore," he added.



Job rate hits new high

Singapore - According to Ministry of Manpower's Labour Force Survey, the employment rate for the resident population aged 25 to 64 reached an all time high of 78%, surpassing the previous rate of 77.1% in 2010. The survey revealed a record of 61.2% of residents aged 55 to 64 were employed this year - this was an increase from 59% in 2010. The employment rate for women in the prime-working ages of 25 to 54 had also increased, from 71.7% in 2010 to 73.0% this year. It was also highlighted in the survey that better-educated women were more likely to participate in the labour market than the less educated.

S'pore best place in Asia for expats: study

Singapore - In a survey commissioned by HSBC Expat revealed that Singapore is the best place in Asia, and third best in the world for expats when it comes to wealth and finances. The *2011 Expat Explorer* survey also showed that Singapore came out tops in areas such as earning levels, disposable income, spending, saving, investing patterns, and the impact of the current global financial climate. According to those surveyed, half of them earn over US\$200,000 (S\$257,000) per annum, and a little more than half also said their income had increased since relocating to Singapore. However, these expats are faced with higher cost of living in Singapore, with 82% of them spending more on accommodation - compared to the global average of 50% - and food.

Qantas reaches pay deal with engineers' union

Australia - Qantas has reached an agreement with the Australian Licensed Aircraft Engineers Association. In the settlement, which will remain in effect until the end of 2014, the 1,600 aircraft engineers will receive an annual raise of 3%. The union had also conceded on its demand that Qantas retain certain maintenance facilities in Australia. According to an analyst who covers the company, the settlement with the engineers, was in line with what Qantas had indicated it was expecting. And under the agreement, Qantas gains the flexibility to assign some basic maintenance work to lower-skilled, often younger, engineers who hold an "A" license that requires less experience. Discussion with the other two unions representing pilots and ground crew, are expected to last into 2012.



Cargill to cut 2,000 jobs globally

U.S - Cargill Inc, a U.S agribusiness giant, said it would retrench 2,000 of its staff globally due to a sustained slumping global economy. The job cuts, which will take place over the next six months, will affect 1.5% of its workforce of 138,000 employees located in 63 countries. According to its spokesperson, Lisa Clemens, the job cuts will not be concentrated in any one city, country or region. Also, the slashing of jobs were made on recommendations from various business units and were not a "uniform across-the-board" cut. Cargill added that it was making internal structural changes following an evaluation of its global energy, transportation and metals operations.

The case for performance appraisals

Performance appraisals are a crucial opportunity that offers employees exclusive access to their managers to discuss previously set goals and review performance, and discover new targets. Managers and employee can converse and agree upon individual training and development needs. Appraisal data that has been collected can also benefit the organisation by using it to track the effectiveness of changes in recruitment strategies.

The way appraisals are conducted have changed over the years. From rigid, one-way evaluation systems, today's performance appraisals involve more participation from staff and even internal as well as external stakeholders. And over the years, 360-degree feedback has gained popularity - managers seek feedback about a staff's performance from co-workers, other supervisors, internal and external vendors and direct reports. Ranking systems help to motivate and spur employees on to perform better.

Performance appraisals give plenty of room for managers to recognise staff for their work efforts while providing feedback, thus encouraging employee motivation and satisfaction. The existence of a performance appraisal programme demonstrates to employees that the organisation is involved in their personal and professional growth.

The problem with performance appraisals

Let's face it: performance appraisals are often retrospective.

A typical traditional appraisal usually occurs once or twice a year. There would be extended time gaps of months between establishing goals and reviewing them. Objectives that were set upon in the beginning of the year are usually only dragged out during appraisal time.



While performance appraisals provide the perfect opportunity for managers and staff to have one-to-one discussions, it is, however, open to biased ratings. For example, some managers tend to be more liberal or strict in their rating of staff. Managers may also fall into the trap of the "recent performance effect" where they generally only recall the recent actions of employees at the time of the appraisal - points are then awarded based on recent favourable or unfavourable events rather than the whole year's worth of activities.

What organisations do not realise is that skills gaps need to be addressed quickly as it would impact the bottom line - performance issues that have been put aside for months will become non-issues. And because performance feedback only occurs once or twice a year, there is hardly any other opportunity utilised to inform an employee what kind of skills he/she needs to develop. There is also a tendency to focus on the weaknesses instead of strengths, which creates a negative work environment and conflicts between manager and staff.

What managers should aim for is performance previews - they can happen as often as necessary for managers and staff to discuss work issues, and these need not be dependent on HR directives. However, open communication between managers and staff is crucial for such sessions to be successful. There should also be a focus on immediate feedback, and actual real-time tasks. Staff should be allowed to correct their behaviour.

Solving the problem

Rather than taking a cookie-cutter approach, a successful performance appraisal system must fit the organisation. Organisations need to assess the suitability of performance appraisal systems to their own workforce before implementing one that meets their needs.

The primary purpose of an appraisal system is to sieve out those who cannot, or would not do the job. It has to be communicated to all involved parties. Appropriate support and training should be provided, especially to managers conducting such sessions with their staff. Employers should also take note that performance evaluation is a continuous process and not one that happens only once a year. The best appraisals are a two-way discussion and focus on the employee assessing his own performance and setting goals for improvement.

And as best practice, organisations should ensure key performance indicators (KPIs) are well communicated to and clarified with staff, and there are proper benchmarks in place against which staff are assessed. Data collected from appraisals should be used to track the success of recruitment and induction practices.

Hire the right people

EXPERT ADVICE

Making the right hiring decisions is important as the wrong one will affect your bottom line. Apart from having wasted precious resources, you might have to devote more time fixing the problem of a bad hire.

Define job requirements carefully. It is crucial to detail the specific job requirements and desired personal characteristics. Create a "hiring scorecard" or a checklist to be used in screenings and interviews to determine if a candidate can fulfill the requirements of the job.

Review resume. From resume screening, you can usually determine if the candidate has the basic knowledge and skills to do the job. Analyse the candidate's resume and look out for employment gaps and discrepancies.

Ask the right questions. An interview is the best opportunity to collect important information to substantiate the candidate's skill set, and to ascertain his/her attitude. Take note of behaviour patterns, body language and words used to answer questions posed.

Administer test. A test may help in determining if the candidate is qualified, skilled enough or has the abilities to perform the job for which you are hiring. However, it is important to establish if such testing is necessary and relevant for the position you are hiring for.

Conduct background and reference checks. Check at least two business references on the candidate. According to a research culled by Jobacle.com, a U.S career advice blog, about 43% of job seekers fudged their resumes.

