Member's Quarterly

Fall 2022 Edition

The Modern Performance Management System
- Performance appraisal vs performance management

Members
Quarterly
Staff Writer

Looking back

Performance management is certainly not new. Long before we knew what it was, managers and supervisors were evaluating the performance of their workforce. But during the 1920s as business and management evolved, the owners and leaders of these nascent empires sought to maximize overall performance and operational efficiency. As time went on, these evaluation systems became more complex and for many managers, more cumbersome.

During the 1950s, there was a move to start rating employees based on personality traits like job knowledge, loyalty and trustworthiness. However, that only measured the possibility of performance versus the real deal. That led the way in the 1960s to more formal employee appraisal systems and yearly meetings to review their progress. Companies also started the beginnings of what we know as 'management by objectives' and tying employee evaluations to how well their performance contributed to the missions and goals of the organization.

Since then, it feels like we've been on the performance appraisal merry-go-round. Sometimes we stop at psychometrics and rating scale, then we screech to a halt at 360-degree feedback and other forms of multi-stakeholder feedback loops. Today many organizations have gotten rid of the formal process altogether and focus on continuous feedback processes and systems.

What are you doing now?

Certain approaches to performance appraisal such as the ranking method, paired comparison, the grading method and the critical incidents method, among others, are often referred to as traditional methods.

Traditional methods tend to measure an employee's past performance and focus on assessing employee personality traits such as initiative, dependability and leadership potential. Modern methods weigh job achievements more heavily, regardless of the employee's personality traits, which is thought to be a less biased approach.

Is it time to change?

If what you're doing is working right now, then maybe keep doing what you're doing. But even if you're satisfied with your performance management system and approach, the world around you is changing. In fact, it already has. At least your workforce has. They are now likely younger, more mobile and more technologically adept. Also, this cadre of younger workers want ongoing feedback and communication, acknowledgement when they do a good job and the opportunity to move up in the organization or they will leave.

Performance management vs performance appraisal

Maybe the place to change is in your thinking. Some experts suggest shifting from performance appraisal to performance management. They sound the same but there's a big difference. Performance appraisal at its essence is based on the theory that you can motivate the real stars of your organization with some form of bonuses and promotions and compensate everyone else based on their competence. Performance

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management takes a different approach. It works on the principle that everyone can improve, and that management's job is to identify what they need (i.e., training for example) and then encourage them to grow.

The good news is that you can have a blend of both in your new or existing performance appraisal or management system. You can still do yearly reviews, but you would supplement those with coaching or mentoring. Organiza-tions can also be mindful about how much they invest in employee training or retrain-ing as well, but smart employers build this into their budget and see it as a necessary and vital part of people management. There's also a distinction between the two approaches when it comes to data. In older, more traditional systems, there is a tendency to be data-driven. Performance management focuses on using the data but also considering individual employees and their differences when applying the data to reviewing their performance.

Looking ahead

When you are ready to change, here are some areas to consider. These are not all really new, but they have become the gold standard of practices in this field. Leading the pack is the old/new 'management by object-ives'. The reason that it's still around is that it works. For many organizations, it's because the whole team gets to set the objectives and goals that they collectively want to meet. 360-degree feedback is another oldie but goodie, relatively speaking. Getting feedback from top to bottom and inside and outside the organ-ization can only help identify the good, the bad and sometimes the ugly.

Behaviourally Anchored Rating Scales (BARS) are another way that some organizations measure perform-ance. They compare their employees' performance against a specific or predefined set of behaviour traits which are linked to specific numeric values or ratings. There are also the psychological appraisal processes which make a judgement about how well an employee will perform in the future based on a psychological assessment. It looks at things like interpersonal skills, emotional intelligence and other factors such as leadership skills and cognitive abilities.

If you really want to change, you may want to consider agile performance management. Agile perform-ance management considers performance and development throughout the year versus the old once a year performance appraisal system. There is an ongoing dialogue to and from an employee and their manager and it encourages employees to try to meet personal and organization objectives at the same time. The major benefit of this approach is that employees seem to love it. One study found that almost 50% of em-ployees reported that they "work more effectively" under an agile approach. Even managers who normally hate employee appraisals seem much happier and report an increase in individual and overall productivity from this way of doing performance reviews.

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39 YEARS