

NEXT GENERATION PERFORMANCE APPRAISALS BALANCING ADMINISTRATIVE AND DEVELOPMENT GOALS

Individual performance measurement and appraisal systems (PAS) have traditionally oscillated between an administrative and a developmental orientation. These two approaches are influenced by organizational trends, hiring policies, economic trends, and contextual developments. In Italy, where PAS have traditionally been characterized by a predominantly administrative orientation, recent guidelines promote a developmental approach in an effort to address the lack of know-how in the public sector. However, studies reveal a persistent gap between these aspirations and actual practice, highlighting the need for better alignment between assessment outcomes and training opportunities.

PERFORMANCE APPRAISAL SYSTEMS (PAS)//PUBLIC SECTOR REFORMS//STAFF TRAINING//HIRING POLICY//SKILL GAP



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Traditionally, performance appraisal systems (PAS) have teetered between an ostensibly “administrative” purpose, using comparisons between individuals to make important decisions with organizational implications (awarding bonuses, assigning tasks, or green-lighting promotions and salary increases), and a “developmental” approach, based on identifying employees’ strengths, weaknesses and needs by creating tailored training to foster their personal and professional growth.

In the private sector, these shifts have mirrored the evolution of organizational models, pitting hierarchical against flat organizations, or middle management against management with predominantly direct reports. Hiring policies have also played a role (favoring external hires over

internal talent development), as have economic trends like austerity measures or tax policies. Contextual changes, such as shifts in the values guiding employer choices or the adoption of new cultural approaches like agile methodologies, have further influenced the landscape. Over the years, this mix has resulted in PASs leaning more towards one model or the other, prompting a cyclical need to swing in the opposite direction to address challenges that a single approach can't handle alone. For example, while administrative systems might cultivate a more competitive environment, they could fall short in supporting personal growth, potentially sparking conflicts between supervisors and employees. Conversely, developmental systems may overlook the need for accountability, which is crucial in supporting managerial decisions that are perceived as fair.

In the public sector, at least until recently, there has been a distinct administrative tilt in PASs. Since their introduction in the early 1980s, these systems have primarily focused on distributing economic rewards. This focus crystallized in Italy in 2009 with the so-called “Brunetta Reform” (D.Lgs. n. 150/2009) which made performance appraisal a prerequisite for merit-based reward distribution. In 2017, the “Madia Reform” (D.Lgs. n. 74/2017) as it's known, further integrated this approach by linking performance appraisal to employees' career development opportunities along both horizontal and vertical paths. Just two years later, Guideline No. 5 from the Department of Public Administration underscored the importance of using a PAS as a tool to pinpoint employees' skills gaps and define their training needs. However, it is with the National Recovery and Resilience Plan (known by the Italian acronym PNRR), Legislative Decree No. 80 of 9 June 2021, and the two latest directives from the Italian Ministry for the Civil Service (2023a, 2023b) that the developmental aspect explicitly emerges. This coexists with the more traditional administrative purposes, further fortified by national legislation and labor negotiations.

In essence, the imperative to strengthen the PAS

for decisions regarding rewards, career trajectories, and wage differentials runs parallel to the need to link performance appraisal results to training opportunities, addressing employees' technical, soft, and relational skill gaps. New guidelines have shifted the focus towards developmental objectives, demanding the creation of a PAS capable of making meritocratic decisions while concurrently devising and managing training programs aimed at enhancing human capital in the public sector. In the sections we propose a summary of the new guidelines and present the results of two studies on Italian PASs, from the complementary perspectives of both HR managers and employees; the last paragraph highlights some key elements to encourage further considerations on the topic.

NEXT GENERATION PAS

As mentioned earlier, a set of new guidelines, outlined in the Ministry for the Civil Service Directive and unveiled on November 28, 2023, has brought a new perspective to the area of performance appraisal within the public administration. Such appraisals have traditionally been regarded as a bureaucratic hurdle and a source of frustration and unfairness rather than a practical tool for effective management. It's worth noting that these new guidelines are aimed primarily at managers, although their impact on employees is evident in various sections. Here's a concise overview of the key changes:

- **Shifting from the traditional hierarchical evaluations to a 360° assessment, involving not only supervisors, but also colleagues, peers, and external stakeholders;**
- **Introducing calibration mechanisms for collective assessment, aiming not only to “standardize” evaluations but also to incorporate diverse perspectives;**
- **Encouraging differentiation in evaluations and recognizing a limited number of outstanding performances (up to 20%) by establishing new types of rewards;**

- Introducing structured, periodic face-to-face feedback in the full performance appraisal cycle (e.g., quarterly performance interviews) and opportunities for self-assessment;
- Identifying managers' skill profiles and experiences, and assessing their potential to recognize areas for improvement;
- Fostering managers' ability to exercise effective leadership by linking it to performance assessment;
- Holding managers accountable for fostering personal growth and development for both themselves and their team members, consistent with assigned goals;
- Implementing individual training plans for managers and staff;
- Mandating a minimum of 24 hours of training;
- Identifying priority training areas for managers, including employees' performance assessment.

It's important to note the emphasis on training in the new guidelines, which explicitly address the need to certify skills through assessments of incoming and outgoing employees, introduce both general and specific training goals, set targets for employees engaging in upskilling and reskilling, and measure the impact of training activities.

The attempt to transition from administrative to developmental systems is clear, but is it achievable? Italy's past PASs have often fallen short of expected results. Unfortunately, traditional systems have tended to yield overly uniform evaluations geared toward maximum scores. Most attempts to introduce more selectivity or differentiate reward schemes have been met with challenges. So, can we strike a balance between administrative and developmental goals by incorporating 360-degree assessment, greater selectivity, and differentiation, alongside periodic feedback and individualized training plans? Is it possible to find a middle ground in the Italian public sector that meets all these needs? Perhaps,

before addressing these questions, it's useful to analyze data related to performance appraisal and training systems in Italian public organizations.

DEVELOPMENTAL PURPOSES IN ITALIAN PERFORMANCE APPRAISAL SYSTEMS

Here, we present the findings from two studies: the first focuses on a 2023 survey concerning the HR function¹, while the second delves into research conducted on behalf of the Department of Public Administration during 2019/2020 (Presidenza del Consiglio dei Ministri, 2019). The older study comprises three main phases: mapping out the Italian PASs by defining their key structural features; identifying employee perceptions of the systems, including considerations of fairness and motivation; and outlining employee preferences by envisioning potential development paths for the PAS².

As the 2019/2020 research reveals, 100% of the surveyed administrations state that the primary goal of a PAS is to assign rewards, with 72% claiming a developmental purpose as well. However, only 28% acknowledge a connection between training and performance evaluation, and a mere 12% implement individual development plans. These results mirror the findings of the 2023 study, revealing that the link between training activities and the PAS remains weak: a significant 64% of HR managers affirm that training activities are not aligned with evaluation results, and 53% disagree on the potential of these systems to identify skill gaps among those evaluated (Table 1). Negative perceptions aside, it's the low percentage of positive ones that highlight a starkly polarized judgment.

Furthermore, regarding the use of individual development plans, there's a distinct stance among PAs: 67% of the ones we surveyed declare that they do not resort to such plans, and only 5% define

¹ The research involved HR managers of 297 public organizations, including local authorities, universities, and agencies.

² The research focused on a sample of 60 public organizations, including local and central governments, Chambers of Commerce, agencies, etc., and about 1700 employees from nine of the previously identified public entities.

them based on performance evaluation results (Table 2).

The intended developmental purpose outlined in official documents appears to be more of a hopeful aspiration than a tangible trend. Indeed, in the 2019/2020 survey, when employees were asked whether they found a PAS helpful in identifying their strengths and weaknesses, the average ratings on a scale from 1 to 5 were 2.65 and 2.63, respectively (Table 3). Moreover, when queried about the effectiveness of measures intended to address skills gaps after the evaluation processes, the average judgment (1.98) and the distribution of responses (with 69% expressing negative opinions) were even more pronounced.

The 2023 research provides further insights into this issue. When asked whether public organizations provide training activities for employees' upskilling or reskilling, the responses reflected ample room for improvement (Table 4). Only 12% offer upskilling initiatives, and a

mere 9% provide reskilling programs. One might argue that such initiatives are unnecessary but considering the resolutions of the PNRR and the ongoing organizational and technological changes, such a justification seems less convincing.

When shifting our focus to training targeted areas, the discrepancy with the aspirations of the new guidelines becomes strikingly apparent. Regulatory updates still take the lead, followed by technical skills and safety.

Looking at additional recommendations listed in the guidelines, it becomes clear that there is a substantial gap to bridge: currently, only 17% of administrations state they conduct one or more face-to-face feedback sessions, and a mere 16% incorporate calibration into their practices (Table 5).

These responses align with what employees indicated in the 2019/2020 study regarding their awareness of their own performance. Interestingly, a significant 63% of those surveyed don't feel adequately informed about how their performance

TABLE 1. DEVELOPMENTAL PURPOSES IN ITALIAN PAS

QUESTION			
Training activities are based on the results of individual performance assessments.	64%	31%	4%
Current individual performance assessment allows for measuring employees' skills gaps.	53%	39%	7%

TABLE 2. USE OF INDIVIDUAL DEVELOPMENTAL PLANS IN ITALIAN PASs

QUESTION			
Individual development plans are based on performance assessment results.	67%	27%	5%

TABLE 3. EMPLOYEES' STRENGTHS AND WEAKNESSES AND SKILLS GAPS IN ITALIAN PASs

QUESTION			
I believe that the performance evaluation system is useful for identifying my strengths.	47%	23%	31%
I believe that the performance evaluation system is useful for identifying my weaknesses/areas for improvement.	47%	24%	29%
Following the evaluation process, effective mechanisms are activated to address skills gaps.	69%	21%	10%

TABLE 4. EMPLOYEES' UP-SKILLING AND RE-SKILLING IN ITALIAN PAS

QUESTION			
The organization provides up-skilling activities for its employees.	54%	34%	12%
The organization provides re-skilling activities for its employees.	60%	30%	9%

is progressing, while only 17% claim to be well-informed (Table 6). It's noteworthy that, at the time of the survey, in terms of evaluation methods, 100% relied on hierarchical assessment, 30% on self-assessment, 15% on external evaluation, 3.3% on bottom-up evaluation, and 1.7% on 360° evaluation. This underscores the fact that the opinions expressed in the surveys are not tied to particularly intricate or sophisticated methodologies; nearly all organizations lean on traditional evaluation tools, focusing on the role of the hierarchical superior as the main process owner.

Additionally, the respondents themselves offer a straightforward assessment of the feedback quality they receive: only 21% consider it constructive and timely (Table 7). Once again, the trend leans considerably toward negative evaluations, with the average responses falling below the neutral range (2.29 and 2.36).

Again, employees' responses in 2020 can be explained by what 50% of HR professionals assert today: evaluators are not actively participating in training initiatives related to the evaluation

process. On the flip side, only 12% of organizations plan for such involvement in these types of courses.

Taking a broader view, regarding information systems connected to performance assessment and training, there's substantial room for improvement: HR professionals report that employee performances are tracked in 34% of cases, while in 35% of organizations they aren't (Table 8). The situation worsens when it comes to training. Only 15% claim to have a formalized system for tracking acquired skills. This suggests that the 34% positive response to the previous question is likely not due to the presence of personnel files but rather to an automated evaluation system that serves as a repository for previous assessments. However, it lacks integration, in a more holistic sense, with employee development.

Lastly, delving into the extent to which organizations have tools to systematically assess the effectiveness of training programs, our findings are not very encouraging: a mere 7% of HR professionals claim to possess such tools, while a significant 61% do not (Table 9).

TABLE 5. FEEDBACK AND CALIBRATION IN ITALIAN PASs

QUESTION			
The performance evaluation system mandates one or more face-to-face feedback sessions during the year.	56%	27%	17%
Discussion/meetings are held to calibrate evaluation criteria (ex-ante) and rates (ex-post).	48%	36%	16%

TABLE 6. EMPLOYEES' AWARENESS OF THEIR PERFORMANCES IN ITALIAN PASs

QUESTION			
My assessor keeps me informed about how my performance is progressing.	63%	20%	17%

TABLE 7. FEEDBACK QUALITY IN ITALIAN PASs

QUESTION			
My assessor provides constructive feedback on my job performance.	58%	22%	21%
My assessor provides timely feedback on my job performance.	55%	24%	21%

TABLE 8. USE OF INFORMATION SYSTEMS LINKED TO PERFORMANCE ASSESSMENT AND TRAINING IN ITALIAN PASs

QUESTION			
The organization has a tool that tracks the evolution over time of employees' performance (e.g., personnel files).	35%	31%	34%
The organization has a formalized system to track employees' acquired skills and training activities.	55%	30%	15%

CONCLUDING REMARKS

Striving to reshape the PAS for enhanced development and training initiatives is a commendable and urgent goal. However, certain reflections are inevitable. Opting for a radical transformation rather than a more gradual approach is understandable, particularly in light of the recent waves of reforms. From this stance, several key considerations warrant further exploration:

- It's imperative to move away from administrative-focused PASs, since thus far, such systems have yielded inconsistent results. Initially, PASs emphasized rewarding performance. But by now, they are required to do not only that, but to shape career opportunities and acknowledge outstanding training as well. Moreover, these systems should also delineate skills profiles, and address skill gaps. This is a multifaceted set of demands that a single, rigid, annual, and standardized model cannot meet, especially given the recent surge in hiring policies affecting public organizations.
- The new guidelines advocate for a clearer connection between organizational and individual performance that goes beyond mere theory. It involves determining how much the organizational dimension influences decisions and evaluations related to individual performance. This extends to third-party evaluations, whether of services (organizational

performance) or employees (individual performance). The Directive seems to favor the former, changing the natural focus of 360° assessment from individual to organizational performance.

- The 360° assessment represents a revolutionary change that brings with its organizational costs and practical challenges. While undoubtedly beneficial, its purpose, whether administrative or developmental, needs explicit clarification, because vagueness about its objectives might foster a climate of distrust and skepticism.
- The formalization of periodic face-to-face feedback can only be effectively achieved by redefining the roles of managers/supervisors, who are often overwhelmed by technical tasks and less familiar with such managerial tools. Additionally, developmental plans must be established based on specific organizational settings (e.g. number of employees). It's not just about training or self-training; leveraging employees' knowledge and subsequent organizational benefits is possible with internal job rotations and external career mobility.
- Including individualized development plans in the Integrated Activity and Organization Plan (PIAO in Italian) and using predefined training objectives risks reducing these efforts to routine compliance, deviating from a genuine assessment of training needs and thoughtful training choices. While reporting objectives are clear, they should not undermine such a significant opportunity.
- Training managers are responsible for enrollment on the platform, while supervisors are responsible for individual assessments, implementation of individual plans, and promotion of training. But what about employees? There is a sense that they have limited involvement in the decision-making processes that directly affect them. The

TABLE 9. SYSTEMATIC ASSESSMENT OF TRAINING PROGRAMS EFFECTIVENESS IN ITALIAN PAS

QUESTION			
The organization has a tool to systematically assess the effectiveness of training programs.	61%	32%	7%

somewhat outdated notion that employees simply submit to decisions dictated by directives, training plans, and mandatory training needs to be refreshed. It may be time to focus on the role of public employees, empowering and activating them (including in job rotation processes) to encourage their active involvement in their personal development.

The starting point, from what we’ve observed, is quite challenging, but that also implies there’s ample room for improvement. Evaluation and training are interconnected and mutually beneficial HR levers, often neglected and depleted. The new guidelines aim to change the game, offering a fresh perspective. However, they are ambitious and present substantial challenges which, to be overcome, require organizations to put specific enabling conditions in place. The ball is now in the court of public organizations, which are tasked with deciding how to bring these proposals to life.



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TABLE 10. SUMMARY OF MAIN FINDINGS

Developmental purposes	Feedback and calibration	Integration with training activities	Integration with information systems
• In 53% of cases PASs do not allow assessors to identify skill gaps. • 67% of administrations do not use individual development plans. • In 47% of cases, PASs are not useful for identifying employees’ strengths and weaknesses. • In 69% of cases, PASs are not effective in addressing employees’ skills gaps.	• Only 17% of administrations report conducting one or more face-to-face feedback sessions. • Only 21% of administrations consider feedback constructive and timely. • In 63% of cases, employees don’t feel adequately informed about how their performance is progressing. • Only 16% of administrations incorporate calibration into their assessment practices.	• 64% of administrations affirm that training activities are not aligned with evaluation results. • Only 12% of administrations provide upskilling activities for their employees. • Only 9% of administrations provide reskilling activities for their employees. • Regulatory updates are primary training targeted areas.	• In 34% of cases, administrations have a tool to track the evolution over time of employees’ performance. • In 15% of cases, administrations have a formalized system to track employees’ acquired skills and training activities.