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THE CHRO'S GUIDE TO A BETTER PERFORMANCE-REVIEW PROCESS

It's hard to find someone who likes performance reviews. Publications are full of headlines like "Performance Reviews Suck, Here's What We Do Instead," "Get Rid of the Performance Review!," and, more colorfully, "Annual Job Review Is 'Total Baloney,' Expert Says."
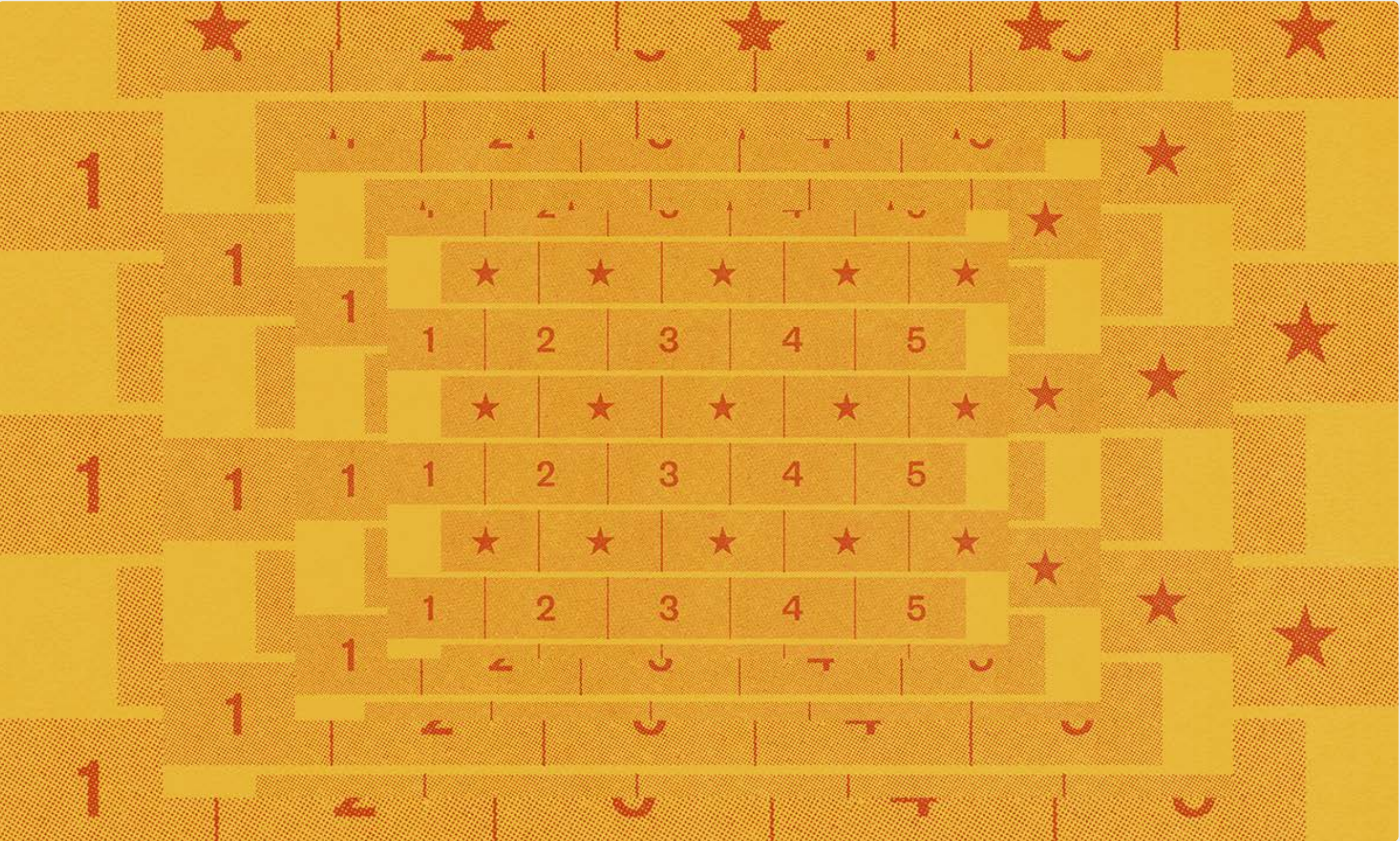
This doesn't have to be the case. While many organizations conducted fewer performance reviews or halted them altogether during the peak of the pandemic, they are now getting back to business, offering human-resources leaders the chance to make a once-dreaded process better than before.

In this guide, which collates Charter Pro's reporting on performance-review best practices, we bridge research to practice to help you do just that. Part 1 focuses on organization-wide, structural changes to your review process to root out bias and ensure fairness. Part 2 drills down on the conversations themselves, with expert insights for making 1:1 feedback discussions maximally productive for all involved.

PART 1

Two steps for creating a fairer review structure

A common criticism of performance reviews involves their lack of fairness. "Reviews are one of the biggest hotspots for bias, because it's [up to] each manager to provide feedback, and there's often not a lot of consistent expectations in place," says Ashley Schwedt, the former director of inclusion, diversity, equity, and anti-bias at management-training company LifeLabs Learning. As a result, less than a third of employees "strongly agree" that the reviews they receive are fair, according to Gallup.

Here are two steps you can take to make your performance reviews fairer and more equitable:

01

Create an infrastructure to show employees what good feedback looks like.

Too often, performance reviews involve managers "giving broad subjective statements based on their own interpretation of an employee," says Schwedt, who notes that asking employees to give concrete examples in their feedback can help mitigate bias in the process.

The Center for WorkLife Law, an advocacy and research organization, found a similar result when working with a midsize law firm a few years ago. After conducting an audit of the firm's performance-review process, as outlined in a case study in Harvard Business Review, WorkLife Law made two small tweaks to the firm's performance-appraisal system to combat bias: They created a new template that asked for examples for each piece of feedback, and they launched workshops to teach employees how to use the new template. During the next round of performance reviews, employees received more equitable feedback. For example, people of color got more leadership mentions and received fewer negative comments about their personalities. They also found that employees across the board received more constructive feedback.

WHAT TO DO

- ☑ **Update your performance-review template.** Show your employees what good feedback looks like by providing examples. "If you're asking the question, 'Which company value does this person most represent on a daily basis?', give an example of how someone could answer that question," says Schwedt.

- ☑ **Require specifics.** You should also create dedicated space in your template for employees and managers for examples to support each piece of feedback they give. The new template that WorkLife Law created for the law firm asked that ratings for each job competency be backed up by at least three pieces of evidence. This helps combat the "halo-horns" effect bias, where one strength or weakness disproportionately impacts a person's overall appraisal.

- ☑ **Conduct regular feedback training.** Employers often assume that their employees know how to give meaningful feedback, says Massella Dukuly, Charter's head of workplace strategy. "But I think that's when you run into some danger." Dukuly says that companies need to make

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sure all of their employees, even the more tenured ones, have had the opportunity to understand what useful feedback looks like. This means building in time, even just 30 minutes, before performance reviews to give employees a refresher on how to give good feedback, including a review of your feedback template. Ideally, these training sessions won't only combat bias in your performance reviews, but they'll also allow employees and managers to feel more comfortable providing feedback more continually, rather than just once or twice a year.

02

Use calibration committees.

Several other forms of bias can slip into a performance review, including:

- centrality bias, the tendency to place people in the middle of a rating scale;
- leniency bias, the tendency to disproportionately give people high ratings;
- and severity bias, the tendency to disproportionately give people low ratings.

"This is part of the bias that we all know as an individual," says lawyer and data scientist Dr. Paola Cecchi-Dimeglio, who suggests using calibration committees to standardize ratings across your organization.

Calibration committees can look different at each organization, but Laszlo Bock, the former head of people operations at Google, explains in his book *Work Rules!* that calibration committees should comprise five to 10 managers who lead similar teams. They serve as an opportunity for managers to collectively discuss and standardize the performance ratings of their reports. Bock writes that calibration diminishes bias "by forcing managers to justify their decisions to one another. It also increases perceptions of fairness among employees."

One study of a multinational organization, published in Management Science in 2018, found that calibration committees adjusted employee ratings 25% of the time. Karen Sedatole, one of the authors of that study, later told HR Dive that a survey found that calibration committees had a positive impact on perceptions of fairness: "It was a little bit of a black box —[employees] didn't know what their originals ratings were and they weren't privy to the conversations of the committee. But at the end of the day, they felt like they improved the fairness of the system."

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WHAT TO DO

☑ **Have your managers assign an unfinalized rating to their employees.** Then hold meetings of five to 10 managers, led by an HR representative, where managers can discuss their scoring criteria and how they determined ratings for their employees. After these sessions, managers can adjust and finalize their ratings and share them with their reports.

Cecchi-Dimeglio writes that since larger organizations require more calibration committees, they should also name an "overseeing calibration committee." Such a committee will ensure that scores are not only standardized between a handful of teams, but across the whole company.
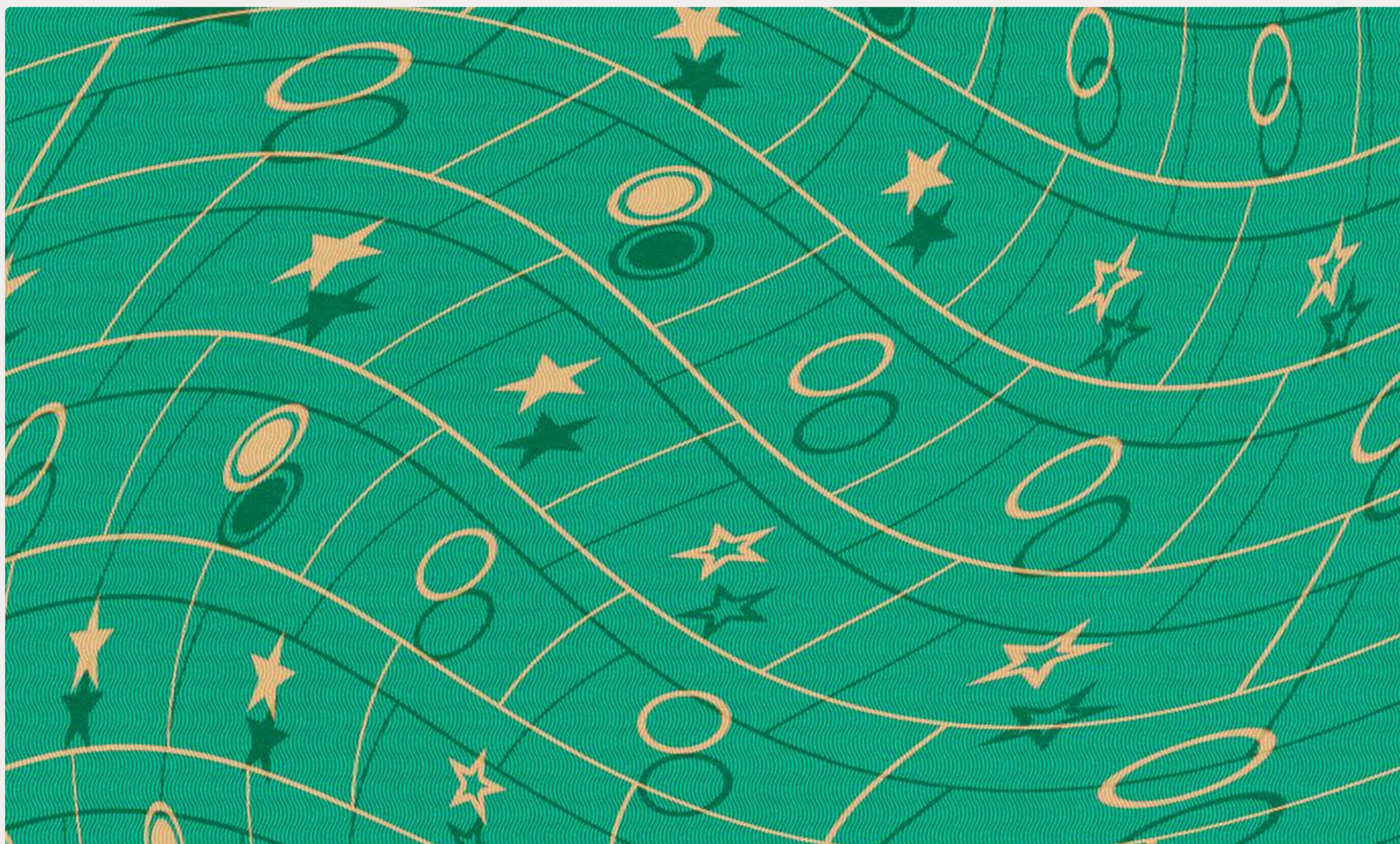
OUR TAKE

Calibration committees are particularly useful for combating leniency bias, but they can exacerbate centrality bias, making it harder to identify high and low performers. It's important to have guidelines for managers around what the right distribution of low, middle, and high performers looks like at your organization.

PART 2

How to ensure successful performance-review conversations

Getting performance feedback right—and delivering it often—is critical to an engaged workforce. In a 2021 Gallup <u>survey</u>, 84% of employees who had received meaningful feedback in the past week identified as engaged, compared to just 22% who hadn't received such feedback.

Done well, formal performance reviews can lay the foundation for more open feedback dialogue that endures long after the review period ends. But every review conversation that isn't helpful only further harms employee perceptions of what reviews can be. "The longer that continues to happen," says Dukuly, "the less you support confidence in the process, which is a waste of resources and time—and it ultimately impacts engagement."

For best practices on how to conduct successful performance conversations, we spoke to Frank Cespedes, a senior lecturer of entrepreneurial management at Harvard Business School. Here are his insights:

Set aside plenty of time to do the necessary thinking and prep.

Managers, Cespedes says, need to avoid "quickie" reviews that don't offer employees any real insight. "Effective reviews require a judgment about causes of performance."

Questions he recommends managers ask themselves:

Are performance issues the consequence of deficiencies in motivation or ability?

Some people work hard, but lack certain capabilities. Can training or coaching enhance their capabilities?

Others may have the abilities but lack motivation. Can different incentives or processes increase motivation?

Still others may seemingly lack motivation and relevant ability: Is this the right role for that person? Can an improvement plan help, or a different role where their abilities are better utilized, or is it time to replace this person?

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"These are not easy judgments to make about human beings. But they're necessary and imply different action plans," Cespedes says. "Without them, it's difficult to be mutually productive during the review."

WHAT TO DO

☑ **Implement a structure for regular performance check-ins,** from quarterly mini-reviews to more frequent, informal 1:1 meetings.

☑ **Instead of top-down goals set by management, use the performance review as an opportunity to create shared goals for personal performance that align with company goals.** Shift the focus of the review to developing the employee's skills for the future rather than focusing on past performance.

Set a positive tone for the review.

A review should begin with positive intent, with the goal of ensuring the employee's future success. "If you don't have this intent—if you believe that issues of motivation or ability overwhelm the potential contribution—then it's not a performance conversation; the discussion you should have is about moving that person out of that job," says Cespedes.

Give very specific examples of what you've observed.

Cespedes suggests using clear, descriptive examples of an employee's strengths and weaknesses and how they affected overall performance—both so the employee can learn from them and so that they'll be more open to listening. "Overly general feedback increases feelings of defensiveness, rather than openness to behavior change, because those broad judgments invite counter-punching rather than discussion," he says. Focus your examples on behaviors that are within a person's control to change.

WHAT TO SAY

Cespedes offers this example of giving specific feedback to a salesperson during a review:

> "Unspecific feedback is telling them, 'You didn't connect with the buyer.' Specific feedback is telling them, 'You interrupted people throughout the meeting and this resulted in that buyer being less open to listening to your ideas.'"

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Make the review a two-way conversation.

Build in space for the person being reviewed to respond to what they are hearing. "Most people want to know about their performance, but two people can observe the same event or outcome yet interpret it differently," Cespedes says. "Dialogue is important, therefore, not just because it's polite and typically characteristic of effective organizational cultures, but also because it tests assumptions and reasoning." The employee may be able to add essential context: For example, it may be the manager's behavior that's affecting their productivity more than a lack of motivation.

WHAT TO ASK

Cespedes suggests managers ask questions like:

> *Does my view of your interactions with colleagues make sense?*

> *Here is the data I'm using to make this assessment. What am I missing? Is it an issue of resources or something else?*

Create an actionable plan for the future.

"A review is incomplete without a discussion of next steps and change options. Responsibility for this closure rests with the manager," Cespedes says.

WHAT TO ASK

Here are some questions Cespedes recommends for closing out a review:

> *On what assets can we capitalize to increase effectiveness?*

> *Are there assignments that can increase learning, deliberate practice, or other skills relevant to core tasks? Can HR help?*

> *What are the benchmarks for measuring progress after the review?*

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