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The Perpetual Inconvenience of Performance Calibrations

As organizations mature around the way they manage their talent, and through the work I do for clients around team and individual performance, I notice there are some aspects that seem to continue presenting themselves as inconvenient and even unnecessary. One of them in particular, individual performance ratings calibrations seem to have become unavoidable. But is shouldn't be!

In this article, I put forward my point of view around individual performance management, performance calibrations and provide some suggestions on how to deal with the inconveniences and challenges.

Let's first articulate the ideal way vs. the corporate realities in which **individual performance management processes** are deployed:

1. **Performance Planning**
   Ideal: Employee and supervisor should have a one-to-one detailed discussion around the departmental priorities for the year and how the employee can support these priorities through achieving specific outcomes as a result of his/her work performance. Behaviours should also be discussed. After all, being effective involves both outcomes and behaviours.
   Reality: Employee may or may not have the conversation with his/her supervisor. Departmental priorities are not always shared. Supervisors look at previous year's KPIs and may suggest some changes, but for many, it is just BAU (business as usual), KPIs remain the same. In certain cases, KPIs are not set at all at the beginning of the year. Behavioural expectations are hardly ever discussed.

2. **Performance Review**
   Ideal: Supervisors and employees should regularly meet to discuss progress, identify challenges and brainstorm ways to overcome them. This should be an informal process intended to ensure employees continuously grow and effectively perform their roles based on what is expected of them.
   Reality: In some organizations a scheduled mid-year performance review process is implemented, "forcing" supervisors and employees to meet and discuss progress. In certain cases, even a mid-cycle rating is required. In some organizations no formal performance review process is in place, and therefore many employees may go through the full financial year without having an understanding of how they are doing from the perspective of their supervisors. In many instances supervisors say: "why do I need to meet my employees formally; I see them and speak with them daily?" As much as this may be true, the conversations generally revolve around specific issues, or urgent matters that need to be addressed, or last-minute requests that need to be fulfilled. But what is missing, is a "pause" to reflect on the overall picture, the overview of how things are going, the ability to discuss with the employee what they are doing well, and what they need to strengthen to enhance their effectiveness. If this is not done, employees may assume they are "doing well" as they have not heard anything from their supervisors that indicates otherwise.

3. **Performance Evaluation**
   Ideal: At the end of the yearly business cycle, employee and supervisor should meet to summarize achievements, identify work / performance that did not go as planned and the reasons why this was the case. They should discuss behaviours and competencies to ascertain if the employee is demonstrating consistently the behaviours required of his/her role, or if there are areas that require improvement. They can also brainstorm and discuss potential future training / projects / type of work the employee should be involved in, in order to grow their skills / capabilities and get ready to be considered for other roles (i.e. same level or higher level). It is during this conversation that employee

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and supervisor will discuss performance ratings. Not through bargaining. The rating should be the result of objective review of data / information in relation to outcomes achieved that supports the given rating. If employees achieve the outcomes / impact they were set to achieve, they should be considered Good. If employees achieve beyond outcomes / impact they were set to achieve, then they should be given a Very Good or Outstanding Rating, depending on the degree of overachievement. If employees fail to achieve the expected outcomes / results, they should be given a rating that indicates they performed below what was expected.

Reality: Many employees don't meet their supervisors for a discussion. Supervisors determine the performance rating unilaterally and provide the information to HR. In other cases, meetings take place, but they are nothing more than a pleasant conversation, that avoids touching on uncomfortable situations like the lack of outcomes or less than desirable behaviours. Instead, the supervisor gives a rating indicating the employee is Good, or in other words that he/she has met outcomes / impact as expected, when in real life, the employee may have performed below what was expected. In other instances, the meeting becomes more of a bargaining discussion in which employee and supervisor give and take around ratings, without much regard to the actual facts / outcomes / impact achieved.

4. **Ratings Review and Calibration**

   Ideal: Upon submission of all individual performance ratings, the HR department should compile the information and should undertake an overall review to ascertain that everyone who has been with the organization for at least 6 months was given a performance rating, and that the overall rating distribution is in alignment with the overall organizational performance. In certain instances, the HR department may seek inputs from some HODs / supervisors to understand the rationale behind the ratings given to certain employees, and may make suggestions around rating modifications (i.e. upwards or downwards) depending on the inputs received. HR should pay special attention to those employees whose ratings are below expectations, as plans should be put in place to ensure employees are supported in the near future so their performance improves and is in alignment to what is expected from their role.

   Reality: Supervisors are advice to follow strictly the performance rating bell curve when rating their team members. Once HR collects all performance ratings, they undertake a detailed review and analysis of rating distribution by department and have conversations with supervisors / HODs to ask them to review the ratings and ensure they comply with the bell curve. The HR department prepares a file that is then used to discuss during Calibration Committee meetings. Depending on the size of the organization, it may be very easy for the Committee members to discuss how each individual is doing, but when the organization is above 100 to 200 employees, it is almost impossible to be able to have a clear view about everyone's contribution without relying on the inputs from their actual supervisor. At the end, after a tiring session, some decisions about ratings may simply be taken in order to comply with the bell curve, rather than to actually recognize contributions and performance.

So, are there practical / pragmatic solutions for the sometimes less than desirable ways in which individual performance is managed? Of course there are! And I have used them throughout my career and have advice clients to put them in application at their companies.

1. **Performance Planning discipline.** This is a key step that has to be consistently executed at organizational, departmental and individual level. You can't expect to be able to derive fair and objective performance ratings, if you don't define upfront what is expected from people. Many think this is a complex and tedious process. It does not need to be. But it requires time, focus and commitment at various organizational levels. It requires that someone within the organization takes the lead on driving

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the process, its quality and its timeliness. And it requires the review of all KPIs to ensure alignment between organizational / departmental priorities with individual focus and expectations.

2. **Feedback loops.** It is not enough to have a 1-hour conversation at the end of the financial year to discuss outcomes / output / impact / behaviours. Feedback needs to be constant, genuine, timely and specific. Does it take time? Not necessarily if you do it frequently. If managers get used to pointing out what employees are doing well and what they should improve throughout the year, the feedback loops may be as short as 5 to 10 minutes every other week, or even every other day. Instead of having a coffee alone, go for a coffee with your employee and spend that time having a feedback session. Again, it requires discipline.

3. **Performance review.** If feedback is given regularly, the performance review session will simply become a summary session where managers and employees can go over what took place during the year, what should be the focus for the year ahead, the type of projects / efforts the employee could get involve to grow and develop and ultimately come up with the agreed ratings for each KPI / behaviour leading to the final rating. Employees will be more inclined to accept and understand a rating, irrespective of whether it is a good one or one informing the employee that he/she needs to improve their performance. Ratings will not be a surprise. They will be the reaffirmation of what has been discussed throughout the year.

4. **Individual Performance Calibration**. This becomes the responsibility of HR and implies discussions with the HODs in order to understand the rationale behind the ratings and ensure every individual receives a rating that is fair and objective. It is important to take into account that biases exist, and "rulers" applied may be different between HODs. So, HR's role is to ensure consistency in the way ratings are given, highlighting potential biases that may be impacting the rating allocation. As for the calibration committee? Yes, they should still meet, and their role should be more around ensuring there is overall alignment between ratings given and organizational performance, and seeking clarification if they consider certain departments / individuals should be rated differently. The committee's responsibility shifts from changing ratings based on poor evaluation at HOD level, to reviewing alignment and ensuring fairness across departments.

5. **The bell-curve.** The bell-curve is simply a budgeting tool that enables the HR team to ascertain the total cost to the company in terms of potential salary increments / bonus allocation, if ratings are used to undertake these payments. If the organization has a budget, what should be adjusted is the payouts not the ratings.

6. **Payout distribution**. In order to instil discipline and awareness around the importance of giving fair and objective performance ratings to every employee, I have proposed the allocation of departmental budgets which are used by the respective HODs to determine the level of increment / bonus given to the departmental employees entitled to these payouts. When HODs are given this responsibility, they come to the realization that if they really want to drive performance, they need to be able to differentiate through the ratings, so that they can then allocate appropriately the monetary recognition. Yes, there are risks with this approach. There is the potential of internal inconsistency around the quantum allocated to employees in different departments irrespective of the fact that they were given the same performance rating. There is also the risk of having HODs who instead of differentiating, they give everyone the same. Performance ratings in this instance are not linked to payouts. That is why, this

responsibility comes with checks and balances introduced through HR to ensure discrepancies or inequalities are addressed. This approach however, allows HODs to have a direct experience around the decision-making process required to recognize employees in an objective and fair manner, and the possible financial and engagement-related implications if they fail to do just that.

As I advise clients on this topic, I continue to advocate for a more streamlined performance evaluation / rating calibration process. I advocate for transparency and adjudicating the responsibility and accountability around determining final performance ratings on the HODs, instead than it being the responsibility of HR or a Calibration Committee. I try to demystify the bell-curve as the ultimate tool to derive performance ratings per department, and educate leaders around the budget purpose the bell-curve intends to serve. I highlight the negative implications of giving employees a rating they don't deserve (higher or lower) and the mixed signals and negative implications this action brings about. Individual performance management is not rocket-science. It requires leaders to have discipline, objectivity, fairness and time. And aren't these some of the main ingredients of being an effective leader?

Reach out (claudia@thread-advisory.com) if you or your organization needs any advice / support around corporate, departmental or individual perform