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Practical Guide to Performance Calibration:

A Step-by-Step Guide to Increasing the Fairness and Accuracy of Performance Review

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Practical Guide to Performance Calibration

What is Performance Calibration?

Performance Calibration is a process in which managers come together to discuss the performance of employees and achieve agreement on performance appraisal ratings. The practice of performance calibration refers to the steps taken to make sure that managers apply a consistent set of standards in making performance ratings. The process ensures:

- A fair and objective performance appraisal of past performance is made for each employee in relation to others in similar roles and/or job levels, and
- Managers apply similar standards to all employees.

Talent Calibration

Performance calibration should be distinguished from **talent calibration**. Performance calibration is focused on performance within a given period of time and is typically linked to compensation in some way. **Talent calibration** is future focused, aimed at assessing the overall health of the talent pool in the organization, and includes a variety of factors (i.e., potential, capabilities, future organizational talent needs). Performance calibration forms the foundation for effective talent calibration.

Forced Ranking

The performance calibration process should also not be confused with **forced ranking**. In **forced ranking**, managers make their ratings of employee performance and then are asked to 'force' them into a bell curve with specific percentages attached. For example, 20% of employees will be designated as top performers, 70% average performers, and 10% low performers. While forced ranking has successfully been applied in many organizations, it can also facilitate the belief among employees that the performance appraisal process is 'rigged' or unfair.

Performance calibration is an important part of the employee performance management process and the use of this valuable process has increased over recent years. The calibration process assists managers in delivering performance appraisals that are

accurate, ensures the fair allocation of rewards, and helps organizations retain high performers.

Benefits of Performance Calibration

One of the primary goals of the performance appraisal process is to effectively differentiate high performers from average or poor performers so that high performers can be rewarded and retained. The performance ratings provided by managers on goals, competencies, and other criteria are important data points in HR and leadership decision making. Performance ratings have consequences. This data not only have an impact on compensation, but are considered in promotion decisions, succession planning and the allocation of developmental resources. Performance calibration can help organizations realize three important benefits.

1. Improves the Accuracy of Performance Ratings

Performance calibration serves to increase the accuracy of performance ratings provided by managers. Poor calibration may lead to legal actions and literally 'chase away' high performers who are not getting the recognition or rewards linked to their performance review. As a result, making sure performance ratings are fair and accurate is critically important. The calibration process helps to ensure that all employees are evaluated on the same criteria.

Mergers & Acquisitions

Performance calibration is a "must do" activity for organizations emerging from merger or acquisition. Varying cultures, performance standards, and measurement benchmarks will need to be aligned. Merging disparate performance principals through this dialogue can support the development of a new organizational culture.

The collective discussion regarding performance allows managers to have new insight into the performance of employees and reduce potential bias. Peer-to-peer discussion brings about transparency - calling attention to an individual manager's tendency to rate leniently or harshly. Managers become accountable to each other for the performance appraisal ratings made for all employees.

2. Clarifies High Performance Standards

Performance Calibration clarifies and reinforces the criteria for high performance across the management team. During a performance calibration meeting, managers will discuss the supporting reasons for the performance evaluation ratings provided. This type of discussion builds a common language around defining performance expectations across all managers. As a result, managers will be better prepared to discuss the reasons behind

ratings with employees and create development plans for ongoing performance improvement and career development.

3. Increases Perceptions of Fairness

Together, the accuracy of ratings and the clarification of performance criteria increases the likelihood that employees will perceive the performance appraisal process to be fair. Since compensation, promotion and succession decisions are based, in part, on performance evaluation ratings, it is important that employees believe that they are being fairly evaluated by their manager. In addition, organizations are more likely to face legal challenges when employees do not believe they are being treated fairly and equitably.
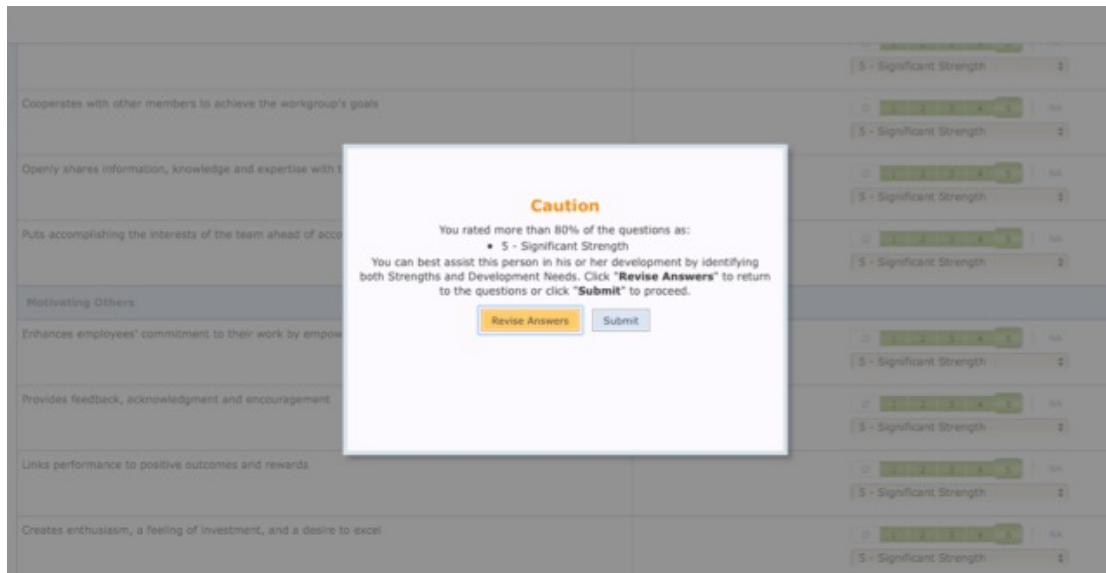
The Performance Calibration Process

Step 1: Appraisal

The process begins with performance appraisal. At the start of the process, managers should attend just-in-time training to refresh their skills in evaluating performance and ensure they understand the performance standards and measurement tools that are in place. Close attention should be paid to the rating scale definitions that will be used to provide performance ratings. Once training is complete, managers provide performance appraisal ratings. Technology solutions can provide online content to assist in the rating process, as well as offer advanced features that help facilitate fair and accurate ratings.

Example 1: Accuracy Enhancers

viaPeople's Performance Management solution includes a unique feature to assist managers/reviewers in providing accurate ratings and helpful performance feedback. The Accuracy Enhancer feature flags potential rating bias based upon the pattern of ratings. For instance, if the reviewer provided 80% or more ratings of a 5 on a 5-point scale they would

be prompted to review and modify their ratings. Similar flags can be set up to identify overly harsh ratings and 'Straight Ticket' rating patterns.

Example 2: Side-by-Side Ratings

viaPeople's Performance Management solution offers side-by-side ratings to help managers/reviewers calibrate their own ratings during the performance review process. Managers can evaluate each employee and then compare the ratings provided on each performance criteria to ensure accuracy.

Step 2: Calibration

Once the appraisal process is complete, the completed appraisals are submitted to the Senior Leadership/HR team for higher-level review. At this point, HR can facilitate calibration meetings with the managers and other Senior Leaders. Calibration discussions

should include both an executive summary and analysis of the aggregate organizational and department level data, as well as discussion of individual performance.

Step 3: Feedback

After post-calibration changes are made to performance appraisals, should managers have their one-on-one performance review discussions with employees. At this point, managers should have a comprehensive understanding of the organizational performance standards as well as how their team members are performing relative to others within and outside of the team.

Performance Calibration Meeting Preparation Checklist

❑ Schedule calibration meetings in advance and publish a timeline with key dates to all managers so that they understand expectations for meeting preparation.
❑ Plan for in-person meeting participation versus a conference call. Meaningful discussion of performance requires human interaction and dynamics.
❑ Ensure that performance calibration meetings are held *before* managers conduct individual performance review meetings with employees and certainly before related compensation decisions are made.
❑ Managers should thoroughly complete draft performance appraisals on their direct reports and be prepared to discuss their ratings with their peer managers in a group setting.
❑ If a suggested performance distribution will be used, communicate the desired distribution in advance so that it does not come as a surprise during the calibration meeting.
❑ Prepare to facilitate by compiling and examining performance data for the business unit, including average ratings across critical factors, performance distributions, and the identification of outliers.

How to Conduct Performance Calibration Meetings

Performance calibration meetings provide a forum for discussing the individual performance of team members with the goal of making sure that managers apply similar standards across all employees. These meetings also provide an opportunity for managers to learn how they can increase their ability to observe performance and apply performance

standards. As described earlier, poor skills in evaluating performance or those who do not understand the standards and rating scale may provide individuals with inaccurate ratings. The discussions that take place during productive performance calibration meetings can go a long way in helping individuals surface their biases and identify the steps that they need to take to improve their ability to accurately evaluate performance.

Determining Meeting Participation

Performance calibration meetings typically include supervisors and managers who are responsible for conducting performance appraisals and the executive over that part of the business. An HR leader/business partner should serve as the facilitator of the meeting to ensure that goals are met and aligned with desired practice and policy.

- Be sure that the supervisors/managers included in a particular meeting are all at similar levels in the organization.
- Consider the size of the meeting group. The larger the group, the more opportunity for the meeting to go beyond the designated time allowed and result in frustration on the part of all involved. Break up departmental and/or functional groups into manageable subgroups, as necessary.

Ultimately, the decision on who to involve in the process will be based upon your organization's structure and culture.

Calibration Meeting Preparation - Analyzing Performance Data

Performance management software makes preparing for performance calibration meetings easy. The reporting tools offered by software solutions like viaPeople, Inc. provide you with the ability to view aggregate data and surface issues with the click of a mouse. Your focus should be on identifying potential issues versus compiling information at this critical time of the performance evaluation process.

Step 1: Compare the ratings for departments/functions against business results

Compile or produce the necessary reports so that you can identify significant rating differences between groups (e.g., departments, functions, business units). In examining the differences between groups, you should consider:

- How well the pattern of ratings aligns with the *objective* results of each group,
- Certain groups may have more challenging goals than others, or
- Some groups may have experienced a great deal of change or taken on a number of new employees.

A group with higher or lower ratings relative to others may reflect the actual performance of the group or it may reflect the expectations placed upon them by the business unit

leader. Managers may align the ratings that they provide with a prescribed distribution set forth by the business unit leader that is not in line with other business units. These are important points for discussion during performance calibration meetings.

Step 2: Compare the rating patterns given by individual managers

Once you have examined the ratings at the department or functional level, you should begin to look at the patterns of ratings provided by individual managers. Employees in similar roles with different managers who perceive inconsistency in ratings can result in a great deal of dissatisfaction. Significant differences across managers could indicate a manager who has a tendency to rate all employees higher or lower than others for a variety of reasons, including:

- The rater biases of central tendency, severity or leniency,
- Inexperience in conducting performance appraisals,
- Poor skills in the evaluation of performance, or
- Misunderstanding of the rating scale, criteria, and/or the resulting consequences of ratings

viaPeople's **Rating Pattern Reports** compares that ratings provided by reviewers so that you can identify individuals who have a tendency to inflate ratings. Again, performance calibration meetings offer an opportunity to discuss these inconsistent patterns and educate all managers on the standards of performance that should be used in making ratings.

Reviewer	1(%)	2(%)	3(%)	4(%)	5(%)	NA(%)	No Response(%)
Joe Smith	0%	2.15%	22.73%	34.93%	2.15%	32.78%	5.26%
Catherine Jones	0%	0%	3.11%	30.38%	12.68%	48.56%	5.26%
Sally Hanson	0.72%	0.24%	5.26%	14.59%	10.29%	63.64%	5.26%
Marta Vega	0.25%	11.62%	34.60%	31.57%	15.66%	0.76%	5.56%
Jerry Chen	0%	0.48%	8.37%	19.86%	15.31%	50.72%	5.26%
Dan Ortz	0.24%	5.26%	6.70%	14.11%	0.72%	67.46%	5.50%
Oliver Washington	2.27%	4.55%	9.34%	34.34%	13.64%	30.30%	5.56%
Sam Tessler	0%	2.87%	5.98%	6.46%	3.59%	0%	81.10%
Paul Gould	0%	1.20%	1.91%	17.94%	8.61%	4.78%	65.55%
Tonya Shiva	0%	1.20%	10.05%	11.96%	6.70%	64.11%	5.98%

	Reviewer			Team/Others			
	Lowest	Average	Highest	Lowest	Average	Highest	Gap
Joe Smith	2	4.35	5	2	4.25	5	0.1
Catherine Jones	3	4	4	2	4.25	5	-0.25
Sally Hanson	1	3.58	4	2	4.25	5	-0.67
Marta Vega	3	4.14	5	2	4.25	5	-0.11
Jerry Chen	3	3.95	5	2	4.25	5	-0.3
Dan Ortz	2	3.45	4	2	4.25	5	-0.8
Oliver Washington	2	4.75	5	2	4.25	5	0.5
Sam Tessler	1	3.25	5	2	4.25	5	-1
Paul Gould	1	4.4	5	2	4.25	5	0.15
Tonya Shiva	2	3.45	4	2	4.25	5	-0.8

Step 3: Look for individual outliers

Lastly, it is important to examine performance ratings to identify employees with particularly high or low ratings. If possible, seek to verify the performance of these individuals. If ratings do not align with objective performance, the ratings could be the

result of the confirmation bias, and/or other rating errors that are often made my inexperienced managers.

Performance Calibration Meeting Agenda

The meeting agenda on the following page provides managers with an opportunity to highlight the accomplishments, strengths and development needs of their team members. In addition, it provides managers a chance to gain insight into the perspectives of other managers regarding the performance of their team.

The use of performance management software can greatly enhance the effectiveness and efficiency of performance calibration meetings. The tools available provide HR facilitators and business unit leaders with immediate and direct access to individual and aggregate level performance evaluation data. All participants in performance calibration meetings can collaborate using technology to review performance ratings, view supportive comments, and examine historical data, if necessary.

About viaPeople, Inc.

viaPeople, Inc. is a talent management software and consulting services company. We specialize in providing best-of-breed; performance management, 360 degree feedback and succession planning products that offer unmatched flexibility, ease-of-use and simple implementation. Our customers select viaPeople over all others because they get "their process their way" easily, quickly and with superior service. Visit www.viapeople.com to learn more.

Meeting Agenda

- ❖ **Introduction**
    - o Desired Outcomes of Meeting
    - o Confidentiality
    It should go without saying that the information discussed and the resulting outcomes should be kept confidential by all managers involved. Nonetheless, participants should be reminded of the expectation regarding confidentiality at the start of the meeting.

- ❖ **Clarify Standards**
    Review of the ratings scale/s and scale definitions used in the performance evaluation process.

- ❖ **Performance Trends of Group**
    Examination of the performance distribution of the business unit, including how the distribution compares to the previous performance period and/or desired distribution.

- ❖ **Alignment with Business Results**
    Discussion of the linkage between initial performance ratings with the results produced by the business unit.

- ❖ **Individual Presentation**
    Review of each employee's performance rating/s and the supporting rationale behind the rating/s.

- ❖ **Rating Adjustments**
    Modification of ratings, as necessary, to accurately reflect performance over the performance period.

- ❖ Next Steps in the Performance Management Process