HR's Complete Guide to Employee Performance Reviews

Lattice

Introduction

As an HR professional, you've probably heard what the critics have to say: Performance reviews are subject to bias, have unclear objectives, and risk making feedback a yearly event rather than a continuous check into organizational culture.

And yet, performance reviews can be a source of key company data. When structured thoughtfully, they influence business development and net profits, give employees a chance to share and receive valuable feedback, and improve job satisfaction and turnover rates — all of which impact your company's bottom line.

So how do you ensure performance reviews are effective and impactful, both for your employees and your business? How can you create a review process with clear objectives and less bias, built on a foundation of continuous feedback? And how do you do all of that while still maximizing participation rate and making the process as unintimidating as possible?

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Designing Your Review Process

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When done right, the performance review process will facilitate company and employee growth, impact key business decisions, and fuel your performance management efforts — but it takes careful planning to get there. Designing a review process that benefits both your employees and company starts with a few important decisions: namely, who you want to participate, how often you review, and whether or not compensation will be tied into the results. Consider each in turn.

Determine who participates.

Will your reviews include manager feedback only, or are you looking to take more of a 360-degree approach? To reduce bias, align team goals, and pinpoint trouble spots, many organizations today are choosing the latter — incorporating assessments from a variety of sources for multiple viewpoints. These might include any or all of the following:

Manager feedback

Manager feedback gives managers a chance to talk to their reports about how they've been performing and help them set new goals. But not all managers are good at giving feedback. In fact, research shows that 69% of managers are often uncomfortable communicating with employees. But the review process makes it impossible to avoid, ensuring employees get the notes they need. It can also be an opportunity to work with managers on the best way to communicate performance.

Self-assessments

Self-assessments allow employees to share their own perspective on how they're performing, demonstrating to managers how they see themselves in their role, and enabling them to provide context around key decisions they've made. Managers get a sense of how self-aware employees are around their own performance — and, as a result, how open they are to change and growth.

Peer reviews

Peer relationships and quality teamwork play a large role in what employees accomplish in the workplace and how well they meet their goals. Peer feedback can contribute to that, creating a clear process for teammates to help each other improve how they get work done, both individually and together. But while it offers a safe place for colleagues to offer feedback, it also needs to be introduced with care — creating opportunities for both constructive criticism and praise, while recognizing the potential for bias.

Upward feedback

Finally, upward feedback gives employees the chance to assess their managers and the leadership team — to share what they think is being done well and where improvements can be made. Again, it's a safe place to share opinions, while also helping managers identify their own development and growth goals. With that in mind, you may choose to anonymize this portion of your review, to ensure employees feel comfortable offering their honest opinions.
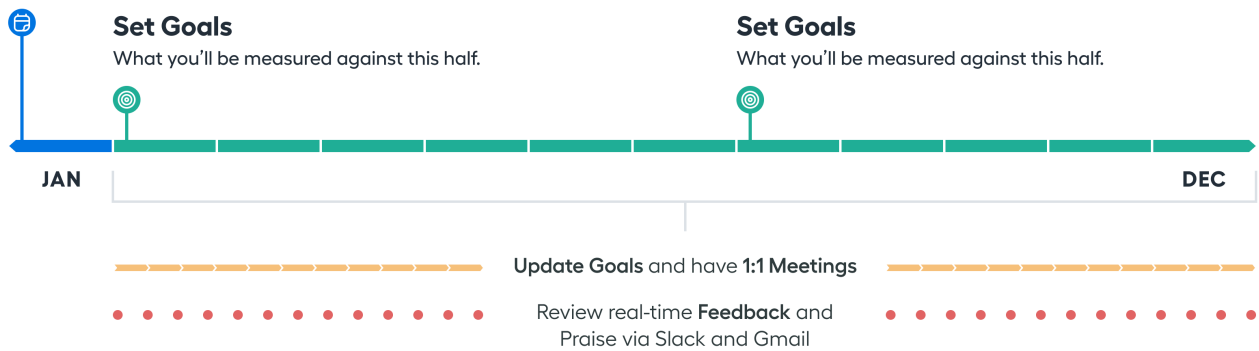
Decide on frequency.

While the Society for Human Resource Management has found that 70% of companies limit themselves to yearly performance reviews, there's no reason your company has to be one of them. Review frequency should depend on what works best for your business. If your company is still early-stage, for example, an annual review may not be as effective: if you're changing at a rapid pace, with quickly moving targets, it may be difficult to capture everything that's happened over the year.

With a flexible tool to implement them, semiannual or even quarterly reviews are just as feasible. Semiannual reviews let you check in twice a year, perhaps with different goals each time — one tied to compensation, for instance, and the other to development. Quarterly reviews provide a snapshot of performance and are generally more focused on short-term goals.

Annual Reviews

360° Performance Review
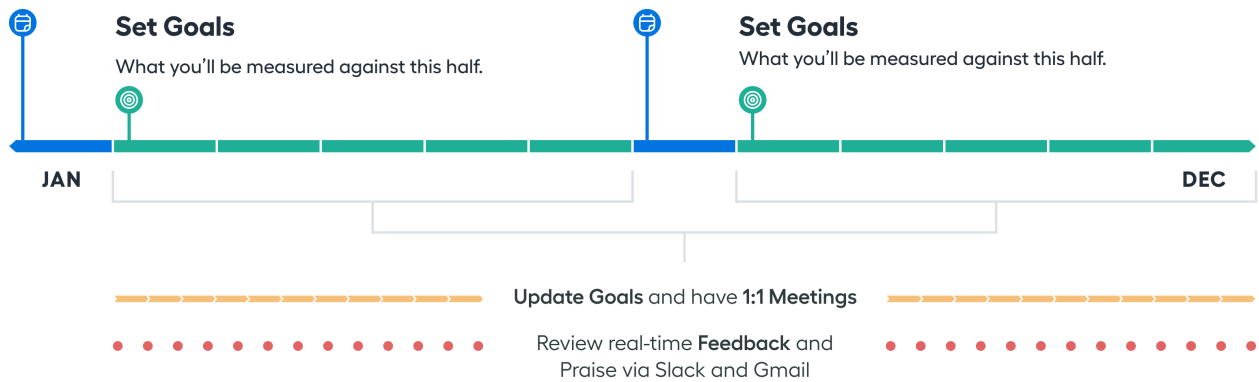Employees goals, feeback, and 1:1s help reviewers give better reviews.

Set Goals
What you'll be measured against this half.

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JAN

DEC

Update Goals and have 1:1 Meetings

Review real-time **Feedback** and
Praise via Slack and Gmail

Semiannual Reviews

360° Performance Review
Employees goals, feeback, and 1:1s help reviewers give better reviews.

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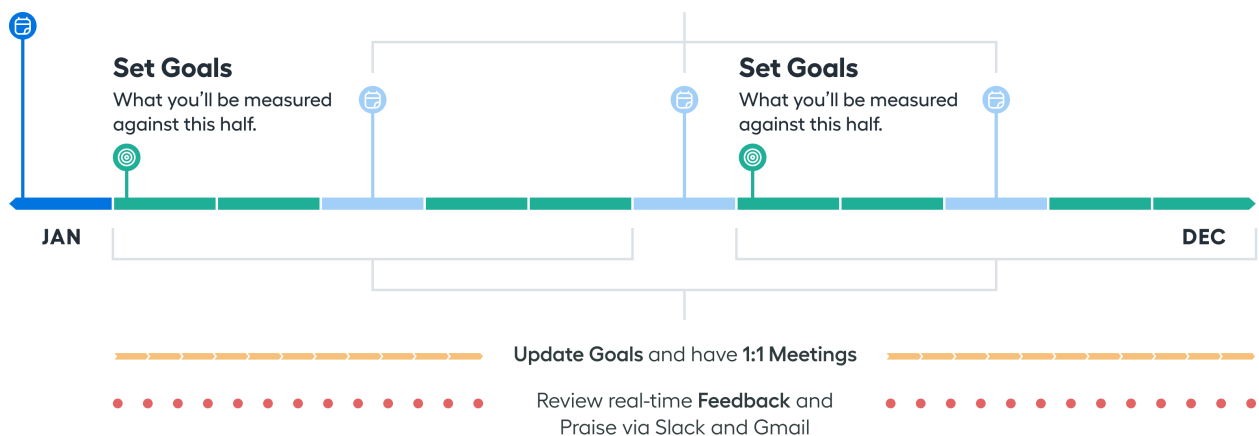Employees goals, feeback, and 1:1s help reviewers give better reviews.

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Quarterly Reviews

360° Performance Review
Employees goals, feeback, and 1:1s help reviewers give better reviews.

Quarterly Check-ins
Efficient self and manager reviews with meetings.

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Choose whether to tie in compensation.

The next question to ask: Should compensation be tied to reviews or not? With advocates and detractors on either side, the answer won't be the same for everyone.

Critics say that tying compensation to reviews can undermine teamwork and create a hierarchy, building a culture focused on punishment and blame. It can even demotivate high-performers — if managers aren't able to offer the compensation they expect (maybe the year's market or business conditions won't allow it) they could end up feeling unmotivated, even after a positive review.

What it does do, though, is tie pay firmly to performance — rewarding your highest performing employees and not just those that managers like most. For example, research shows that male employees are promoted faster and paid more under a male manager than a female manager. As long as objectivity is built into the performance review process, and expectations are clear from the start, tying compensation to reviews can help mitigate that potential bias.

Stress the need for real-time feedback.

Whatever choices you make as you design your review process, it's important to note that it isn't meant to replace real-time feedback. In fact, ongoing feedback and praise give both managers and their reports something to reference when review time arrives.

Employee recognition throughout the year — both formal recognition programs and informal praise for a job well done — can do a lot to build up individual confidence and morale, and create a positive organizational culture. All of which can help set employees up for success and lead to a more positive review. So use the review cycle to work with managers and the leadership team to make feedback an ongoing, organization-wide practice.

Structuring Your Reviews

Structuring Your Reviews

The data you extract from your performance review will help fuel much of your company's decision making in the months ahead, and play a key role in who's promoted, put on professional improvement plans, or fast-tracked for leadership roles. But to get to the right data, you have to first ask the right questions, define the competencies critical to your organization, and decide whether to use a rating system or not.

Determine your key competencies.

Centering your performance reviews around key competencies allows you to focus on the observable behaviors that are critical to your company and the roles within. By identifying both strategic company-wide competencies and those that are more execution-based, you'll not only be able to see how each employee is performing in the areas the company most cares about, but also what it takes to reach success at your organization. That data can be applied later on in job descriptions and candidate interviews.

Some examples of competencies to look at might include:

- Accountability and dependability
- Attention to detail
- Creative thinking
- Communication
- Leadership
- Problem-solving
- Teamwork

Once you've defined the competencies you want to measure, you can use them to determine the questions you ask during performance reviews.

Hone your list of questions.

While each question you ask should be limited in scope and related to specific goals, your review as a whole will likely include questions that meet more than one objective. Some could be focused on company growth while others are related to development. And some will guide respondents to choose from a list of answers, while others will let them provide their own.

Approach the questions you ask critically and objectively, considering what you hope to achieve from each and where possible misinterpretations or bias may be introduced. Write your questions so that they're clear and ask reviewers to provide specifics. This also encourages the reviewer to look at actual performance, not an individual's potential or perceived likability.

Manager feedback

1. To what extent did this person meet their performance goals?

2. How well does this person prioritize and manage their workload?

3. How well does this person communicate with others?

Self-assessment

1. What accomplishments are you most proud of?

2. To what extent did you meet your goals for the year?

3. Provide an example of one company value you brought to life and how.

Peer reviews

1. Does this employee effectively communicate with others?

2. How would you rate the quality of the employee's work?

3. If you could give this person one piece of constructive advice to make them more effective in their role, what would you say?

Upward feedback

1. How well does your manager drive results?

2. How well does your manager support your professional and personal growth?

3. Does your manager communicate well?

You might also consider applying a Likert Scale to your questions, giving respondents the opportunity to choose how much they either agree or disagree with a statement (e.g., "This employee works well with others.") This lets you uncover degrees of opinion in a way that yes or no questions won't, and to aggregate the data effectively for true insights into company-wide results.

Choose whether to use a rating system

To rate or not to rate? That is the question. After all, there may be different types of rating systems you can choose from — a three-point, five-point, or letter-grade system, for example — but it's whether you introduce a rating system at all that's the more vital decision you'll make. To figure out what's right for your organization, consider the pros and cons:

Pros

- **Rating systems supply valuable data.** And it's the type of data that is easily translated into compensation and succession planning — easy to compare, aggregate, and contrast for a fully measurable view of employee performance.

- **Employees prefer it.** Just like restaurants will work towards a five-star review, a lot of employees like to know exactly where they stand and have a clear black-and-white objective to strive for. In a 2018 Gartner study, employee performance dropped by 4% when rating systems were removed.

- **Managers rely on it.** [Gartner](#) has also consistently found that without a rating system in place, managers have trouble talking to employees about pay decisions, performance, and possible improvements. Employee engagement can decrease as a result — especially among high-performers.

Cons

- **Ratings are subjective**. The data acquired is only as good as how well the rating system is defined. For one manager, a high-performer might merit a five out of five, for example, while another might give the same level of performance a three out of five instead.

- **Employees get too focused on the numbers.** Because they are so black and white, ratings are easy to latch onto — making it easy to forget the constructive feedback alongside.

- **It can increase employee anxiety**. The review process can be intimidating enough — add in a grading system and it becomes reminiscent of middle-school report card time, with all of the same stress attached.

Create actionable next steps.

Every performance review should include actionable next steps that let employees know where to go next — empowering them to build on the feedback they've received and take action towards growth.

These next steps will help employees understand what they need to do to reach their new performance goals and how to work on their weaknesses. They'll also keep employees accountable for their improvements going forward.

But goal setting should be tailored to what works best for each individual, leaving them feeling engaged and excited about developing their skills — not like they didn't measure up. So frame next steps around SMART (Specific, Measurable, Attainable/Achievable, Relevant/Realistic, and Time-Bound) goals — and remember to align those goals to current business objectives so that you know every employee is contributing to the company's overall success.

Launching Your Performance Review Program

Launching Your Performance Review Program

With your review program mapped out, your list of competencies and questions determined, and your rating system (if you're using one) figured out, it's now time to launch. And ultimately, the success or failure of your review process will depend on how well that launch goes.

Communication is key and nothing should come as a surprise. By fully engaging the entire company — sharing key deadlines and details, and answering any questions employees or managers might have — you will improve participation and ensure everyone knows what to expect.

Decide on (and communicate) timing.

So how much time should you allot to reviews? After all, you want to give the entire organization a chance to provide thoughtful answers, without dragging the review process on.

If you've decided on an annual or semiannual review, a good standard is to spread it over a month. This gives employees and managers two to three weeks to provide their answers while leaving another week to meet and discuss. There should be specific deadlines for peer reviews, self-assessments, upward reviews, and manager reviews, and times scheduled with managers at the end of the cycle to go over the results with each direct report.

Once all of the details are determined, kick off the review cycle by letting everyone know. Announce the upcoming review at an all-hands or company-wide meeting, sharing all of the deadlines and what's expected.

Maximize your participation rate.

Your team is busy and may be tempted to push off their reviews. It's up to you to make sure that doesn't happen, keeping it at the top of their to-do list to ensure maximum participation.
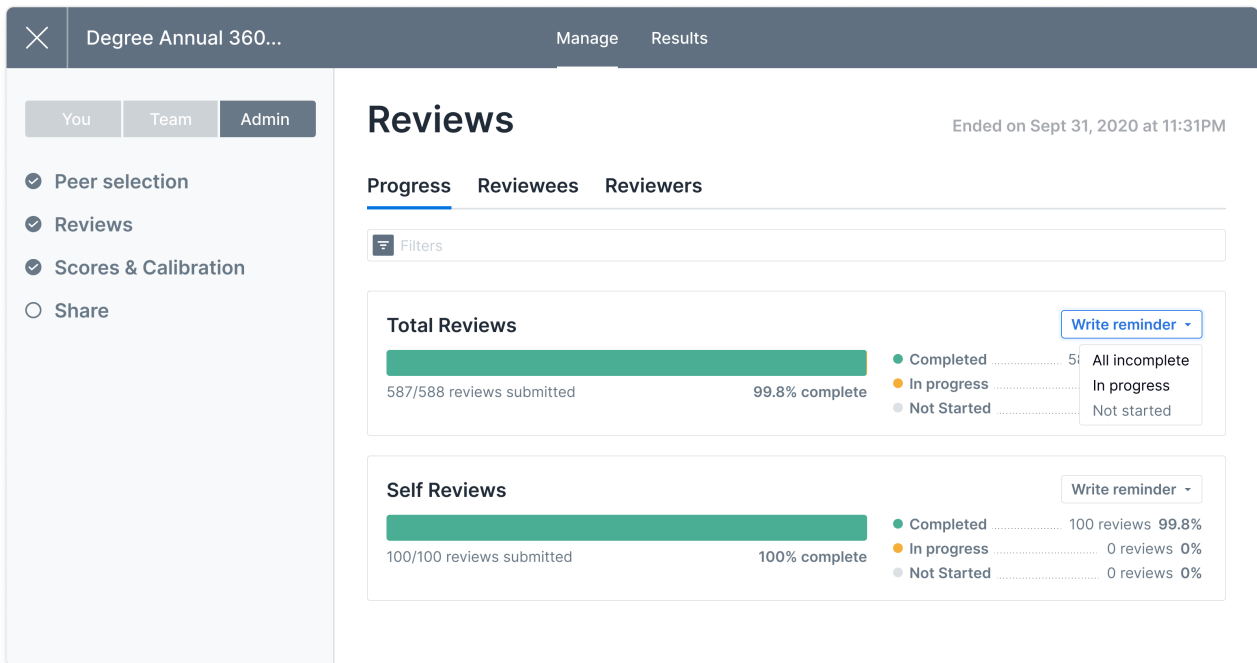
Send reminders, finding different ways to follow up along the way. And don't be afraid to get creative. Company-wide goal setting — a team-wide objective of 100% completion, for example — can help get everyone on board, working towards a common goal and investing as a team in the final outcome.

Make your HR team available.

The entire review process should be about growing as employees, teams, and an organization — not judgment or punishment. That starts with the HR team. By building a collaborative process that sets everyone up to succeed, no matter their results, you're helping to achieve that.

Pre-scheduled HR "office hours" during the first two weeks of the performance review cycle — whether in person or through phone or online video conferencing if your team is distributed or remote — go a long way to accomplishing those goals. Announce your office hours when you announce the rest of the review details, then have someone from the HR team available during those times to field questions from employees and managers.

Taking the Next Steps

Taking the Next Steps

Even after the last deadline has passed and all of the reviews completed, there's still plenty left to do. To ensure you get your best results, address any potential flaws in the system, and set everyone up for success, you'll need to correct for bias, make the right resources available, and follow up with performance improvement plans and manager one-on-ones — setting up a foundation for continuous feedback.

Organize performance calibration meetings.

Performance calibration meetings are designed to root out any potential bias. The goal is to find out how each manager approached the rating system: whether they leaned towards leniency, took a stricter approach, or were in that "just right" sweet spot. In doing so, you'll be able to calibrate the scores to get to the true data.

Calibration meetings can be approached in one of two ways, depending on the size of your organization:

One-on-one conversations with managers

This approach involves individual meetings with managers to discuss the reasoning behind their scores. It usually works better for smaller companies, where it's more achievable to speak with every individual manager.

Calibration committees

At larger companies, talking to every manager may not be feasible. For those organizations, calibration committees are a good alternative. These gather managers' managers, who know each manager's style, to have the same types of scoring discussions.

Whatever your approach, talking to someone who knows how the company is doing as a whole — to get a sense of what the overall performance distribution is expected to look like — will also help facilitate these meetings.

Have managers follow up with one-on-ones.

One of the common criticisms of performance reviews is that they're too infrequent to truly ensure managers and employees are working towards the same goals, or to identify and address ongoing issues as they occur. That's where manager one-on-ones come in.
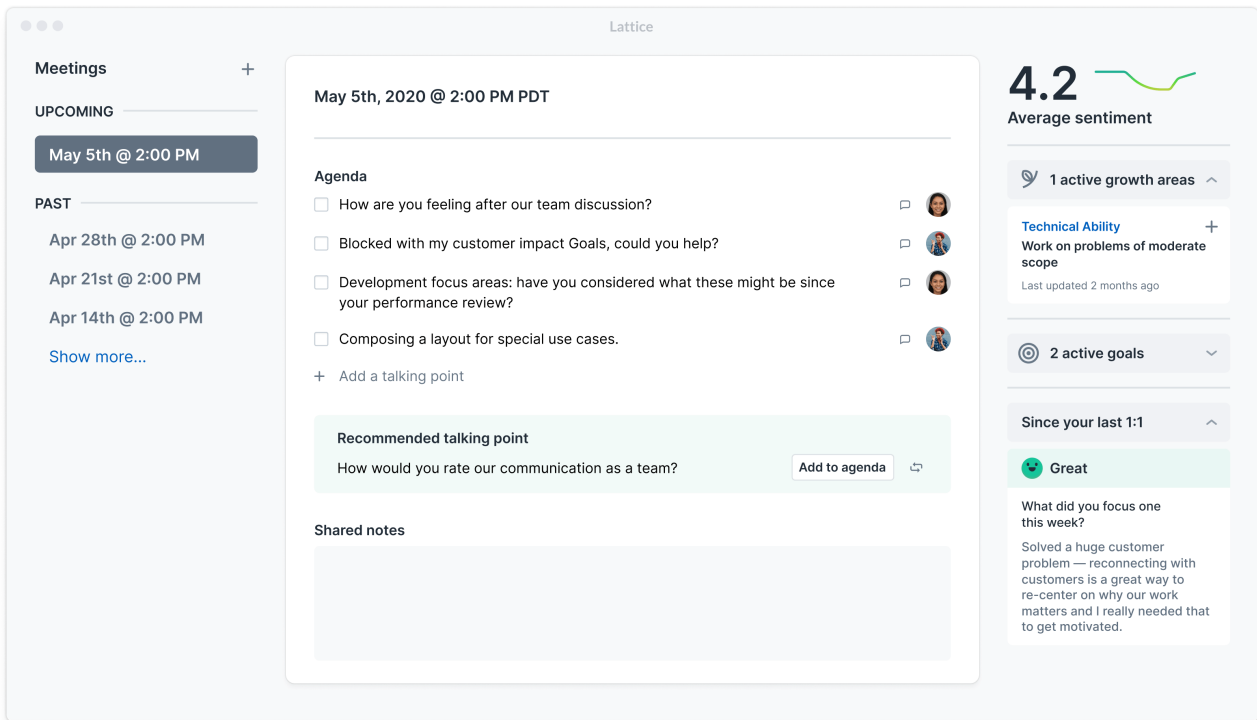
According to Gallup, in cases where managers provide weekly feedback (compared to annual), employees are over five times more likely to strongly agree that feedback was meaningful, and three times more likely to strongly agree that they're motivated to do outstanding work. By making feedback and goal setting continuous and not just part of the review process, one-on-ones are a valuable tool in achieving those results.

Encourage your managers to schedule a follow-up one-on-one after the performance review is complete, to address any lingering questions or concerns employees might have. But to keep performance top of mind, they should become part of their regular schedule, too.

Make learning and development resources available.

Without the right support available, employees may leave the review process wondering what comes next, uncertain how to put the feedback they've received into action. A learning and career development program can put them on the right path and help them build towards their goals.

Work with employees to determine the best learning strategy for them, and make that learning accessible to everyone. The best training will be collaborative and available through multiple channels. Done right, it can empower employees to work toward their career objectives while remaining challenged and engaged. This makes for happier employees and adds to the skills they bring to the table — all of which also benefits your company as a whole.

Implement performance improvement plans.

Otherwise known as performance development plans or performance success plans, performance improvement plans (PIPs) help keep employees accountable. They identify performance issues and goals meant to improve an employee's performance, with set timelines to make them happen. Usually following the official documentation of two repeat offenses, they may result after a performance review.

PIPs can feel like a punishment, though, when focused on employee performance rather than development. By providing SMART goals and deadlines that give employees a clear idea of what they need to do and when — and pointing them towards the training and resources that will enable them to achieve those goals — you can help empower change. Meanwhile, regular meetings with their manager to discuss progress will keep them on track.

Choosing the Right Software

Choosing Performance Software

While most associate "performance" with reviews, there's a lot that falls under the term. Regular feedback, goals, 1:1 meetings, and even employee-to-employee praise are important aspects of performance management.

While it shouldn't come as a surprise that those items matter, companies don't always manage them with a dedicated tool. They might be using performance modules bundled within their HR information system (HRIS) — or worse, loose spreadsheets and documents. You can learn more about why that isn't a good idea [here](#).

Having a performance management tool makes it easier for HR teams to build, roll out, and iterate on reviews, 1:1s, and more. The best options are flexible, empowering you to use the approach that makes the most sense for your company. If you want to experiment with ongoing feedback or 360 reviews, you can. Want to roll out company-wide or departmental OKRs? You should be able to do so with ease. The best solutions also offer built-in, custom reporting that allows you to measure and track employee performance over time.

As you evaluate performance management solutions, look for some of these key features:

- Manager, direct report, peer, and self-reviews

- Goal setting and administration

- Anonymized feedback

- Manager summaries

- 1:1s with built-in agendas

- Review cycle automation

- Company status updates

- Employee praise

- Built-in analytics and reporting

- Review questions and templates

If you're not ready to draft your own performance review questions or need a little inspiration, look for vendors that come prepackaged with templates you can use. Having those at your disposal makes it easier to kick off your performance process.

Conclusion

Employee performance reviews may have gotten a bad rap, but that doesn't mean they suddenly lack relevancy. There are still powerful insights to be gleaned, by both your company and the employees you're trying to nurture. To be truly effective, though, your performance reviews should take into consideration the criticisms that exist. A process that addresses bias, has clear objectives, and is built on a foundation of continuous feedback will let you achieve that. And communication at every step will get the entire company engaged.

Lattice can help. We're dedicated to streamlining the performance review process so that people get the feedback they need to grow and move their organizations forward. Over 2,000 companies use our people management platform to develop engaged, high-performing teams. Schedule a demo to learn how we can help you deliver on your employee performance review goals.

About Lattice

Lattice is a people management HR software company that aims to help companies drive and retain engaged, high-performing teams.

Lattice's product offerings include a continuous performance management suite, engagement surveys, and career development tools. With Lattice, it's easy to launch 360 reviews, share ongoing feedback, facilitate 1:1s, set up goal tracking, run engagement surveys, and roadmap employee growth.

By combining performance management, employee engagement, and career development in one solution, HR teams get powerful analytics that leads to actionable insights. Lattice is the only company that offers these in one solution.

Lattice works with companies who aspire to put people first and see people as part of how they'll be successful. Whether redefining the beauty industry or building self-driving cars, all of our customers have one thing in common: they value their employees and want to invest in the development and success of their people.

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Join **2,000+ organizations** that use Lattice to help power their people strategy

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TURO   MERCARI   Quip (A Salesforce Company)   Third Bridge   Wieden+Kennedy

AirHelp   legalzoom   Instapage   braze   Outdoor Voices