HR's Guide to Making Performance Management More Equitable

Lattice | PEOPLISM

Introduction: Why You Need Equity

Building a more equitable company means building an organization where everyone has an equal shot at success. There may be various indicators that your organization is equitable, like a proportional representation of women, people of color, and employees who are members of the LGBTQ+ community at senior levels. But what *really* determines equity is how fair and objective your processes are, especially those relating to employee development, performance reviews, and promotions.

Why should you care about building a more equitable company? First, most humans have an innate desire for fairness. They also want to contribute to organizations where truly the best people can rise to the top. But even if you didn't care about this on a human level, equity is essential for your organization to function.

McKinsey and Lean In recently found that having a strong sense of opportunity and fairness were the biggest predictors of employee retention. Further, a survey by Glassdoor found that 67% of workers believed diversity, equity, and inclusion (DE&I) were critical factors when considering whether to join or leave a company.

By every measure, equity matters. And an important step in building a more equitable organization is ensuring an equitable performance management system. Luckily for you, we've outlined some clear, concrete steps that you can take to increase the equity of your performance reviews in the following pages.

Good luck!
XO, Peoplism

Performance Review Hopes vs. Realities

We hope that performance reviews objectively evaluate employee performance. But the reality is that performance reviews are often littered with bias.

Case in point, a study published in Journal of Applied Psychology found that 62% of the variance in performance review ratings was a result of who happened to be the reviewer. Only 21% of the variance was due to actual variation in performance. In other words, reviewer bias was a bigger predictor of performance scores than a person's actual performance.

This should freak you out a little bit. It means that even if someone has consistently strong performance, the perception of their work and their advancement opportunities may be completely outside of their control.

Even more disturbing, we have evidence that the biases that exist in performance ratings aren't distributed equally. For example, McKinsey found that only 35% of Black women, and 36% of women with disabilities agreed that "promotions are fair and objective." This is compared to 51% of all men who agreed to the same statement.

The second thing that we hope performance reviews will do is improve employee performance. The thought is that if we're giving employees feedback about how they're doing, we'll be able to help them improve. But in reality, typical feedback interventions not only don't improve employee performance, but they can actually decrease it by up to 30%.

Performance reviews can more accurately measure employee performance, and also help employees improve. Follow these tips to help fix this broken system and make it more fair.

Step 1: Revisit your approach to self-reviews.

If you want to keep doing self-assessments, it's of the utmost importance that managers read them only *after* they've written their own reviews. The self-review shouldn't be seen by the manager as inspiration for what to write about.

The reason we don't want managers looking at self-reviews is because of anchor bias. Anchor bias occurs when an initial piece of information (like a self-review), influences our overall judgements. Anchor bias is an equity issue because there is a mountain of evidence that demographics influence how favorably you will assess yourself.

For example, a study by the National Bureau of Economic Research showed that women rated themselves 33% lower than equally performing men. These researchers found that women rated their skills as lower even when they controlled for confidence, or for having a reason it's important to self promote, like being up for a promotion.

Addressing women's lower ratings in self-reviews is not just as easy just telling women to be more braggadocious. That's because research also shows that women who self-promote are seen as less likeable. As we'll discuss later, not being liked can hinder advancement prospects. So self-reviews really put women in a double bind.

In addition, there is evidence indicating that employees of color may also be prone to giving themselves lower self-reviews because of impostor syndrome. And further, if an employee comes from a culture where being humble is greatly valued, they're probably less likely to spend their whole self-review talking about their achievements.

This all said, many organizations are understandably attached to the idea of self-reviews. The reason most people like self-reviews is because they want employees to be self-reflective about their performance. And that self-reflection is fine, as long as it doesn't cloud a manager's review. We encourage you to focus the self-review around these key questions:

- What are you most proud of?
- Where do you see the most room for improvement?
- What are specific behaviors you can take to improve in each area?

Asking employees to reflect on what they are most proud of helps managers understand what is meaningful to their report, so managers can align that with the most important aspects of the role. And of course, reflection about areas for improvement is an important part of helping employees take ownership over their own growth.

Step 2: Use a five-point scale.

When designing (or redesigning) your performance management process, you'll need to decide if you want managers to score their direct reports.

Having managers give reports a numerical score is a matter of preference. You might opt for scoring because it could help you compare employees when making decisions regarding raises or promotions. On the flip side, the reason you might *not* want to give reports a numerical score is that they can over-focus on a number rather than your feedback.

If you are going to score employees, you will want to use a five-point scale rather than a 10-point scale. This is because there is evidence this small hack can reduce gender bias in the performance review process. A recent study found that women are less likely than men to receive the highest score possible when the rating scale is 10 points. When the same raters judged people on a five-point scale, women were just as likely as men to receive the highest score possible.

Step 3: Center reviews on "areas of focus."

Ideally, reviews should revolve around just three key areas that are important to an employee's job. **This is the most essential thing you can do for a more equitable and effective performance review process.** Have clear criteria you can evaluate each employee on, while ensuring that it ties to the purpose of the person's role.

This focus is so important because it helps undermine the bias. According to a study published by Harvard Business Review, women were 1.4 times more likely than men to receive feedback based around subjective criteria like personality. For men, managers were more likely to say things like, "Nick should gain more technical expertise in XYZ," while for women they were more likely to say things like, "Sue is a great team player, and she's easy to work with."

Even though being a team player is a good thing, that sort of feedback on a performance review form can still be career damaging. If you spend someone's whole performance review talking about their personality rather than their skillset, you're not making a good case for that person to be able to move up a level. You're also not giving them valuable feedback about how they can improve their performance.

The above is just one example of research that shows that women are more likely to receive feedback on their personality. Unfortunately, that feedback also tends to be negative.

Another study published in Behavioral Scientist examined evaluations at a military academy. It found that while there were no gender differences on objective performance measures like grades, fitness scores, and class standings, women received more negative leadership attributes in their evaluations. Women were more likely to be described as inept, frivolous, gossipy, excitable, scattered, temperamental, panicky, and indecisive. Essentially, a host of negative gender stereotypes about women.

So even though there was nothing that objectively indicated women would be less suited for leadership, subjectively women were being described as having negative personality traits that could certainly hurt their chances of being promoted into a leadership position.

If a performance review is focused on personality, that is also a risk for employees of color. An Evolution and Human Behavior study had participants read an identical narrative about a character, and when that character had a Black or Latinx-sounding name, participants rated the character as more aggressive. Other research has linked the underrepresentation of Asian Americans at senior levels of organizations to stereotypes about Asian Americans "having poor leadership skills."

When a performance review revolves around clear areas of focus, it keeps managers focused on reviewing the things that really matter, rather than letting them get distracted about personality, by biased assumptions, or even by the fact that they just "like" an employee. It also ensures that managers are focusing equally on performance for all employees.

So, now that you're sold that performance reviews should revolve around three clear areas of focus, how do you make that happen?

The reality is, each manager will likely have to figure out the three areas of focus for every one of their reports. That will take an upfront time commitment, but will it make performance reviews easier to write because managers have a clear sense of what they're actually evaluating.

To determine an employee's areas of focus, managers should think about the three most critical things employees need to do well to succeed in their role. Some examples include: "producing engaging content," "stellar project management," or "satisfied client relationships." In other words, when push comes to shove, what do you actually *need* this employee to be doing?

Once managers have a rough idea of what these areas are, they will want to further define them based on the following:

- **Level:** An employee's responsibilities and performance expectations should align with the role's job level.

- **Business outcomes:** Each area of focus should be key drivers of business outcomes, meaning it is something that really matters for the team.

- **What "good" looks like:** Each area of focus should spell out clear expectations. For example, if "engaging content" was the topic of an area of focus, the exact phrasing of the area of focus might be: "Independently creating presentations that are concise, follow a clear narrative, and use relevant graphics."

- **Watch for jargon and words with strong connotations:** Managers should also scan each focus area for any words or phrases that have obtuse definitions, or strong connotations around race, gender, or any other identity. For example, phrases like "bold leadership" are not only unclear, but also may be something that someone associates with a person of a certain race or gender.

Step 4: Share areas of focus before the review.

Once managers have determined areas of focus, they need to communicate them to employees well before the performance review. And by "well before" we mean ideally six months.

We get it: The last thing managers want to do is plan for performance reviews six months out. But this is a case where the upfront time investment will pay off.

For one, if you're moving to a performance management system that revolves around areas of focus, every manager will have to go through this exercise eventually. But second, articulating areas of focus well before a review means that it's easier for managers to be able to give meaningful feedback before the review. This gives employees more of a chance to improve performance, leading to a more productive team.

Telling employees what they are going to be evaluated on also helps employees feel that reviews are fair and equitable. Think of what it feels like to walk into a performance review not knowing what you're even being evaluated on. Now think about what it's like to walk into a performance review having known for the past six months exactly which things are the most critical for your role, and having already received feedback on those.

Performance reviews shouldn't be a surprise to employees. That doesn't serve the employee, manager, or team.

Step 5: Articulate employees' strengths.

Let's fast forward six months, when it's time for the actual performance review. The best way to start out that review, whether it's part of your form or something that managers just articulate verbally, is to communicate employees' biggest strengths.

This is so important because strengths-oriented feedback is the most effective type of feedback you can give. It increases employee engagement, wellbeing and motivation. It can also help employees feel recognized and seen by their managers. It shows that managers took the extra time to really appreciate the unique contributions of each employee rather than simply telling everyone they did a "good job."

Keeping an employee's biggest strength top of mind can also be useful for discussing development areas. A skilled manager might be able to draw a connection for how an employee can call on their biggest strength to address their biggest weaknesses.

For some employees, this strength will be obvious and come to mind immediately. For others, it may take a little more thought. Some questions that may help managers identify an employee's biggest strength are as follows:

- What contribution does this employee add to your team?
- What skill does this employee have that contributed to the success of a project?
- What was this employees' biggest accomplishment? What skills made this possible?

Step 6: Share what went well (or didn't).

Next, you'll need to give employees examples in each focus area of what went well and what could have gone better. The reason managers should give *specific* examples rather than general assessments is that they can help control for bias.

One of the biases we want to control for is similar-to-me bias. Similar-to-me bias is a phenomenon where we are more likely to give someone a positive rating if they are similar to us, or if we are "buddy-buddy" with them. Maybe they are the same race, have the same kind of hobbies, are in the same stage of life, or is just someone we click with. But performance reviews shouldn't be measuring how much we relate to a person; it should be measuring how well a person is performing.

Having to list out concrete examples of what went well and what could have gone better helps keep you laser focused on performance. It also forces you to see a more full picture by looking at both the positive and negative for every employee, rather than your gut check about how they are doing.

When we ask that managers are "specific" in their examples, we mean that it should include details. The example shouldn't just cover the "what," (e.g. "Project A") but should also explain the "why."

For example, let's say one area of focus is, "Independently create presentations that are concise, follow a clear narrative, and use relevant graphics." A concrete example of *what went well* might be:

"The kick-off presentation with Client X: All seven key stakeholders seemed to have a clear understanding of the timeline and process. They showed their engagement through follow up questions, and this touch point laid a foundation of trust for the rest of the project."

A concrete example of what *could have gone better* might be:

"The results presentation for Client Y: The night before the meeting you communicated to me you weren't feeling confident about the presentation content. When you shared the presentation with me it was full of formatting issues and grammatical errors, it was hard to follow, and the main points were lost. Although we worked together to ultimately get the presentation to a good place, we both had to stay up late to make that happen."

Step 7: Make behavior-based suggestions.

After managers list out concrete examples of what they wish had gone better, they should use that to articulate clear behavior-based suggestions for improvement in each area of focus. The most helpful suggestions for improvement are ones that clearly spell out the change in behavior a manager would like to see. Building on the previous example about a presentation that could have gone better, below are examples of clear and unclear suggestions for improvement.

> **Unclear suggestion for improvement:**
> "Don't leave things until the last minute."
>
> **Clearly articulated suggestion for improvement:**
> "At least outline presentations a week or more before it has to be delivered to identify if you have any big picture questions about direction. If that's the case, check in with me about it then, and we can work it through together. Aim to have any presentation you want my feedback on completed at least 2-3 days before you have to deliver it."

It may be that there is one focus area where an employee is already doing an amazing job, and there isn't much they can do to improve. If this is the case, focus suggestions for improvement in areas where an employee most needs the help. It's not important to have one or two suggestions in each area of focus, it's more important to prioritize the "big ticket items" where an employee should be spending their energy.

Step 8: Determine if focus areas will shift.

Finally, during your employee's next review you'll have an opportunity to communicate what your hopes and expectations are for the next performance period. This means that if an employee's areas of focus are going to shift, managers will want to know that *before* the review so that they can communicate that information during the review.

Step 9: Make promotion decisions.

Congrats! If you've adopted all of the previous eight steps you are well on your way to a more equitable organization. Now that your performance review process is aligned with best practice as far as DE&I is concerned, the next step is to look at promotions and rewards.

You want to ensure that organizational rewards (bonuses, promotions, and raises) are going to the most deserving employees. But like all parts of the employee lifecycle, rewards decisions are prone to bias.

In one study published by *Organizational Science*, researchers looked at the performance-based reward decisions of almost 9,000 employees, and found that women and racial/ethnic minorities were less likely to get a performance-based bonus. This was true despite having equal or higher performance scores. You can imagine that if women and people of color are less likely to get bonuses even when their performance warrants it, women and people of color may be less likely to get promotions as well.

Another bias that can affect rewards decisions is what's known as the "motherhood penalty." Researchers have found that women are judged as less competent and less committed to their jobs once they have kids. Of course, if you're seen as less competent and committed, it makes sense that you would be less likely to get promoted, even if you're performing well. Meanwhile, there is no evidence that men are seen as less competent or committed once they have kids.

What can you do to help control for the biases in rewards decisions? Other studies have shown that having managers directly compare employees on one form can help to reduce bias in rewards decisions. This is partly because we tend to be on our best behavior when we know we will have to explain the reasoning behind a decision. And this practice also appears to keep managers grounded in performance, and fight similar-to-me bias.

Having a one-page form where managers can compare performance ratings or scores of each employee on their team can help to ensure more equitable rewards decisions. We recommend something like the form on the following page.

Promotion/Compensation Recommendation Form

Managers: In addition to filling out individual performance review rubrics, fill out the form below to make your final promotion/compensation recommendation for this cycle.

Rating scale:
1 - no evidence they meet this criteria
2 - little evidence they meet this criteria
3 - some evidence they meet this criteria
4 - good evidence they meet this criteria
5 - great/impressive evidence they meet this criteria

	Direct Report 1:	Direct Report 2:	Direct Report 3:	Direct Report 4:
Promotion Criteria #1: e.g. Technical Skills				
Promotion Criteria #2:				
Promotion Criteria #3:				
Promotion Criteria #4:				
Promotion Criteria #5:				
Total Score				
Promotion/ Compensation Recommendation:				

Measuring Success

If the tips we've laid out in these pages are a far cry from your current performance management system you may be feeling hesitant to take on these changes. You may be wondering "How do I know this will work?" or "Will we see any impact from this?"

The reason you can count on these changes working is because they're based in research about how to build more effective and equitable performance management systems. That research is linked throughout and we encourage you to read it or pass it on to the leadership team to help convince them to make changes. The tips in this book aren't guesses at what might be helpful, but research-backed implementations.

Of course, as confident as we are in these recommendations, we still believe in the importance of measuring the impact of any large DE&I initiative you take on, and changing your performance management system is no exception. Here are two questions (and indicators of success) we would recommend you ask before and after changes to be able to show impact:

> **To all employees:** (On strongly agree-strongly disagree scale)
> *"Performance reviews at [company] are fair and objective."*
>
> **To managers:** (On strongly agree-strongly disagree scale)
> *"When I write performance reviews I'm clear on what I'm evaluating."*

A third indicator of success (but not one you have to track) is simply that you made these changes. Before making them, your performance management system was not aligned with best practice in terms of equity and effectiveness. Your performance review system was prone to biases, and those biases were likely disproportionally impeding women, people of color, and other underrepresented groups from being able to succeed at your company. After you make these changes, you've done what you can from a process standpoint to interrupt bias, and give everyone a more fair shot at advancement.

There are also harder-to-measure outcomes that you can expect from this work. The first is that employees will perform better because they are going to be clearer about which aspects of their role they need to focus the most attention on. And second, the work you do to adapt more equitable processes should be one factor that increases retention, especially among underrepresented groups.

Change is hard, we know. And People leaders often tell us they don't want to make drastic changes to their performance systems because managers are overworked. We understand managers have a tough job, but equitable management should be a core part of every manager's role, not an afterthought. Plus, given how inefficient and ineffective many performance management systems are, making that commitment can save you and managers time down the road. If your organization is committed to equity, changing the way "things have always been" is going to be a necessity.

About Peoplism

Peoplism is a consulting firm that helps companies build a more diverse, inclusive, and equitable workplace where all employees can belong. They partner with innovative companies ready to take strategic action on DE&I, specializing in creating custom roadmaps. Peoplism then rolls up their sleeves to help implement the process changes needed to make lasting change. To learn more, email hello@peoplism.com or visit peoplism.com

About Lattice

Lattice is a people management platform that aims to help companies develop and retain engaged, high-performing teams. Lattice's product offerings include a continuous performance management suite as well as engagement surveys and analytics. With Lattice, it's easy to launch 360 reviews, facilitate career growth, share ongoing feedback and public praise, facilitate one-on-ones, set up goal tracking, and run employee engagement surveys. To learn more, visit lattice.com and schedule a product tour today.