Performance Review Rating Scales Overview & Best Practices Guide

No matter the criteria an organization considers when assessing employee performance, one thing remains the same: the process that is used to determine whether employee achievement aligns with expectations and supports the accomplishment of organizational objectives.

In this article, we'll explore the most commonly used rating scales for measuring performance along multiple dimensions and outline obstacles that may impact managers' ability to evaluate employees objectively.

Get to the Point

There are as many schools of thought regarding rating scales as there are scales to choose from. From simple and succinct to complex and contextual, there is an approach that will appeal to every organization. ClearCompany's Performance Management solution includes a variety of ready-to-use rating scales for evaluating employee performance, including 3, 4 and 5 point scales, each of which is accompanied by qualitative descriptions in three tones, from casual to conversational to conventional.

5-Point Scale: The 5-point scale evaluates the extent to which performance aligns with expectations on the familiar and frequently used scale of 1 to 5. Long the most commonly used, the 5-Point Scale is highly effective when implemented well and used as intended. However, it does have the potential to prove problematic when raters refrain from using the entire range or assign ratings inconsistently.

Because it includes a mid-point, this scale is susceptible to Central Tendency (link to the definition below), wherein managers evaluate all employees more or less the same, softening their scoring of underperformers in order to avoid having candid conversations about the need for improvement and under-rating top performers to avoid adjusting compensation.

Conversely, managers may unwittingly inflate their evaluation of employees for fear of offending those who might misconstrue "meets expectations" as merely "average," making it difficult to draw a nuanced distinction between good, better, and best performance. For these reasons, some organizations — including ClearCompany — have adopted a simplified 4-point scale that eliminates the mid-point.

5-Point Scale Definitions:

Does Not Meet Expectations: Performance is unsatisfactory and must improve substantially. Quantity and quality of work are unacceptable.

Sometimes Meets Expectations: Performance is ineffective and typically misses the mark. Quantity and quality of work are inconsistent or insufficient.

Reliably Meets Expectations: Performance is effective and meets the expectations of the role on a regular basis. Quantity and quality of work are consistent with established standards.

Often Exceeds Expectations: Performance is excellent and outpaces the expectations of the role on an ongoing basis. Quantity and quality of work are impressive.

Consistently Exceeds Expectations: Performance is exemplary and redefines the expectations of the role. Quality and quantity of work are exceptional. Best in class.

Tone	1	2	3	4	5
Conventional	☐ Does Not Meet Expectations	☐ Sometimes Meets Expectations	☐ Reliably Meets Expectations	☐ Often Exceeds Expectations	☐ Consistently Exceeds Expectations
Conversational	☐ Unsatisfactory	☐ Ineffective	☐ Effective	☐ Excellent	☐ Extraordinary
Casual	☐ Gotta Get Better	☐ Getting There	☐ Good Job	☐ Great Job	☐ Goes Above and Beyond

4-Point Scale: The 4-point scale is a streamlined approach that corrects for the bias inherent in the 5-Point Scale by eliminating the midpoint. This rating scale is an increasingly popular option that is easy to apply and understand.

Tone	1	2	3	4
Conventional	☐ Does Not Meet Expectations	☐ Reliably Meets Expectations	☐ Often Exceeds Expectations	☐ Consistently Exceeds Expectations
Conversational	☐ Ineffective	☐ Effective	☐ Excellent	☐ Extraordinary
Casual	☐ Gotta Get Better	☐ Good Job	☐ Great Job	☐ Goes Above and Beyond

1. Does Not Meet Expectations: Performance is ineffective and often misses the mark. Quantity and quality of work are inconsistent or insufficient and should be improved upon.
2. Reliably Meets Expectations: Performance is effective and typically meets the expectations of the role. Quantity and quality of work are consistently good.
3. Often Exceeds Expectations: Performance is excellent and outpaces the expectations of the role on an ongoing basis. Quantity and quality of work are impressive.

4. **Consistently Exceeds Expectations:** Performance is exemplary and redefines the expectations of the role. Quality and quantity of work are exceptional. Best in class.

3-Point Scale: The 3-point scale is a simplified approach that corrects for subjectivity by eliminating spread. Performance is evaluated as ineffective, effective, or exemplary, and that's it. No nuance in sight!

Tone	1	2	3
Conventional	☐ Does Not Meet Expectations	☐ Meets Expectations	☐ Exceeds Expectations
Conversational	☐ Ineffective	☐ Effective	☐ Exemplary
Casual	☐ Gotta Work on This	☐ Good Job	☐ Goes Above and Beyond

1. **Does Not Meet Expectations:** Performance is ineffective and often misses the mark. Quantity and quality of work are inconsistent or insufficient and should be improved upon.
2. **Meets Expectations:** Performance is effective and typically meets the expectations of the role. Quantity and quality of work are consistently good.
3. **Exceeds Expectations:** Performance is excellent and outpaces the expectations of the role on an ongoing basis. Quantity and quality of work are impressive.

No matter which rating scale you use, it's important to apply it consistently across functional groups, and ideally, the entire company. This is particularly true if you will use the associated scores in awarding professional development opportunities and promotions or adjusting compensation. Be intentional and incorporate training for managers on both measurement and messaging in how employee performance is evaluated, what it means, why it matters, and how it will be used.

Selecting a Scale

In addition to offering the trio of options for rating performance outlined above, ClearCompany's Performance Management solution can also incorporate qualitative descriptors that are more or less formal and even empower employers to create custom qualifiers that align with company culture and core values.

Our review templates are built with a 4-point rating scale for evaluation periods of six months or more, and with a 3-point scale for abbreviated rating periods. As always, our rating scales and templates can be customized with ease according to employer preference. When selecting a rating scale, some factors to consider include company culture and the complexity of the role itself.

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A multi-point rating scale that allows for significant spread is most effective for:

- Organizations with a culture of continuous improvement and an 'employee-first' approach, where performance is evaluated primarily on the basis of impact and outcomes
- Reviewing employees in operational or strategic roles, including those that are classified as exempt under the Fair Labor Standards Act, or are commonly referred to as "white-collar"
- Evaluating progress over a prolonged period of time, including annually or semi-annually

A simpler, more straightforward rating scale is most effective for:

- Organizations that evaluate performance primarily on the basis of compliance with rigidly defined behavioral indicators
- Reviewing employees in tactical or transactional roles, including those that are classified as non-exempt under the Fair Labor Standards Act or are commonly referred to as "blue-collar"
- Evaluating progress during a new employee's probationary period, assessing project-based performance, and/or measuring goal attainment rather than overall performance

Easily Select the Appropriate Rating Scale Within The Platform

Each of the ClearCompany rating scales described in this guide are available within the platform so you can easily select the appropriate scale for your organization's review cycle and edit it as needed.

Employees Like Likert Scales

No matter the number of options you offer managers for evaluating employee performance, you may want to use a Likert Scale, which employs value-based ratings rather than numerical rankings (i.e. "effective" versus 3 on a scale of 1 to 5). Research from Adobe[1] indicates that 60% of workers prefer this approach as it lends the impression of objective analysis in which performance has been evaluated against established indicators, whereas numeric assessment connotes ranking and/or comparison of employees against their peers.

ClearCompany's Performance Management solution empowers employers to customize the employee experience accordingly while preserving the ability to quantify and calibrate scores afterward.

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Beware of Bias

When evaluating employee performance, managers should be mindful of biases that may undermine their objectivity and subconsciously impact their assessment, leading to real or perceived favoritism and unfair treatment. Some biases that commonly creep in include:

Affinity Effect: The affinity effect is the inclination to over- or under-rate employee performance on the basis of likeability, relatability, and/or similarity. In short, managers may find that they highly rate the performance of employees who are most like them and give lower performance ratings to those they struggle to connect with.

Contrast Effect: The contrast effect is the practice of evaluating an employee's performance against that of their peers, rather than the established performance metrics. The contrast effect is equivalent to grading on a curve.

Halo and/or Horn Effect: The halo and/or horn effect refers to two sides of the same coin in which a manager may over-rate or under-rate an employee on the basis of something unrelated to proficiency or performance, such as a first impression, perceptions related to personality traits and/or physical characteristics, projection of strength (or lack thereof) in one area onto other areas, or pure personal preference.

Impact Effect: The impact effect is the tendency to evaluate performance according to the relative importance of the role itself, rather than the employee's effectiveness *in* the role.

Recency Effect: The recency effect is the inclination to over-index recently observed performance rather than assessing the entire evaluation period. When evaluating employees on an annual basis, it's important to establish a system for tracking performance over a prolonged period of time in order to identify trends and account for total impact.

Tenure Effect: The tenure effect is the assumption that employees with a significant length of service are among the most highly engaged and/or top-performing. In some cases, it may be the opposite assumption that long-tenured employees underperform or that they don't aspire to do more.

Central Tendency: The central tendency is the tendency to evaluate performance as average or sufficient, rather than recognizing and rewarding that which is truly exemplary or in need of improvement. The result is that aggregate ratings trend along the midpoint of the range, offering little insight into the distinction and difference between employees who are outperforming expectations and those who are not.

Because performance evaluation is a human-centered process, it is highly susceptible to subjectivity, which can lead to problems and pitfalls for all involved. These can be avoided by

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providing managers with tools and training designed to ensure cohesion around a company-wide strategy for scoring, rather than leaving each to assess their team members in a more decentralized fashion according to their preconceived notions or personal preferences.

[1] Source:

https://www.adobe.com/content/dam/acom/in/about-adobe/newsroom/pdfs/011317_Performance_Review_Peril_Adobe_Study_Shows_Office_Workers_Waste_Time_and_Tears.pdf

[2] Source:

https://www.slideshare.net/adobe/infographic-performance-reviews-get-a-failing-grade/1

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