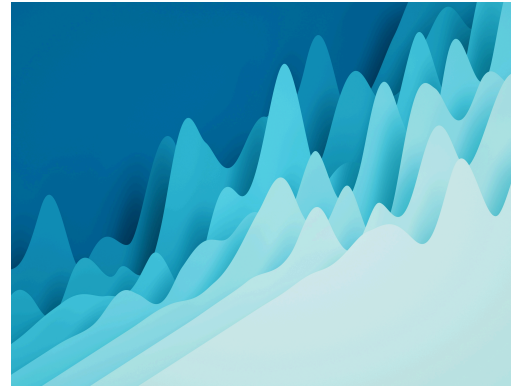




Revisiting Performance Management and Ratings: What's Actually Working?



7 Min Read

May 7, 2026

In a recent virtual gathering of global CHROs and talent leaders, one theme surfaced quickly: despite years of redesign, performance management remains one of the most complex and consequential areas of talent leadership.

Even so, the discussion pointed to real progress in how leading organizations are tackling performance differentiation, fairness, and trust. What's emerging is not a single "best practice," but a set of tensions and increasingly effective ways to navigate them.

From "Check-the-Box" to Real Differentiation and Conversion

Many leaders shared a familiar frustration that performance management still feels like a compliance exercise rather than a driver of performance.

"There's a sense that we've created a check-the-box activity... we're not seeing it drive conversion the way that we think it should."

The issue is not a lack of process, but a lack of conversion. Systems often fail to translate into decisions on who gets promoted, developed, or moved into critical roles.

In other words, performance management isn't failing because companies lack ratings. It's failing because those ratings don't translate into what leaders should do next.

What Organizations Are Actually Doing to Drive Better Talent Decisions

Across industries, the strongest practices are not simply about better measurement. They are about creating a clearer line between how performance is assessed and what decisions follow.

Here's how organizations are closing that gap:

1. Separating the "what" and the "how"

Companies are explicitly evaluating both Results (what) and Behaviors (how).

This resolves a long-standing ambiguity of someone who can deliver strong results while undermining culture OR someone who can model the right behaviors without delivering outcomes.

AT A GLANCE

- Leading CHROs say performance systems break down when reviews fail to drive clear talent decisions and action.
- Organizations are simplifying ratings and calibrations to create clearer accountability and better follow-through on talent moves.
- Top performers are increasingly defined by consistency, enterprise thinking, and behavior under pressure across teams.
- Leaders are tying performance more tightly to what employees actually control, improving trust and fairness in reviews.
- AI is emerging as a practical enabler for goal setting, calibration quality, and manager decision-making at scale.

Some organizations are reinforcing this with real consequences such as one organization who shared that even when results are strong, bonuses are being reduced by 50% if behavioral standards aren't met.

More importantly, this separation creates a clearer basis for action: who is promotable, who needs development, and who is truly outperforming. Without it, those decisions blur.

2. Simplifying rating scales to enable real decisions

Many leaders acknowledged that complexity isn't helping, with one leader emphasizing that "A 5 rating scale is actually still a 3 rating scale... anything below target is below target."

The shift is from precision to usability when there are fewer, more meaningful categories, clear definitions of "what good looks like", and more disciplined calibration.

Because the real goal is more consistent decisions across managers and teams, not a more nuanced rating.

3. Anchoring performance in enterprise goals

Some organizations are tightening alignment at the goal-setting stage where "Every individual goal ties to our enterprise strategic goals... you have to create a goal that connects."

This creates a shared reference point for managers to evaluate in the same context, talent discussions more objective, and trade-offs clearer. But it also introduces the tension that goals must be both ambitious and fair.

4. Defining what "top performance" actually looks like

Underpinning these changes is a clearer definition of what top performance actually looks like. Top performers are not defined by output alone but by how reliably, broadly, and consistently they deliver it.

The differentiation was behavioral and observable. Top performers consistently:

- Deliver over time, not just in bursts
- Operate beyond their role with enterprise ownership
- Maintain aligned behaviors under pressure

These signals are what the system is ultimately trying to identify and where differentiation becomes real.

Individually, these four practices may look incremental. Together, they create a powerful system where performance assessment drives talent action instead of sitting beside it.

The Hard Problem: Reducing Rating Inflation Without Breaking Trust

If differentiation is the goal, inflation is the biggest barrier but fixing it carries risk.

What's working:

1. Forcing distribution through constraints

One company eliminated "in-between" ratings "and said "you can't say somebody's slightly above par or slightly below par now... either you are below par or you are above par."

The result was clearer differentiation but real short-term discomfort.

2. Defining "what good looks like"

Leaders emphasized the need to operationalize performance with one saying "We have to define what good looks like... for each behavior, each competency." Without this, managers default to the middle.

Clear expectations reduce subjectivity and give managers confidence to differentiate.

3. Focusing calibration processes

The shift underway is toward fewer with some organizations dramatically reducing volume: “from over 1,200 calibrations to 81, which still feels like a lot”

Calibration is focused on critical roles and top talent segments, reducing redundant layers of review, and spending more time on meaningful debate.

4. Transparency—used carefully

There’s a shift toward telling employees where they stand: “We shifted to telling people where they are... it’s been incredibly successful.”

When done well, transparency improves development conversations and reduces ambiguity, but cultural context matters with some regions still resisting full transparency.

Linking Performance to Development and Rewards

This is where many systems break down and where the most meaningful changes are happening.

What’s working:

1. Evaluating what employees can actually control

Some organizations are removing company financials from individual reviews. “We went away from having organizational financials as part of your review... it made the review meaningful again.” This is a critical shift from broad outcomes to individual contribution that is restoring line of sight and fairness.

2. Rebalancing incentives

Others are redesigning bonus structures to enforce differentiation with fewer payout bands and larger gaps between categories, helping to create clearer differentiation. One company limited bonus decisions to two three options for managers to choose: 80%, 100% or 120% of target, which eliminated a large number of 105% awards.

3. Integrating performance and development

This reduces process fatigue and ensures evaluation directly informs growth. In this model, “you don’t get a system that is so performance-only that you don’t manage careers and growth.” Without that balance, organizations risk short-term output at the expense of long-term capability.

The Key Insight: It’s Not About the System

Perhaps the most important takeaway from the session: “There’s no perfect system... you manage the pros and cons with what you’ve got.”

The organizations making real progress aren’t redesigning rating scales or debating 4-point versus 5-point systems. They’re sharpening what performance management is supposed to enable:

- Clear expectations
- Confident managers
- Consistent calibration
- Honest differentiation
- Strong links to development and rewards

AI may help close execution gaps, but tools alone won’t solve the problem. Performance management improves when it makes decisions consistent, transparent, and fair.