

The science of performance appraisals: What employees should know heading into their performance review

Steven T. Hunt, Ph.D. (with Gabby Burlacu, Ph.D.)

Click to follow my posts: www.linkedin.com/in/steventhunt

The following is a summary of research about performance management that may help employees understand and prepare for performance reviews.

A clearly defined process for managing performance is good for you and your company.

We know that not everyone performs at the same level at work, but why do companies need to point this out? It turns out there are a lot of reasons why it is important to measure employee performance.

First, organizations want to keep the people who are doing well. High performing employees tend to get disengaged and are more likely to leave when their contributions aren't being recognized. We like it when people formally recognize the value we provide to the company. And the only way to identify high performance is to measure employee performance.

Second, managers need tools that allow them to motivate and manage people who aren't doing as well. A well-designed performance management system helps ensure managers effectively tackle performance issues head-on and motivate low-performing employees to improve. This doesn't just mean employees whose performance is so bad they are at risk of getting fired. It also means addressing employee behaviors that aren't terrible, but that are creating frustration or issues with fellow team members. Think about it. Do you like working with poor performing people? The first step to addressing performance problems is making sure employees understand what the company's performance expectations are and know if they are on track or not.

Third, having clearly defined processes for making decisions related to employee pay, promotions and staffing is an important part of running a fair and legally compliant company. Having well defined performance management processes helps ensure these decisions are carried out in a fair and consistent manner.

Finally, research has shown that companies that use performance management to effectively differentiate employees based on their performance level tend to do far better financially than those that rely on informal methods to manage performance. This is a positive outcome for everyone involved. It is far better to work for a financially successful company than one that is struggling to stay in business.

None of these things are possible in an organization that treats people as though they all perform at the same level. We need to measure performance to improve it. In this sense, performance management is somewhat like weighing yourself to ensure you stay healthy. It isn't fun to step on a scale and discover that our weight has gone up more than we might like, but it is far worse to avoid scales entirely and just hope for the best.

Sources:

- Aguinis, H. (2014). Performance Management (3rd Ed.). Harlow, England: Pearson.

- Combs, J., Liu, Y., Hall, A., & Ketchen, D. (2006). How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance. *Personnel Psychology*, 59(3), 501-528.

Good performance starts with good goals.

No one likes an unpleasant surprise during a performance review, but there are ways to avoid this from happening. The best place to start is by making sure you and your manager agree on your work goals. Research has long established that having clear, measurable, challenging goals at work will increase your likelihood of being successful in your job. As an employee, the more you proactively work to define and review goals with your manager, the more successful you will be at knowing what to do to be effective at work. This means setting clear goals at the beginning of the year and reviewing and updating them on a regular basis throughout the year. As an added bonus the performance review won't contain any major surprises. If your company does not have structured goal-setting processes in place for employees, it may be up to you and your manager to determine how you'll set and track these goals. One possible way to start the dialogue is to ask your manager, "Imagine you went on a trip for 9 months and never actually saw me work during that entire time. What evidence, results or accomplishments would I be expected to show you when you returned to demonstrate that I was successfully performing my job?"

Sources:

- Locke, E. A. & Latham, G. P. (1990). A theory of goal setting & task performance. Englewood Cliffs, NJ: Prentice-Hall.

A learning mindset is key to using performance feedback to improve.

There are two general mindsets we take when we get feedback on our performance. One is to focus on the feedback from the perspective of "winning" or "losing". This is the wrong way to think about performance management because it is very focused on the past. Just because you won or lost in the past does not mean you will get the same outcome in the future. It is far better to focus on using the feedback to learn how to improve. This starts with assuming that you can and will change. People who view themselves as capable of developing and improving get far more out of performance feedback than people who just focus on whether the feedback tells them what they want to hear. Understanding your reaction to a performance review starts with understanding which mindset you've adopted. Is your mindset about "winning and getting what you want" or "learning and defining actions you can take to improve"? Shifting to a learning mindset will make the performance management process more enjoyable in the short term and far more beneficial for your career over the long term.

Sources:

- Button, S. B., Mathieu, J. E., & Zajac, D. M. (1996). Goal orientation in organizational research: A conceptual and empirical foundation. *Organizational Behavior and Human Decision Processes*, 67(1), 26-48.
- Dweck, C. (2006). *Mindset: The new psychology of success*. New York, NY: Random House.

You and your manager have different views of the world, and you are both right from your unique perspectives.

A common complaint about performance reviews is that manager performance ratings do not match the ratings employees would have given themselves. This complaint is frequently a result of something called the "fundamental attribution error". This describes our tendency to interpret success and failure differently for ourselves versus others. We tend to attribute our own success to our personal actions and we tend to attribute our failures to challenges we faced in the environment. Conversely, we tend to attribute other people's success to being lucky enough to be in the right place at the right time, and

blame their failures on their personal shortcomings. This is due in part because we cannot see how our own behavior impacts our environment, but we can clearly see how the environment influences our behavior. For example, if I cut you off while driving it is because I had to avoid a pothole in the road, but if you cut me off it is because you are a bad driver. In sum, we don't fully appreciate how our actions influence how others act toward us. What we often forget when discussing performance with our manager is they can see things we can't see, including how our actions may have influenced or limited our success in ways we did not realize because we have a very unique and limited perspective when it comes to measuring our performance.

Another well documented research finding that can influence how we react to performance evaluation is that most of us do not always accurately evaluate our own job performance. In particular, we disproportionately view our job performance as being better than average. This is called the Lake Wobegon Effect, named after the fictional town where "all the children are above average" (also called "illusory superiority"). Since an effective performance management system serves to differentiate employees based on their performance (see point #1), we can anticipate that there will always be below-average employees who will not be happy with their performance rating. If you are one of these employees, try not to waste time and emotion arguing about it. Instead, invest time in understanding what led your manager to give you an evaluation that does not align with your own self-perception.

Sources:

- Alicke, M. D., Dunning, D. A., & Krueger, J. I. (2005). *The self in social judgment: Studies in self and identify*. New York, NY: Taylor & Francis.
- Alicke, M. D., Klotz, M. L., Breitenbecher, D. L., Yurak, T. J., & Vredenburg, D. S. (1995). Personal contact, individuation, and the better-than-average effect. *Journal of Personality and Social Psychology*, 68(5), 804-825.
- Ross, L. & Nisbett, R. E. (1991). *The person and the situation: Perspectives of social psychology*. New York, NY: McGraw-Hill.
- Scullen, S. E., Mount, M. K., & Goff, M. (2000). Understanding the latent structure of job performance ratings. *Journal of Applied Psychology*, 85(6), 956-970.

Even performance strengths have a potential "dark side"

As scientists, we've become pretty good at predicting an employee's job performance based on things like personality and performance in past roles. We use this information to help companies build workforces comprised of high performing employees. But there is such thing as "too much of a good thing" in this area. Research on the dark side of commonly positive personality traits suggests that being too conscientious, too agreeable, or too innovative can eventually derail an employee's career (although these are the exact traits that are commonly associated with high job performance). This means that performing well at work is not just about having the right traits and mindset, but also about maintaining self-awareness and self-management to avoid the negative aspects of these usually positive characteristics. This can be a significant issue for many high performing employees. The things that may make you successful such as being highly ambitious, highly persuasive, or highly analytical can also hurt your career if you over-use them or try to use them in the wrong situations.

Sources:

- Harms, P. D., Spain, S. M., & Hannah, S. T. (2011). Leader development and the dark side of personality. *The Leadership Quarterly*, 22, 495-509.
- Hogan, R. & Hogan, J. (2001). Assessing leadership: A view from the dark side. *International Journal of Selection and Assessment*, 9, 40-51.