Is it time to ditch annual performance reviews?

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Most of us have had annual or semi-annual formal performance reviews, but a new paper by psychologists at Rice University reinforce the importance of continuous feedback on employee performance, and how the social environment can either encourage or inhibit that feedback. Although there is little disagreement that companies need to evaluate and obtain accurate information on its talent and need to have performance management systems in place, the report cites the problems annual reviews inherently present.

"The key really is accuracy in the ratings managers give their employees," said Jisoo Ock, lead author and Rice doctoral candidate in psychology.

According to the paper, supervisors are legitimately concerned about demotivating or disengaging employees by providing appraisal ratings that are accurate yet on the low end of a rating scale, so having ratings that are clustered at the high end of the rating scale is quite common across organizations.

"Organizations by nature are large social environments, and we cannot forget that context when making use of performance-rating data," Ock said. "We think that the critical factors of interpersonal relationships and interpersonal politics in an organizational environment may have a profound influence on a company's review process. But these factors are typically under-researched."

For co-workers who are asked to rate each other's performance, the social context of appraisals can often make it generally difficult and discomforting to provide negative ratings or negative [feedback](#). The researchers note that it is sensible for peers not to provide accurate negative feedback, because they ultimately have to work together on a day-to-day basis.

"Likewise, supervisors and co-workers may have a difficult time transitioning from being inspirers, motivators or even friends to being judicial evaluators of employees," Ock said. "Regardless of the nature of the organization, it is no surprise that raters will often tread carefully in ways that avoid negatively affecting their long-term relationships with those people whose performance they have to rate. Anecdotal evidence has shown that interpersonal political considerations are nearly always a part of the employee review process."

Another problem arises when managers have infrequent interactions with employees, or interactions where employees know that they have to be on their best behavior. Under these circumstances, it becomes difficult to pinpoint areas of improvement or identifying potential growth, all of which does little good for the employee, supervisor or the company.

"The nature and amount of interaction between managers and employees affects the performance dimensions on which raters have useful and [accurate information](#)," Ock said. "These interactions - like any interpersonal interaction - likely affect how naturally employees performs in front of the rater, whether performance is alone or on a team."

The authors point out that research on informal performance management systems is quite limited, but their paper suggests why it theoretically has strong potential.

"Certainly no organization is going to be without politics, but the more that an organization has a nonthreatening social environment or culture that facilitates ongoing communication and feedback among employees, the more productive and beneficial the performance appraisal process will be." Ock said. "Continuous feedback that occurs on a day-to-day basis in such an environment is much more likely to create real-time alterations in employees' job performance behaviors than are infrequent or annual formal feedback sessions. Compared with formal feedback, informal feedback occurs naturally and is perhaps unexpected, which is why there needs to be an environment in which organizational members feel comfortable about providing and receiving frequent informal feedback."

Supporting this point, the authors note that in most cases, an environment of aggressive competitiveness among employees is generally counterproductive for creating a positive feedback environment. "Competition itself is not necessarily a bad thing, and many occupations like sales require it, but performance management systems still need to align positively with the competitive norms of the organization," Ock said.

Not all of the burden of appraisal is on management, though. Employees, according to the paper, should always be thinking about their own interpersonal skills for their own career advancement and development, if not for their own happiness and satisfaction at work.

The paper, "Managing the Interpersonal Aspect of Performance Management," was co-authored by Fred Oswald, professor of psychology at Rice, and appeared in the journal *Industrial and Organizational Psychology: Perspectives on Science and Practice*.

Provided by Rice University

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