

Performance Reviews if done fairly can boost performance

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As we reach year-end, a number of companies are starting to round up the business year and for employees this means final performance reviews-the dreaded reviews. Generally, employees hate performance reviews, it is usually a very daunting time. According to a survey conducted by the Corporate Executive Board (CEB) of Fortune 1000 companies, 66% of the employees were strongly dissatisfied with the performance evaluations they received in their organizations. 65% of the employees that took part in this study believed that the performance evaluations were not relevant to their jobs. Whilst some managers may mean well in conducting these reviews, employees are seeing it as a moment filled with stress and possible witch hunt.

According to the research conducted by CEB, organisations are investing a number of resources (costly resources) plus time-managers are investing time in order to evaluate their subordinates. In the US organisations spend approximately US\$3000 per employee, per year in performance evaluations. One now may be wondering so why employees are so daunted by the idea of performance reviews? In the study conducted by CEB, 71% of the American employees thought that their evaluations had problems in the domain of fairness. Most employees feel the way in which performance reviews are conducted is not fair. In the context of performance evaluations, when people believe that the outcomes of their evaluations are proportionate with how well they performed, they are likely to consider the evaluations as fair. Fairness can be perceived in different ways, but when it comes to performance reviews, fairness is perceived in terms of how transparent, inclusive, moral and ethical the evaluation system is. When employees perceive fairness in the evaluation processes, they are more likely to accept their evaluations.

In a study conducted by Chun, Brockner & De Cremer (2018), an important driver of fairness in performance evaluations is the reference point managers use to appraise their employees' performance. Furthermore in their study, the above-mentioned researchers discovered that employees consider temporal comparison evaluations (*when current performance is compared to past performance*) to be fairer than social comparison (*when one's performance is compared to that of their colleagues*) evaluations. According to a study by McKinsey (2018) the key to reaping positive business outcomes from performance management is to establish a system that employees and managers perceive as fair. Moreover the study showed the results also show that when executed well, performance management has a positive impact on employees' performance and the organization's performance overall.

According to McKinsey (2018) research, performance-management systems have a much better chance of being perceived as fair when they do these three things:

1. A transparent link of employee goals to business priorities with room for flexibility.
2. Investing in coaching skills for managers so as to help them assess performance fairly and objectively.
3. Rewarding high performers whilst managing converging performance from other employees.

Over and above the above, organisations should invest in evidence-based approaches of performance evaluation like the Balanced Scorecard system. Once an organisation has adopted a performance system, it is imperative that both employees and managers are educated on how the system works so to avoid issues of unfairness and possible bias in assessment. Where there is clarity, performance management is likely to yield positive results both in employee performance and organisational performance.

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