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IN PERFORMANCE APPRAISALS, MAKE CONTEXT COUNT

BY BEN DATTNER

Every organization evaluates the performance of its employees in some way, whether that process is formal or informal, or on a regular cycle or an ad-hoc basis. At a small start-up, feedback is likely to be informal and spontaneous, while larger organizations are likely to have structured systems including competency models, specific evaluation criteria, and a technology platform that enables quantitative and qualitative input to be collected, aggregated and stored.

Despite their differences, the one attribute that almost all performance appraisal systems have in common is that they focus on the person, not on the situation. There have been countless academic debates among psychologists about whether the characteristics of the person are more important in explaining behavior, or whether behavior can be better explained by the situation that the person finds him or herself in. Usually, the answer is "it depends" — the variance in what people do and how well they do it can be partially explained by the talent, and effort of the people involved, while the remaining variance can be accounted for by the situation itself.

Organizations could achieve greater accuracy in evaluating employee performance by considering both the person and the situation. However, this is rarely done. Consider a call center where the performance of employees is assessed based on the volume of sales or the dollar amount of charitable donations. It may be the case that two employees sitting in adjacent work spaces are assigned different geographic regions, or different populations of potential customers or donors. An attorney may be working on a single highly complicated case while his office mate is working on multiple routine matters. Or perhaps one employee is selling a hot new product while her colleague is selling a far less compelling item at a similar price point. It would be neither accurate nor fair to evaluate these pairs of colleagues on the same criteria using the same scale and the same reference points.

When organizations take into account both employee performance and situational factors they're better able to explain the variance of past results and to take the steps necessary to improve future results. Essentially, the goal is to reduce both "noise" and "bias" in the evaluation system, or to phrase it in a statistical way, removing both "random" error and "systematic" error from the calculations of how well employees are doing. Good managers already do this in an informal, implicit way with their own teams. But it's difficult to do it across different departments at the organization-wide level.

This approach relies heavily on trust. Employees might be concerned that excellent performance will be discounted if the situation was viewed as easy. Organizations might be concerned that unacceptable performance might be rationalized away if the employee uses very hard situational factors as an excuse. But a trusting relationship between organizations and employees is a necessary ingredient of organizational success in general, and for performance appraisal in particular to be effective.

And despite these challenges, there are major advantages of taking context into account when evaluating employees.

First, it's simply more accurate. If the evaluation system takes into account that one employee had an easy product to sell and another did not, the system can begin to differentiate how much the results were due to the individual employees, and how much the results were due to the products they were selling. Second, it allows the company to identify underlying factors that may be affecting employee performance. For instance, in a performance appraisal system that only evaluates employees — not situations — the organization may take longer to realize that the problem is its IT infrastructure, not the effort or ability of the people using the technology. Finally, employees will perceive their performance appraisals as fairer and less biased. Ample research has shown that perceptions of fairness are a key driver of employee motivation, job satisfaction, organizational commitment and cohesion, and retention.

In order to embed situational considerations into new or existing performance appraisal systems, managers and organizations can begin by adding a column to each employee appraisal that simply asks "What were the situational factors that made it easier or harder for this employee to achieve his or her goals?" or "What systems, processes, structures, circumstances or events facilitated or constrained this employee's performance?" The employee can comment, his or her manager can comment, and if it's a 360, other feedback providers can comment on both personal performance and the factors that either helped or hindered job performance. Ideally, this approach to performance appraisal can itself become a situational and contextual factor that helps employees, their managers, and their organizations learn and perform better over time.

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