Ranking employees hinders creativity

Submitted by: BlueSky Education
Tuesday, 18 October 2022

Forced rankings do not improve employee performance, according to new research by Tilburg University and Vienna University of Economics and Business.

The study, conducted by Eddy Cardinaels and Christoph Feichter, looked at the effect of rating employee performance and analysed forced and free rating systems on both employee reactions and supervisor rating behaviour.

Cardinaels and Feichter found that forced ratings are unlikely to improve employee performance over free performance ratings, and instead increases their stress levels – this then negatively affects employee creativity.

This is especially the case in jobs where performance is difficult to capture via objective measures such as consulting, auditing, and communications. But even in jobs in which objective criteria do exist (e.g., sales), performance evaluation ratings still heavily rely on the subjective judgment of superiors. In all these situations, forced ratings might lead to problems for employees and superiors.

The study revealed the lack of creativity stems from people 'choking under pressure' as a result of the forced ratings.

"It is really important that firms are aware of potential costs and side effects, such as higher stress and supervisors not assigning appropriate ratings. Especially as these can lead other long-time side effects, such as higher turnover rates, health problems, and lack of motivation," says Professor Christoph Feichter.

On the other hand, forced rankings also negatively impact employees because supervisors' game the system, and focus on other aspects other than the true performance when evaluating employees.

"In our study, supervisors with forced rankings tend to incorporate aspects in their ratings that have no relation to the real performance of employees, but seem easier to justify towards employees. Moreover, supervisor strategically switch ranks of employees across periods, to assure each employee receives the highest rank at some point in time (although this cannot be explained by their real performance). Supervisors feel uncomfortable with the rankings and want to appear fairer towards the employees. Therefore, they start to game the system," says Professor Feichter.

The study was published in the Journal of Accounting Research.

/ENDS

For more information, a copy of the report, or to speak with Professor Feichter, please contact Katie Hurley from BlueSky Education on khurley@bluesky-pr.com.