

The Role of Privacy in Performance Assessment - Employee Behavior on Observation -

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Bachelor of Science

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Purpose/Motivation: Performance assessment is one of the performance management steps and entails the observation of employees to gather data concerning their performance. Without observation, the key objectives of a performance management process are achieved comparatively insufficient as employee behavior and results cannot be compared to the demands stated in the job description (Aguinis, 2009). The implementation of monitoring systems is fostered by increasing technical opportunities allowing most organizations to integrate at least some kind of observation to better control employees. From an employee's point of view, this might be accompanied by an increasing desire to control personal information (Smith, Dinev & Xu, 2011). This desire can influence in-role as well as extra-role behavior which both contribute to the effective organizational functioning (Niehoff & Moorman, 1993). Thus, the intention of the paper is to answer the following research question: What behavioral employee reactions does the literature predict when (no) privacy is provided in performance assessment?

Theories/Hypotheses: An efficient performance assessment requires data received through observation to evaluate employee performance. Overall, clearly stated expectations directed towards the employees are necessary to enable a transparent evaluation (Aguinis, 2009). When implementing methods for observation, employee's perception of legitimacy and the interpretation of the managerial intention are decisive for behavioral reactions (Niehoff & Moorman, 1993; Anteby & Chan, 2018). From an employee's point of view, observation methods can be perceived as an opportunity for learning or as risk of losing control (Bernstein, 2017). Aligning with the description of privacy made by Westin (1967) and Altman (1975), privacy is defined as a limit-access approach aiming to control or regulate the disclosure of private information. Thus, privacy is about creating interpersonal boundaries to ensure the desired ability to control (Margulis, 2003). As soon as employees perceive the implemented monitoring system as inadequate, the desired level of privacy can be negatively influenced. The interpretation of control is essential for identifying possible behavioral employee reactions. Hence, the theory of personal control (Greenberger & Strasser, 1986), the theory of psychological reactance (Brehm & Brehm, 1981), and the agency theory (Fong & Tosi, 2007;

Loughry & Tosi, 2008) are considered and serve as explanations for behavioral employee reactions.

Approach/Methodology: A systematic literature review is conducted to identify relevant papers by using various databases. The keyword search included ‘monitoring’, ‘control’, and ‘organizational behavior’, reflecting the main components of the research question, resulting in 144 papers. Excluding duplicates and publications which are not peer-reviewed led to a total number of 106 possibly relevant papers. After applying specific exclusion criteria regarding the overall topic of the paper as well as the quality, the number of interesting papers is reduced to 22. Furthermore, the remaining articles are evaluated according to their content leading to a total of eleven papers. Additionally, backward and forward search is conducted.

Findings: When looking at the findings concerning the behavior of employees whose performance is assessed without the ability to control, the importance of the perceived managerial intention is stressed. As soon as observation methods are interpreted as an instrument to eliminate unwanted employee behavior, employees tend to solely focus on the expected in-role behavior to avoid positive and negative attention from the management. Thus, monitoring is positively related to task performance. On the other side, a negative relationship regarding extra-role behavior is identified (Anteby & Chan, 2018; Niehoff & Moorman, 1993). The findings regarding employee behavior with a performance assessment system that entails privacy reveal that implementing peer monitoring can positively influence in-role behavior, which is described as behavior without absenteeism, mistakes, and tardiness. Moreover, peer-monitoring seems to be most efficient at a low level of managerial monitoring (Loughry & Tosi, 2008). In case of a high level of managerial surveillance, counterproductive work behavior, such as spreading rumors, sabotage, or verbal abuse, is positively influenced, irrelevant if peer-monitoring is implemented (Lawrence & Robinson, 2007). Other opportunities to ensure privacy even though managerial supervision are participation and the ability to interrupt the monitoring process. Participation offers employees the opportunity to influence the evaluation as well as the communication of the assessment results according to their preferences before implementing observations methods. At the same time, the ability to interrupt enables employees to stop observation during the process. Both have a positive influence on employee performance (Douthitt & Aiello, 2001; Alge, 2001).

Research Limitations: The paper provides an overview regarding the literature on performance assessment, privacy, and employee behavior. Nevertheless, no further advantages and disadvantages of the monitoring methods mentioned in the literature are discussed.

Moreover, in relation to peer-monitoring, only positive aspects are considered. Additionally, it is neglected that besides information privacy also physical privacy can be a desire of employees. These aspects can be addressed in further research.

Research Implications: A detailed overview of possible behavioral employee reactions in response to privacy in performance assessment is provided. Findings may be used as a basis for further research concerning behavioral reactions on a group level. Furthermore, the findings predict various impacts of monitoring methods on performance. Managerial monitoring has negative effects on performance if it is introduced solely or dominates the monitoring process. However, as soon as a higher level of peer-monitoring is implemented, this effect turns positive, stressing the need for further investigation.

Practical Implications: The information gathered through the massive amount of data can be used not only for performance assessment and reward allocation. When transferring employee information to other departments, for example, employee development, a trustworthy handling is essential to avoid negative behavioral employee reactions on monitoring. The findings show that employee perception of legitimacy and the perceived managerial intention can have a negative impact on employee behavior. Hence, it is important to evaluate which monitoring method is most appropriate to gather relevant data and what behavioral reactions are assigned accordingly.

Contribution: The paper emphasizes the importance of considering the trade-off between the aspect of learning and the aspect of control. In addition, peer-monitoring as well as participation before the implementation of the monitoring systems, and the ability to interrupt the observation are identified to decrease the perceived invasion of privacy of employees when monitoring systems are implemented. Thus, privacy in performance assessment can influence individual and organizational performance in a positive way.

Paper type: conceptual

Further readings:

Bernstein, E. S. (2017). Making transparency transparent: The evolution of observation in management theory. *Academy of Management Annals*, 11(1), 217-266.

Margulis, S. T. (2003). On the status and contribution of Westin's and Altman's theories of privacy. *Journal of Social Issues*, 59(2), 411-429