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The illusion of transparency in performance appraisals: When and why accuracy motivation explains unintentional feedback inflation

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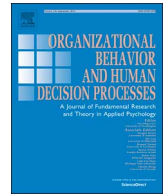
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The illusion of transparency in performance appraisals: When and why accuracy motivation explains unintentional feedback inflation



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A B S T R A C T

The present research shows that managers communicate negative feedback ineffectively because they suffer from transparency illusions that cause them to overestimate how accurately employees perceive their feedback. We propose that these illusions emerge because managers are insufficiently motivated to engage in effortful thinking, which reduces the accuracy with which they communicate negative feedback to employees. Six studies (N = 1883) using actual performance appraisals within an organization and role plays with MBA students, undergraduates, and online participants show that transparency illusions are stronger when feedback is negative (Studies 1–2), that they are not driven by employee bias (Study 3), and occur because managers are insufficiently motivated to be accurate (Studies 4a–c). In addition, these studies demonstrate that transparency illusions are driven by more indirect communication by the manager and how different interventions can be used to mitigate these effects (Studies 4a–c). An internal meta-analysis including 11 studies from the file drawer (N = 1887) revealed a moderate effect size ($d = 0.43$) free of publication bias.

Leaders in organizations need to manage the performance of their employees effectively so that employees can learn, develop, and meet organizational objectives. A recent survey of randomly selected HR professionals based in the United States indicated that almost all managers (95%) are actively engaged in employee performance management activities, and that nearly a third (30%) reported that employee performance management was the single most important priority within their organization (SHRM, 2014). Performance appraisals are a key mechanism for managing employee performance, a process in which managers discuss the performance of their employees (Aguinis, 2013; Cederblom, 1982; DeNisi & Smith, 2014).

A particularly difficult aspect of performance appraisals is the delivery of negative feedback (Bies, 2013). We define the delivery of feedback as a communication process in which a feedback provider (e.g., manager) conveys information to a recipient (e.g., employee; Ilgen, Fisher, & Taylor, 1979). Negative feedback in performance appraisals constitutes the communication of negative information about an employee's behavior, performance, or productivity. A common criticism of performance feedback is that managers do not communicate such information effectively. For example, a recent performance management survey conducted in 53 countries showed that only 5% of employees believed that their managers were skilled in having a candid

dialogue about their performance (Mercer, 2013). These views were shared by HR professionals – only 2% gave the managers in their company an “A” grade for their performance management skills (SHRM, 2014). Finally, several reports have shown that younger generations tend to expect – and thrive on – more frequent and honest feedback (Economist, 2015; Finn & Donovan, 2013; Rainer & Rainer, 2011). Jointly, these observations suggest that it has become increasingly important to understand how negative performance feedback can be delivered more accurately and effectively.

Failing to deliver performance feedback accurately can be extremely costly for employees, managers, as well as the organizations they work for, and inaccurate feedback delivery is unlikely to change employee behavior in ways that are desired by managers (Mercer, 2013; SHRM, 2014). Moreover, inaccurate feedback delivery can lead to misunderstandings that undermine perceptions of fairness, motivation, and a willingness to engage in career development (e.g., Bass & Yammarino, 1991; Brett & Atwater, 2001; Heidemeier & Moser, 2009; Wohlers, Hall, & London, 1993; for a recent review see also DeNisi & Smith, 2014).

Prior research has found that managers often fail to deliver feedback accurately because they “inflate” their feedback by presenting subpar performance more positively than it should be communicated (Fisher,

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1979; Ilgen & Knowlton, 1980; Larson, 1986). To understand why managers engage in feedback inflation, scholars have advanced explanations which argue that managers *intentionally* suppress unfavorable information to protect themselves from retaliation and shield their employees from emotional harm (e.g., Fisher, 1979; Waung & Highhouse, 1997). However, prior research has not considered the possibility that inflation may also be *unintentional*, such that managers fail to deliver feedback accurately because they unconsciously overestimate the clarity and transparency with which they communicate. This is a critical void in the literature and suggests that existing interventions that aim to reduce feedback inflation may not be fully effective unless they also take into account such unintentional bias. Thus, the present research examines *whether, when, and why* feedback inflation is driven by an unintentional bias whereby managers overestimate the extent to which they communicate negative feedback accurately.

We propose that feedback inflation can be unintentional because managers suffer from transparency illusions (Gilovich, Savitsky, & Medvec, 1998; Vorauer & Claude, 1998) that cause them to overestimate the extent to which their evaluations and feedback are discernible by their employees. We argue that this occurs because managers anchor on the message in their own heads and fail to adjust for how this message is understood by others. This illusion of transparency causes managers to overestimate the extent to which the employee understands the message they intended to convey. This is a serious issue for managers; in order to drive performance, they need to provide feedback to employees and to be accurate in assessing the employee's understanding of the feedback provided. They need to ensure that the message they thought they conveyed is actually the message received by the employee. Our prediction is that there is a disconnect in this exchange and that managers overestimate the extent to which their feedback is received by employees. Moreover, we predict that these transparency illusions are stronger as the feedback becomes more negative because anchoring effects are stronger under emotionally unpleasant conditions (Bodenhausen, Gabriel, & Lineberger, 2000; English & Soder, 2009).

Across six studies, we test whether managers overestimate employees' understanding of the feedback provided, whether the valence of the feedback impacts this bias, and whether this bias can be mitigated by increasing managers' motivation to be accurate (e.g., by making them aware of potential bias, or by incentivizing them for the accuracy of their feedback). We test our prediction through a moderation-by-process approach (Spencer, Zanna, & Fong, 2005) using accuracy motivation interventions at the intrapersonal, interpersonal, and organizational levels. To demonstrate the robustness of our prediction, we use data from real performance appraisals as well as simulated and interactive feedback contexts with samples of experienced managers, undergraduate students, MBA students, and online participants, and rule out alternative explanations. We also conduct an internal meta-analysis of our file drawer to obtain a conservative estimate of the effect size of the illusion of transparency.

Our studies offer important theoretical and empirical contributions. First, we show that managers unintentionally overestimate the extent to which they communicate negative feedback accurately to their employees. This finding extends the feedback literature which assumes that managers have full control over what they communicate and that feedback inflation is thus intentional. Second, we demonstrate that managers are not only biased at the evaluation and rating stage of the performance appraisal process (e.g., DeNisi & Smith, 2014; Feldman, 1981; Landy & Farr, 1980), but also at estimating the clarity with which they communicate their feedback. Third, we provide a parsimonious explanation for this effect, showing that transparency illusions emerge because managers anchor on their own thoughts and insufficiently adjust from their own perspective. This insufficient adjustment prevents managers from accurately assessing the message understood by employees and, therefore, from clearly communicating feedback to

employees. Finally, we demonstrate that accuracy motivation can be triggered directly by personal reflection, specific employee requests, and financial incentives. In doing so, our studies extend prior research on accuracy motivation that has primarily relied on generic, experimenter-induced manipulations disconnected from the task at hand and with little ecological validity (e.g., Lerner & Tetlock, 1999; Simmons, LeBoeuf, & Nelson, 2010; Thompson, Roman, Moskowitz, Chaiken, & Bargh, 1994).

1. The illusion of transparency in performance feedback

The point of departure for our research is the context of performance appraisals, which is defined as “the process by which we evaluate the individual performance of an employee over some period of time” (DeNisi & Smith, 2014, p.131) and may or may not involve the assignment and communication of a score or rating (Aguinis, 2013; Cederblom, 1982). An important feature of performance appraisals is the delivery of feedback. Performance feedback aims to develop, direct, and reinforce effective behavior in organizations (e.g., Ilgen et al., 1979; Kluger & DeNisi, 1996). Employees who have an accurate understanding of how managers perceive their performance or their likelihood of achieving desired outcomes are more likely to respond appropriately (Ashford & Cummings, 1983).

However, managers often fail to deliver negative feedback accurately because they find these discussions uncomfortable and fear that they adversely affect the well-being of an employee (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Bies, 2013). Indeed, the prospect of these potential negative consequences makes the delivery of negative feedback an extremely distressing act for managers (Bies, 2013; Harris & Sutton, 1986). To fulfill their responsibilities and simultaneously cope with the taxing act of giving negative feedback, managers often inflate their feedback by presenting subpar performance more positively than they should (Fisher, 1979; Ilgen & Knowlton, 1980; Larson, 1986). Such feedback inflation is pervasive and rooted in the fact that people find it more difficult to communicate negative rather than positive information to others (Rosen & Tesser, 1970; Tesser & Rosen, 1975).

The predominant assumption of past research has been that the inflation of negative feedback is *intentional*, such that it requires an individual's conscious awareness and deliberate desire (Malle & Knobe, 1997). As a consequence, many feedback interventions have focused on reducing feedback inflation by alleviating managers' discomforts by having them communicate negative feedback more indirectly. For example, Waung and Highhouse (1997) instructed managers to provide feedback to poorly performing confederates using either a direct (face-to-face) or indirect (tape-recorded) feedback medium, and found that the indirect feedback channel resulted in less inflation of feedback than the direct feedback medium (Waung & Highhouse, 1997). Likewise, Sussman and Sproull (1999) instructed people to provide feedback using computer-mediated communication, telephone, or face-to-face conversation, and found that feedback providers were more accurate, honest, and comfortable when they used more indirect computer-mediated communication to deliver the negative feedback than when they used face-to-face or telephone communication.

We extend this research by proposing that feedback inflation also has an *unintentional* component. Specifically, we suggest that even if managers intentionally communicate feedback more positively than they should, they still suffer from an unintentional bias that leads them to overestimate how accurately their feedback is communicated to employees. The idea that managers unintentionally overestimate how accurately their feedback is understood by employees is based on the illusion of transparency literature, which suggests that people anchor on their own internal thoughts and insufficiently adjust from them. As a result, people systematically overestimate the extent to which their thoughts and intentions leak out and are discernible by others (Gilovich & Savitsky, 1999; Gilovich et al., 1998). For example,

consider a study by Newton (1990) in which participants (“tappers”) were instructed to tap the melody of a well-known song to other participants (“listeners”). Tappers anticipated that about half of the listeners would correctly identify the melody, which was considerably higher than the actual 3% of listeners who could discern the song. Newton concluded that the tappers were “so embedded in their own imaginations [...] that they could not recognize how impoverished the same stimulus was from the perspective of the listener” (Newton, 1990, p. 44). Transparency illusions have also been invoked to explain why liars overestimate the detectability of their lies (Gilovich et al., 1998), why people believe that their feelings of disgust over a foul-tasting drink are more apparent than they actually are (Gilovich et al., 1998), and why individuals delivering a public speech think their anxiety is more apparent to their audience than it actually is (Savitsky & Gilovich, 2003). Accordingly, even when people are aware of their own intentions, they fail to go beyond their own perspective when thinking about how their thoughts and intentions are discerned by others. Thus, people unintentionally overestimate how salient their thoughts are to others, and fail to correct for such biases sufficiently.

We propose that the illusion of transparency also emerges in performance appraisals where managers need to communicate negative feedback to their employees and that this can explain why feedback is often communicated inaccurately. Consider a manager who has concluded that her employee has been underperforming. Although this manager may not communicate her exact thoughts (e.g., “he is a bitter disappointment”), she is likely to anticipate that her transmitted feedback (e.g., “there are some things I would like you to work on”) is perceived more accurately by the employee (e.g., that the employee understands that he really needs to shape up on the next project) than the feedback is actually perceived by the employee (e.g., “despite a few minor issues my boss seems to have been quite satisfied with my performance”). Specifically, we propose that – even after taking into account the fact that managers knowingly inflate negative feedback – they still overestimate the clarity and accuracy with which they communicate the feedback they provide. In other words, managers expect their feedback to be perceived as more negative than employees actually understand it to be.

It is important to examine whether managers are subject to transparency illusions when they give negative feedback to their employees because past research on cognitive processes in performance appraisals has predominantly focused on the question of whether the rater (e.g., a manager) is biased when *evaluating* the ratee (e.g., a subordinate). That is, researchers have put their efforts into studying whether rater biasing occurs during the observation, storage, retrieval, integration, and rating stages and have come up with interventions that target the goal of achieving an accurate performance rating (DeNisi & Smith, 2014; Feldman, 1981; Harris, 1994; Landy & Farr, 1980). Yet, we propose that even when managers form accurate judgments and unbiased ratings of their employees, cognitive biases may still prevent them from *communicating* their feedback clearly during the delivery stage. Examining whether transparency illusions emerge in negative feedback settings is also important because existing interventions may not be fully effective, as they tend to focus on reducing intentional rather than unintentional feedback inflation (Sussman & Sproull, 1999; Waung & Highhouse, 1997). We hypothesize that:

Hypothesis 1. Managers anticipate that employees understand their feedback more accurately than employees actually do.

2. The role of feedback valence

We propose that feedback providers are subject to transparency illusions because they are anchored too heavily on their own internal experiences, leading them to insufficiently adjust when trying to discern the recipient’s understanding. This argument implies that the illusion of transparency should be more pronounced for feedback that

triggers a stronger internal experience in managers. One factor that determines the strength of an internal experience is its valence: negative events tend to have a stronger impact on peoples’ internal states than positive ones (Baumeister et al., 2001; Ito, Larsen, Smith, & Cacioppo, 1998; Rozin & Royzman, 2001). This principle has been coined the “negativity bias” and reflects the notion that “negative events are more salient, potent, dominant in combinations, and generally efficacious than positive events” (Rozin & Royzman, 2001, p. 297). Consequently, negative events have stronger effects on information processing (Finkenauer & Rimé, 1998), memory (Finkenauer & Rimé, 1998), and biases (Gilbert, Pinel, Wilson, Blumberg, & Wheatley, 1998) than positive events. For example, one study examined gamblers’ spontaneous thinking and found that one week after placing bets on sporting events, losers spent considerably more time discussing the game than winners (Gilovich, 1983). This extended rumination on negative information relative to positive information may lead to a stronger internal experience, causing managers to anchor more on their own thoughts. Past research has demonstrated that the longer people spend on information, the less likely they sufficiently adjust away from that information (e.g., Blankenship, Wegener, Petty, Detweiler-Bedell, & Macy, 2008; Chen & Chaiken, 1999).

Because negative information has a more potent impact on peoples’ own internal states than positive events and because insufficient adjustment is more likely to occur when internal states are strong rather than weak (Gilovich et al., 1998), the illusion of transparency should be more pronounced as feedback becomes more negative. That is, delivering negative feedback is likely to evoke a strong internal experience that causes managers to “anchor” more strongly on negative information. A stronger internal experience, in turn, makes it more challenging for managers to adjust away from their own perspective to what employees may understand, thereby exacerbating the illusion of transparency. In contrast, delivering positive feedback constitutes a relatively weaker internal experience that causes managers to anchor less strongly on their own information, making it easier to adjust away and consider what an employee may understand. These arguments are consistent with the anchoring literature showing that people are strongly anchored when they are in an unpleasant sad mood, but not when they are in a pleasant positive mood (Bodenhausen et al., 2000; English & Soder, 2009). More formally, we hypothesize that:

Hypothesis 2. The gap between managers’ anticipated understanding of the feedback and employees’ actual understanding becomes larger as the feedback becomes more negative.

3. Accuracy motivation as corrective mechanism

In addition to testing whether managers suffer from transparency illusions when delivering negative feedback, we also set out to test *why* this would be the case. This is an equally important question to address because prior research has only speculated about why such illusions emerge and focused on documenting the prevalence and implications of the illusion of transparency without clearly articulating or providing empirical evidence of the underlying mechanism (Cameron & Vorauer, 2008; Gilovich & Savitsky, 1999). Gilovich et al. (1998) noted the need for this research explicitly by stating that “further studies [...] must be conducted to delineate the exact nature of the underlying causes of the illusion of transparency” (p. 344). Thus, an additional goal of our research was to provide insight into the mechanism underlying the illusion of transparency in performance appraisals.

To this end, we propose that managers suffer from transparency illusions because they are insufficiently motivated to accurately consider how others perceive their thoughts, speech, and behavior. The principle of accuracy motivation is based on the finding that “social perceivers’ everyday judgmental biases reflect cognitive economy rather than lack of ability” (Thompson et al., 1994). In other words, people are “cognitive misers” (Fiske & Taylor, 1991) that only challenge

their thoughts and decision-making processes thoroughly when they are motivated to do so and sufficient attention is directed towards a relevant outcome (Thompson et al., 1994). Thus, relative to unmotivated people, those who are motivated to be accurate are less likely to think that their assessments of reality are “good enough” and, as a consequence, set higher standards for themselves (Simmons et al., 2010).

The notion of accuracy motivation is helpful in explaining why managers overestimate how clearly employees understand their negative feedback. Managers are often subject to time pressure, organizational responsibilities, and other contextual demands (e.g., DeVoe & Pfeffer, 2011; Simon, 1956; Wright, 1974) and thus not motivated enough to allocate sufficient cognitive resources to performance appraisals. When accuracy motivation is relatively low and performance feedback negative, managers are more strongly anchored on their own information and less likely to think that they may be overestimating the clarity with which they communicate. This results in more ambiguous, less explicit communication of feedback and a larger gap in the difference between the message the manager believes was sent and the message that was actually received. In contrast, when accuracy motivation is high, managers should pay more attention to correcting their own expectations, resulting in clearer, more explicit communication and reduced transparency illusions.

Hypothesis 3. Increasing managers’ accuracy motivation reduces the gap between managers’ anticipated understanding of the feedback and employees’ actual understanding.

4. Accuracy motivation and communication directness

A final goal of our research was to examine the effect of increased accuracy motivation on the way managers deliver their feedback to employees. According to our reasoning, increasing accuracy motivation should attenuate transparency illusions because it will motivate managers to communicate their negative feedback more directly to the employee. Communication directness refers to the extent to which feedback providers “reveal their intentions through explicit communication” (Gudykunst & Ting-Toomey, 1988, p. 100). Thus, if managers tend to erroneously assume that employees see things the same way they do, as our theorizing implies, they may not articulate and communicate their intentions in a very direct way (Cannon & Witherspoon, 2005; Manzoni, 2002). Indirect communication tends to conceal and camouflage the speaker’s true intentions and is characterized by verbal messages where the majority of the information is internalized by the communicator but less information is transmitted in the explicit, coded part of the message. Thus, it may be difficult for employees to accurately decode their actual performance when managers internalize this information without explicitly communicating the feedback.

In contrast, managers who are motivated to be accurate are more likely to recognize that their intentions are not fully apparent to others, realize that their communicated feedback may be subject to misunderstanding and, as a consequence, communicate more directly by rephrasing or clarifying more what they mean. This reasoning is consistent with communicative responsibility theory (Aune, Levine, Park, Asada, & Banas, 2005). This theory proposes that individuals who realize that different people may have a different understanding of the same message, will assume more communication responsibility and will be “increasingly explicit and redundant about what they are trying to communicate” (Aune et al., 2005, p. 360). Based on this reasoning, we hypothesized that:

Hypothesis 4. The effect of accuracy motivation on the gap between managers’ anticipated understanding of the feedback and employee’s actual understanding is mediated by communication directness.

5. Overview of the present research

Six studies were conducted to test our hypotheses. Study 1 was a field study and tested **Hypotheses 1 and 2** in the context of an annual performance appraisal between real managers and employees within an organization. Study 2 tested the same hypotheses in an experimental, face-to-face role-play to establish the causal link between valence and transparency illusions. Study 3 used a sample of MBA students providing negative feedback to employees face-to-face and involved neutral observers to rule out the alternative explanation that the employee misinterpreted the message rather than the manager suffering from a bias. The remaining studies tested **Hypothesis 3** by manipulating accuracy motivation at the individual level through awareness (Study 4a), at the interpersonal level through accountability (Study 4b), and at the organizational level through financial incentives (Study 4c). Study 4c also tested Hypothesis 4 by measuring whether feedback directness mediates the effect of accuracy motivation on the illusion of transparency. We also report an internal meta-analysis of the field study to provide additional confidence in our effects.

6. Study 1: Field study in a real-world organization

The purpose of Study 1 was to establish the occurrence of the illusion of transparency in a real-world organization where feedback is delivered in an institutionalized and regular manner. We conducted a multi-source study for which we surveyed a sample of managers and their respective employees about their most recent annual performance appraisal. To do so, we compared managers’ expectations about their employees’ understanding of the performance evaluation to employees’ actual understanding. We predicted that managers would overestimate how accurately their feedback was perceived by their employees (**Hypothesis 1**). In addition, we tested whether this gap between managers and employees is more pronounced when the feedback is negative than when it is positive (**Hypothesis 2**).

6.1. Methods

6.1.1. Sample and procedure

Our study was conducted at a multinational organization in the education sector. The organization is a provider of degree programs and executive education with locations in multiple countries. In coordination with the Human Resources (HR) department, we contacted 173 staff whom the HR department identified as “managers” with a supervisory function, as well as 566 individuals identified as “employees.” Managers and employees were contacted separately via email by the research team and invited to participate in a short survey on performance appraisals. The email was distributed several weeks after the annual completion of the annual performance appraisal within the company and contained the link to an electronic survey. Due to the sensitive nature of the research topic, participants were assured that their information would remain confidential and used for academic research purposes only. After sending two additional reminders, we achieved response rates of 35.2% for managers and 40.5% for employees. Because the purpose of the study was to assess differences in perceptions between managers and their employees, we matched the manager and employee responses at the dyadic level. Our final sample included 82 complete dyads consisting of 47 managers (mean age = 44.98, *SD* = 10.24; 66.0% female) and 82 employees (mean age = 40.99, *SD* = 10.39; 82.9% female).

We assessed the presence of illusory feelings of transparency by comparing the difference between (a) the manager’s *anticipation* of the employee’s understanding of the performance rating and (b) the employee’s *actual understanding* of the performance rating. For this, we adapted operationalizations from past illusion of transparency research (e.g., Keysar & Henly, 2002; Vorauer & Cameron, 2002) to our performance appraisal context.

6.1.2. Manager’s anticipated evaluation

Managers were asked to indicate the performance rating they anticipated their employee understood based on the feedback they provided during the most recent annual performance appraisal (“What do you think [Employee Name]’s understanding is of his or her performance based on the annual performance feedback that you communicated?”). The anticipated performance evaluation was measured on a 7-point Likert scale ranging from 1 (*extremely poor*) to 7 (*extremely good*).

6.1.3. Employee’s perceived evaluation

Employees were asked to indicate the performance evaluation that they actually understood in the performance appraisal. Using the same 7-point scale (1 = *extremely poor*; 7 = *extremely good*), employees answered the following question: “Indicate how you would assess your performance based on the feedback [Manager Name] provided to you.”

6.1.4. Feedback valence

To assess the moderating effect of feedback valence, we measured managers’ actual perception of their employee’s performance (rather than what they anticipated the employee understood). Specifically, they responded to the following question: “Now forget about what [Employee Name]’s understanding of the performance feedback is and indicate what you actually think about [Employee Name]’s performance.” We used the same 7-point scale as for the previous measures (1 = *extremely poor*; 7 = *extremely good*).

6.1.5. Control variables

To rule out other potential explanations for differences between manager and employee ratings, we controlled for several demographic and contextual variables. Specifically, we controlled for all participants’ age, gender, professional experience (in years), and self-reported English language skills (1 = *terrible*; 5 = *excellent*). We also included additional role-specific variables. Managers were asked to report their experience in conducting performance appraisals (in years) and their self-reported feedback-giving skills (1 = *poor*; 5 = *excellent*). Employees indicated how thorough the feedback was (1 = *not at all thorough*; 7 = *very thorough*) and whether the performance appraisal was conducted in person or not (coded as 0 = *face-to-face*; 1 = *other*). Finally, to account for the nested data structure and the repeated measures study design, we analyzed the data in STATA using the “xtmixed” command for multilevel linear modelling (Rabe-Hesketh & Skrondal, 2008). Specifically, we treated role as a repeated measure at the dyadic level (manager vs. employee), used feedback valence as a continuous predictor variable (ranging from negative to positive), and modelled employees as nested in supervisors to reflect that some managers evaluated multiple employees.¹

6.2. Results

We first tested Hypothesis 1, predicting that managers overestimate how accurately their feedback came across to employees. Indeed, managers generally anticipated that their feedback would be understood by their employees more negatively ($M = 5.63$; $SE = 0.13$, $CI_{95} = 5.38$; 5.89) than employees actually understood ($M = 6.04$; $SE = 0.13$; $CI_{95} = 5.79$; 6.30), $\beta = 0.41$, $z = 3.43$, $p = 0.001$, $d = 0.35$ (see Model 1 in Table 1). This effect remained significant when we included the control variables, $\beta = 0.37$, $z = 2.78$, $p = 0.005$, $d = 0.37$ (see Model 2 in Table 1).

We then tested Hypothesis 2, predicting that the difference between

¹ Although one could model role as an additional level of analysis as managers and employees are nested in dyads, this variance is already subsumed by treating role as a repeated measure. Model fit and the residual variance remained identical, irrespective of whether dyad was included as an additional level or not.

Table 1
Results of multilevel regression in Study 1.

| Dependent variable: performance rating | Main effect (Model 1) | Main effect + controls (Model 2) | Interaction (Model 3) | Interaction + controls (Model 4) |
|--|-----------------------|----------------------------------|-----------------------|----------------------------------|
| Role (0 = Manager; 1 = Employee) | 0.41* (0.12) | 0.37** (0.13) | 0.41*** (0.11) | 0.36** (0.11) |
| Feedback valence | | | 0.80*** (0.07) | 0.74*** (0.07) |
| Interaction (Role X Valence) | | | -0.55*** (0.09) | -0.55*** (0.09) |
| Age | | 0.02 (0.01) | | 0.01 (0.01) |
| Gender | | -0.04 (0.18) | | -0.13 (0.14) |
| English skills | | -0.23* (0.11) | | -0.30*** (0.08) |
| Professional experience | | -0.01 (0.01) | | -0.00 (0.01) |
| Manager feedback experience | | 0.00 (0.02) | | 0.01 (0.01) |
| Manager self-reported feedback-giving skills | | 0.33* (0.14) | | 0.06 (0.09) |
| Employee perception of feedback thoroughness | | 0.14** (0.05) | | 0.08* (0.04) |
| Face-to-face delivery (dummy) | | 0.14 (0.31) | | 0.05 (0.23) |
| Location dummies | | Included | | Included |
| Intercept | 5.63** (0.12) | 4.70*** (0.77) | 5.62*** (0.08) | 6.10*** (0.58) |
| Number of clusters | 47 | 47 | 47 | 47 |
| Number of observations | 164 | 164 | 164 | 164 |
| Wald Chi-squared test | 11.77*** | 54.17*** | 161.41*** | 225.61*** |

Note. Standard errors are reported in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$.

managers’ predictions and employees’ actual understanding would be larger for negative feedback than positive feedback. This is what we found. There was a significant interaction of role and feedback valence, $\beta = -0.55$, $z = -5.93$, $p < 0.001$ (see Model 3 in Table 1), which remained significant when we added the control variables to the model, $\beta = -0.55$, $z = -6.06$, $p < 0.001$ (see Model 4 in Table 1). To clarify the nature of the interaction effect, we conducted additional simple effects analyses, which showed that when the feedback was negative (minus one standard deviation of feedback valence), managers’ anticipated feedback rating was significantly lower ($M = 4.70$; $SE = 0.11$; $CI_{95} = 4.48$; 4.92) than what employees actually understood ($M = 5.75$; $SE = 0.11$; $CI_{95} = 5.52$; 5.97), $\beta = 1.05$, $z = 6.95$, $p < 0.001$, $d = 0.55$. However, when the feedback was positive (plus one standard deviation of feedback valence), managers’ anticipated feedback rating was no longer statistically different ($M = 6.55$; $SE = 0.11$; $CI_{95} = 6.33$; 6.77) from employees’ actual understanding ($M = 6.34$; $SE = 0.11$; $CI_{95} = 6.11$; 6.56), $\beta = -0.22$, $z = -0.145$, $p = 0.15$, $d = -0.11$ (see Fig. 1).²

6.3. Discussion

Study 1 provided support for our hypotheses that managers

² Because of the multilevel structure of our data, we conducted all analysis using a grand mean centering approach (reported in results section) and a group mean centering approach (reported here) for feedback valence. Although both centering methods are statistically sound methods to improve parameter estimation, statisticians are debating which approach is preferable (Enders & Tofighi, 2007; Kreft, De Leeuw, & Aiken, 1995). We report both. Our results remained significant when we centered feedback valence around the group mean instead (main effect: $ps < 0.01$; interaction: $ps < 0.05$).

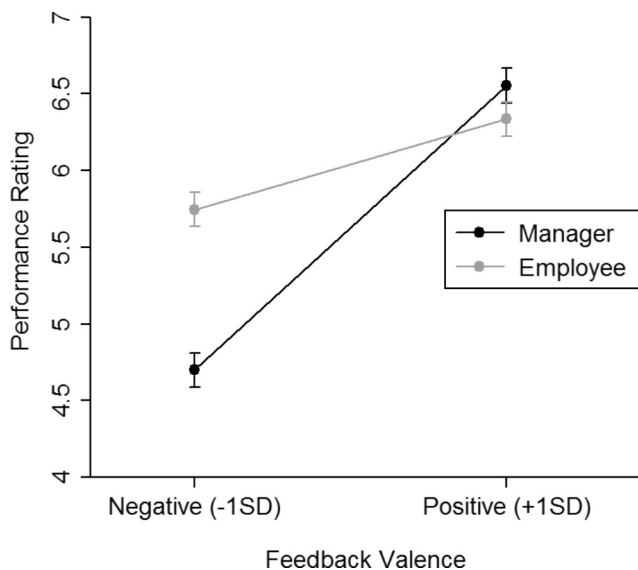


Fig. 1. Anticipated performance rating by managers and actual understanding by employees in Study 1. Performance ratings ranged from 1 to 10. Error bars indicate ± 1 SEM.

overestimate how accurately employees understand their feedback, and that this effect is more pronounced for more negative feedback. Although Study 1 was conducted within the context of an actual annual performance appraisal between real managers and employees, the correlational nature of the data does not establish a causal link between valence and transparency illusions. The goal of Study 2 was to address this shortcoming.

7. Study 2: Feedback valence

The aim of Study 2 was to replicate the findings from the field study in an interactive face-to-face feedback setting using a homogenous sample and random assignment to manager and employee roles. A second goal was to replicate the moderating effect of feedback valence by manipulating valence rather than measuring it.

7.1. Participants and design

Two hundred eighteen undergraduate students (mean age = 19.91, $SD = 1.74$; 61.47% female) at a university in the United States participated in a laboratory study in exchange for \$15. They were assigned to one of 109 dyads where they took the role of either the manager (feedback provider) or the employee (feedback recipient). All participants were native English speakers. Dyads were randomly assigned to one of three conditions that varied in the valence of feedback: negative, moderate, or positive.

One dyad was excluded from the analysis because the dependent variable was not completed. Our analyses are based on the remaining 108 dyads.

7.2. Task and procedure

The task involved an annual performance appraisal at a consulting agency between a manager (feedback provider) and an employee (feedback recipient). The manager received a description of the employee's performance in the firm and was instructed to communicate the likelihood that the employee would get a promotion.

Feedback valence was manipulated through specific instructions within the task such that managers had to communicate a 10% promotion likelihood (*negative feedback condition*), a 50% promotion likelihood (*moderate feedback condition*), or a 90% promotion likelihood (*positive feedback condition*). Managers were instructed to communicate

the promotion likelihood to the employees as accurately as possible without revealing the exact promotion likelihood. Participants were given 15 min to prepare their feedback before the meeting. The feedback session was conducted face-to-face.

7.3. Dependent measures

After the feedback session, both parties completed the dependent measures in a brief questionnaire. Transparency illusions were assessed by comparing the difference between (a) the manager's *anticipation* of the employee's understanding of the performance rating and (b) the employee's *actual understanding* of the performance rating. We adapted measures from past illusion of transparency research (e.g., Keysar & Henly, 2002; Vorauer & Cameron, 2002) to our performance appraisal context and asked managers: "Based on the information you conveyed in your conversation, what do you think Burke's [Employee] understanding is of his chance of being promoted to manager at the end of next year?" (0% = will not be promoted to manager; 100% = will definitely be promoted to manager). Employees reported their perceived promotion likelihood based on the manager's feedback: "Based on the information Stanley [Manager] conveyed in your conversation, what is the likelihood that you will be promoted to manager at the end of next year?" (0% = will not be promoted to manager; 100% = will definitely be promoted to manager). Similar percentage scores are often used to operationalize feedback valence in performance appraisal contexts (e.g., Benedict & Levine, 1988; Dibble & Levine, 2010).

7.4. Manipulation check

To ensure our manipulation was successful, managers were asked to indicate the promotion likelihood they were instructed to convey to the employees (0% = will not be promoted to manager; 100% = will definitely be promoted to manager).

7.5. Results

7.5.1. Manipulation check

The manipulation was successful. Managers in the negative feedback condition indicated that they had to communicate a lower percentage score ($M = 10.57$; $SD = 4.16$; $CI_{95} = 9.14$; 12.00) than in the moderate condition ($M = 50.91$; $SD = 5.22$; $CI_{95} = 49.06$; 52.76) or the positive condition ($M = 84.50$; $SD = 17.39$; $CI_{95} = 78.94$; 90.06), all $ps < 0.001$. Managers in the positive condition indicated a significantly higher percentage scores than in any other condition, all $ps < 0.001$.

7.5.2. Illusion of transparency

We predicted that the gap between the manager's *anticipated* understanding of the employee and the employee's *actual* understanding would be stronger for negative feedback than for positive feedback. The results support this prediction (Fig. 2). We found a marginally significant interaction effect of feedback valence (between-dyad) and reported performance rating by role (within-dyad), $F(2, 105) = 2.60$, $p = 0.079$, $\eta_p^2 = 0.05$. To examine the nature of this interaction, we conducted additional simple effects analyses. First, in the negative feedback condition managers anticipated that they communicated negative feedback more negatively ($M = 37.35$; $SD = 23.04$; $CI_{95} = 30.74$; 43.96) than was actually understood by employees ($M = 50.88$; $SD = 28.75$; $CI_{95} = 43.35$; 58.42), $F(1, 105) = 9.27$, $p = 0.003$, $d = 0.83$. Second, a marginally significant difference was found in the moderate feedback condition where managers' anticipation ($M = 65.15$; $SD = 17.30$; $CI_{95} = 58.44$; 71.86) was lower than the employees' understanding ($M = 72.82$; $SD = 18.20$; $CI_{95} = 65.17$; 80.47), $F(1, 105) = 2.89$, $p = 0.09$, $d = 0.39$. Third, in the positive feedback condition there was no longer a difference between managers ($M = 80.12$; $SD = 17.73$; $CI_{95} = 74.10$; 86.14) and employees ($M = 80.05$;

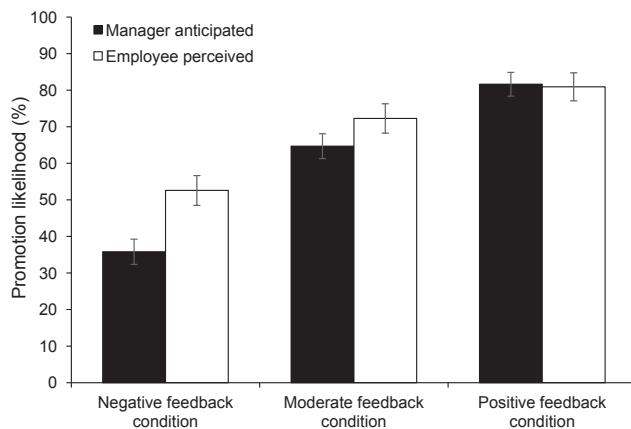


Fig. 2. Anticipated and actual understanding of employee performance rating by feedback valence in Study 2. Likelihood scale ranged from 0 to 100. Error bars indicate ± 1 SEM.

$SD = 18.51$; $CI_{95} = 73.19$; 86.91), $F(1, 105) = 0.00$, $p = 0.98$, $d = -0.05$.

We also analyzed whether the difference between managers' and employees' scores varied between conditions. We found that the difference between the managers' anticipation and employees' actual understanding was greater for negative feedback ($M = 13.53$; $SD = 32.53$; $CI_{95} = 2.18$; 24.88) than for positive feedback ($M = -0.07$; $SD = 20.61$; $CI_{95} = -6.58$; 6.43), $F(1, 105) = 5.12$, $p = 0.026$, $d = 0.50$. The difference between manager and employee in the moderate feedback condition ($M = 7.67$; $SD = 24.10$; $CI_{95} = -0.88$; 4.20) did not differ from the negative or positive conditions ($ps > 0.26$). We achieved a statistical power of 0.96 for the test of our main prediction (attenuated interaction).

7.6. Discussion

Study 2 replicates the main and interaction effects documented in the field (Study 1) using a homogenous participant sample and random assignment to conditions. Managers overestimated how accurately they communicated their feedback to employees, and this effect was more pronounced for more negative feedback. Our next study tested the robustness of these findings using a yoked observer design to rule out a potential bias on the employee side.

8. Study 3: Third party observers

The goal of Study 3 was to rule out the possibility that the effect in the previous studies was driven by the employees' need for positive self-regard. Because people have an innate need to view themselves in a positive light, which can be vital for the maintenance of self-esteem and mental health (e.g., Leary, Tambor, Terdal, & Downs, 1995; Taylor & Brown, 1988; Tesser, 1988), feedback receivers may selectively seek information that confirms their positive self-views, leading to positive illusions of the self (e.g., Greenberg & Pyszczynski, 1985; Robins & Beer, 2001). In addition, the recipients' interpretation of self-relevant performance feedback may have been more optimistic than the provider's interpretation due to social desirability concerns (Krizan & Windschitl, 2007). To test these alternative accounts, Study 3 paired each dyad with an observer who observed the feedback delivery, received the same instructions as the manager, and had no reason to perceive feedback more positively than it was communicated. If the discrepancy between the manager rating and the employee rating was driven by a self-serving bias of the employee, then the observer would report the same rating as the manager. Conversely, if the misperception in the message received is driven by the manager anchoring on their own thoughts and insufficiently adjusting for the perspective of the

receiver, as we argue here, then the observer's understanding of the feedback would be the similar to the employee's rating.

8.1. Method

8.1.1. Participants and design

Forty-four professionals (mean age = 28, 34% female) enrolled in an MBA program at a U.S. business school were assigned to one of 22 dyads and were randomly assigned the role of either a manager (feedback provider) or an employee (feedback recipient) as part of a class exercise. All participants were native English speakers.

In addition, 16 undergraduate students of the same university participated as observers and were paid \$8.00 for their participation. Because six feedback sessions were not video recorded due to technological failures, only 16 dyads could be matched with an observer.³

8.1.2. Task

The role-play took place during the feedback session of an introductory leadership class and involved an advertisement project that was completed by the employee and subsequently evaluated by the managers. The manager's information contained a description of the employee's performance on this project. Most importantly, managers were told to convey to the employee that they had a 10% chance of being promoted to Brand Manager within the next six months, without mentioning the actual percentage.

8.1.3. Procedure

MBA participants were told that they would be assigned to the role of either a manager or an employee in a performance feedback meeting. Managers were instructed to communicate the employee's past performance and promotion likelihood.

Participants had 15 min to prepare and take notes. To prevent them from simply reading aloud the information that they were given, participants could not use their role materials during the feedback session. After reading the instructions, the dyads went to separate breakout rooms to conduct the feedback session face-to-face. Video cameras were set up in each breakout room to record the interaction.

Participants assigned to the role of informed observers were given the manager's role materials and instructed to read them carefully. They were then brought to separate breakout rooms to watch the videotaped feedback meeting to which they were randomly assigned.

8.1.4. Dependent measures

After the feedback session, both parties completed the same dependent measures as in Study 2. To test whether the effect was driven by the employee rather than the manager, we also asked the observers to indicate what chance they thought the employee perceived s/he had of being promoted based on the feedback the manager provided.

8.2. Results

The results depicted in Fig. 3 show that managers thought that they had communicated negative feedback more negatively than employees actually understood (Hypothesis 1). Specifically, managers anticipated that their feedback delivery was more negative ($M = 31.64$; $SD = 18.86$; $CI_{95} = 23.28$; 40.00) than it was actually perceived by the employees ($M = 62.73$; $SD = 27.24$; $CI_{95} = 50.65$; 74.81), $F(1, 21) = 15.04$, $p < 0.001$, $d = 0.96$.⁴ The test of our main prediction (mean difference between manager and employee score) achieved a statistical power of 0.99.

³ The direction and significance of the manager-employee results remain identical irrespective of whether all 22 dyads were analyzed or only the 16 that could be recorded.

⁴ Identical patterns emerged when we only analyzed those dyads that could be matched with an observer ($M_{Manager} = 28.43$; $SD_{Manager} = 17.49$; $M_{Employee} = 60.63$; $SD_{Employee} = 30.38$), $F(1, 15) = 10.72$, $p = 0.005$, $d = 0.86$.

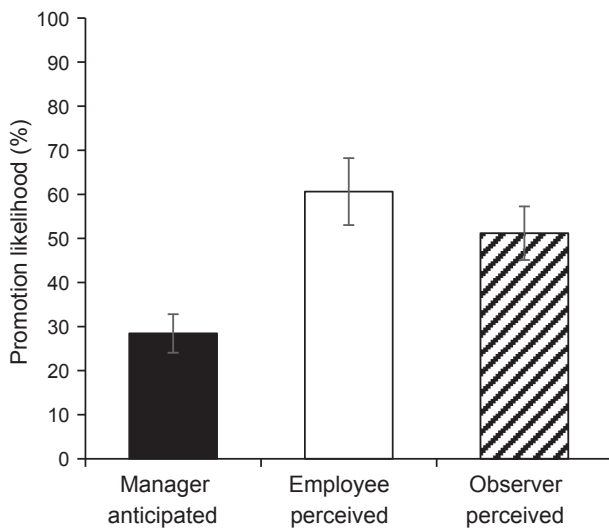


Fig. 3. Anticipated and actual understanding of employee promotion likelihood in Study 3. Likelihood scale ranged from 0 to 100. Error bars indicate ± 1 SEM.

We predicted no difference between the employees' and the fully informed observers' understanding of the feedback. Indeed, observers' understanding of the feedback ($M = 51.19$; $SD = 24.31$; $CI_{95} = 38.23$; 64.14) was higher than what manager anticipated, $F(1,15) = 7.95$, $p = 0.013$, $d = 0.75$, but similar to the employees' understanding, $F(1,15) = 1.35$, $p = 0.26$, $d = 0.19$.

8.3. Discussion

Study 3 again showed that managers overestimated the extent to which the negativity of their feedback was as apparent to employees. Importantly, the inclusion of informed observers also showed that this effect is unlikely driven by self-view maintenance and social desirability concerns on the employee-side.

Our remaining studies focus on *why* transparency illusions emerge when feedback is negative. We predicted that managers suffer from transparency illusions because they are insufficiently motivated to be accurate. To test this mechanism, we used a moderation-by-process approach (Spencer et al., 2005) and manipulated managers' accuracy motivation at the *intrapersonal* (Study 4a), *interpersonal* (Study 4b), and *organizational* level (Study 4c).

9. Study 4a: Intrapersonal awareness

Study 4a manipulated accuracy motivation at the intrapersonal level. One potentially powerful way to do so is by informing managers that they are likely to overestimate the accuracy with which they communicate their intentions to others. Indeed, making individuals aware that their judgments and behavior may be biased often serves as an impetus to set corrective actions in motion (Strack & Hannover, 1996). For example, Fischhoff (1982) proposed that bias can be reduced or even eliminated when people receive feedback about the possibility of bias. Accordingly, managers should be less likely to suffer from transparency illusions and communicate feedback more veridically when they are made aware of this unintentional bias than when they are not. We predict that the gap between managers' anticipated and employees' actual understanding is reduced when managers are told that they may not communicate their feedback as clearly as they think.

9.1. Method

9.1.1. Participants and design

For the manager role, we recruited 117 MBA students at an

international business school (mean age = 28.97, $SD = 2.25$; 22.9% female) who completed a study in exchange for the chance to win one of six bottles of champagne. For the employee role, we recruited participants from Mechanical Turk (mean age = 33.09, $SD = 10.57$; 52.5% female) in exchange for \$0.70. Dyads consisting of a manager and an employee were then randomly assigned to a control condition or an intrapersonal awareness condition.

Sample size was determined in advance based on the effect size achieved in a pretest and expected response rate. Four dyads were excluded because managers did not give feedback to the employees as instructed (e.g., merely told the employee to meet them in the office), leaving a total of 113 dyads.⁵

9.1.2. Task and procedure

All participants were told to imagine that they were working at a multinational company producing luxury goods and that managers would give feedback to their subordinates. The feedback task involved an annual performance review and evaluated three specific skills, including the employee's analytical ability, communication skills, and teamwork abilities. Each of the three skills was assessed on a Likert scale from 1 (*Poor*) to 10 (*Excellent*) and reflected an overall performance rating of 2 out of 10 (analytical ability: 2 out of 10; communication skills: 3 out of 10; teamwork abilities: 1 out of 10). This information was only available to the manager. Similar performance dimensions and scales have been used in the past (e.g., Gordon, 1972; Waung & Highhouse, 1997). The negative feedback was delivered in a two-stage process in which the participants assigned to the manager role were asked to send an email to their subordinate (Stage 1) and participants assigned to the employee role were then asked to read and evaluate this email (Stage 2).

9.1.2.1. Stage 1. Participants in the manager role were instructed to write an email to one of their subordinates, outlining the performance observed during the past year. For each of the three performance dimensions (analytical ability, communication skills, teamwork abilities) managers were provided with fictitious notes that they had allegedly taken during the past year (e.g., "Doesn't always structure information effectively", "Finds communicating problems difficult"; "Doesn't help out others a lot"). Managers were instructed to communicate the feedback such that it would reflect the exact numerical rating for each of the skills, but were also instructed not to reveal the numerical rating to the employee.⁶ After they submitted their email, managers were asked to complete the dependent measures and provide demographic information about their age, gender, supervisory experience (in years), and the number of performance appraisals they conducted in the past 12 months.

9.1.2.2. Stage 2. Upon completion of the first stage, we randomly assigned the managers' emails to a non-overlapping sample of participants ("the employees"). Employees were told that they would receive their annual performance feedback from their supervisor via email. Each employee received one email. They were asked to carefully read the email from their supervisor and subsequently completed the dependent measures and demographic questions.⁷

⁵ The predicted attenuated interaction remained significant when all dyads were analyzed, $F(1,115) = 8.25$, $p = 0.041$, $\eta_p^2 = 0.04$.

⁶ For this and all other online studies, we made sure that none of the managers' messages revealed the actual rating to the employee.

⁷ We also conducted a pilot study with experienced managers ($N = 100$) who conduct performance appraisals on a regular basis as well as a direct replication with online participants ($N = 200$) to test our performance appraisal task. We found that managers suffered from transparency illusions even when they had extensive feedback experience ($p = 0.005$) and when they were able to reveal the actual ratings to the employee ($p = 0.006$). See [Supplemental Online Materials](#) for study designs and detailed results.

9.1.3. Intrapersonal awareness manipulation

To manipulate accuracy motivation at the individual level, managers in the *intrapersonal awareness condition* were exposed to an additional page of instructions before they wrote their message. The instructions read:

Based on your past experience with giving feedback to others, you feel that the evaluations you are going to communicate today will not be evident to the employee. Thus, the employee is unlikely to see the evaluation the same way as you do and will not be able to clearly understand your feedback.

Managers in the *control condition* received no additional instructions before they communicated their feedback to the employee.

9.1.4. Dependent measures

We assessed the presence of illusory feelings of transparency by comparing the difference between (a) the manager's *anticipation* of the employee's understanding of the performance rating and (b) the employee's *actual understanding* of the performance rating. Specifically, managers were asked to answer the question "Based on the information you conveyed in your feedback, what do you think the feedback recipient's understanding is of what performance rating s/he will get from you?" (1 = Poor; 10 = Excellent) for each of the three skills. Employees answered the question "Based on the information conveyed in the email, what performance rating do you expect?" for each of the three skills (1 = Poor; 10 = Excellent). We collapsed the individual skill measures to an overall performance measure for both managers ($\alpha = 0.76$) and employees ($\alpha = 0.82$).

9.2. Results

We predicted that the illusion of transparency would emerge in the control condition but would be absent in the intrapersonal awareness condition (*Hypothesis 3*). This is exactly what we found (see Fig. 4). There was a significant interaction of the awareness manipulation (between-dyad) and the reported performance rating by role (within-dyad), $F(1, 111) = 4.45, p = 0.037, \eta_p^2 = 0.04$. More specifically, managers in the control condition anticipated that they communicated the employee's overall performance more negatively ($M = 3.57, SD = 0.98; CI_{95} = 3.30; 3.85$) than the employees actually understood ($M = 4.18, SD = 1.86; CI_{95} = 3.72; 4.64$), $F(1, 111) =$

$5.67, p = 0.019, d = 0.30$. However, managers' anticipation ($M = 3.98, SD = 1.22; CI_{95} = 3.68; 4.28$) and employees' actual perception ($M = 3.80, SD = 1.75; CI_{95} = 3.30; 4.29$) were no longer different in the intrapersonal awareness condition, $F(1, 111) = 0.45, p = 0.50, d = 0.09$. In addition, making managers aware of bias led to an increase in managers' rating, $F(1, 111) = 3.87, p = 0.052, d = 0.37$, and a directional decrease in employees' ratings, $F(1, 111) = 1.27, p = 0.26, d = 0.21$. For the test of our primary prediction (attenuated interaction), we achieved a statistical power of 0.90.

9.3. Discussion

Study 4a supported *Hypothesis 3*, showing that managers' transparency illusions were reduced when accuracy motivation was increased by making them aware that their feedback would not be as evident as they thought. Study 4a also showed that although the reduced transparency illusion in the awareness condition was a combination of a higher manager rating and lower employee rating, the correction on the manager side contributed relatively more to the interaction effect. It is possible that managers were somehow aware that they might overestimate how negatively their feedback would come across and corrected their bias primarily by adjusting their anticipated rating. The slight change in what managers communicated in the awareness condition may have occurred because (a) it is easier to adjust one's own anticipated rating than to give more candid feedback and (b) managers were not accountable for delivering the instructed performance rating accurately. The remaining two studies address this issue by holding managers directly accountable for the accuracy of their feedback at the interpersonal level (Study 4b) and at the organizational level (Study 4c). Thus, we expect to observe a significant correction on the employee side and not the manager side.

10. Study 4b: Interpersonal accountability

Study 4b manipulated accuracy motivation at the interpersonal level by making managers more accountable. Accountability generally implies that an individual's decisions and actions are monitored and evaluated by others (Lerner & Tetlock, 1999). When people feel that they are accountable to someone else, they are more likely to engage in self-critical and effortful thinking (Chaiken, 1980), are more aware of their own judgment processes (Hagafors & Brehmer, 1983), and are more likely to calibrate for their natural overconfidence in their own actions (Tetlock & Kim, 1987). For example, accountability has led to increased interview validity (Brtek & Motowidlo, 2002) and more attentive and accurate coding of another participant's task performance (Mero & Motowidlo, 1995). Thus, Study 4b aimed to test whether managerial accountability would reduce their transparency illusions.

Study 4b also aimed to examine whether accountability could be manipulated interpersonally. Most studies on accountability use exogenous, experimenter-induced manipulations (e.g., by telling participants that they will have to justify their responses to the experimenter after the study; see Pitesa & Thau, 2013). These manipulations do not reflect the social dynamics within organizations. Because being accountable not only means that one's actions are monitored by an organization but also that one is obligated to someone else (see Brtek & Motowidlo, 2002; London, Smither, & Adsit, 1997), an employee should be able to evoke a feeling of accountability in a manager. Thus, we tested whether receiving an explicit employee request for accurate feedback would reduce managers' transparency illusions. We predicted that the transparency illusions decrease when managers receive an explicit request from the employee to deliver their feedback as accurately as possible.

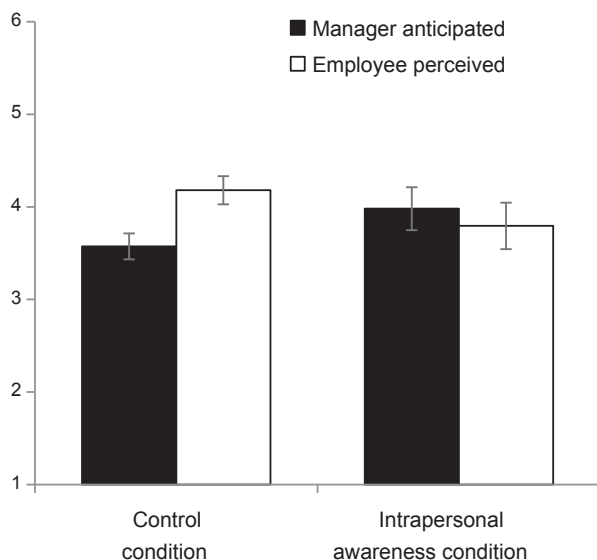


Fig. 4. Anticipated and actual understanding of employee performance rating by experimental condition in Study 4a. Performance rating scale ranged from 1 to 10. Error bars indicate ± 1 SEM.

10.1. Method

10.1.1. Participants and design

We recruited 208 participants from Mechanical Turk (mean age = 34.77, $SD = 10.99$; 44.2% female) in exchange for \$1.50 (manager role) or \$0.70 (employee role). Payment amounts were determined according to study length. The 104 dyads were randomly assigned to a control condition or an interpersonal accountability condition.

Sample size was determined in advance based on the effect size achieved in a pretest. Six dyads were excluded because managers did not give feedback to the employees as instructed (e.g., wrote about something unrelated to the task), leaving a total of 98 dyads.⁸

10.1.2. Task and procedure

The task and procedure was identical to Study 4a.

10.1.3. Interpersonal accountability manipulation

To manipulate interpersonal accountability, managers received different messages from the employee to which they would later give feedback. Managers in the *control condition* received a message stating: “Hello, I just wanted to say that I am looking forward to receiving your feedback. Thank you.” The message to managers in the *interpersonal accountability condition* was identical but contained an additional message which read “Could you please communicate your feedback regarding my performance during the past year as accurately as possible? I would like to understand your assessment of my performance during the past year as accurately as possible.”

10.1.4. Dependent measures

The illusion of transparency measure was identical to Study 4a. We collapsed the individual skill measures to an overall performance measure for both managers ($\alpha = 0.87$) and employees ($\alpha = 0.77$).

10.1.5. Manipulation check

To check the effectiveness of the manipulation, managers indicated (1) the extent to which the employee asked them to communicate the feedback as accurately as possible and (2) how important it was for the employee to understand the manager’s assessment as accurately as possible (1 = *Not at all*; 7 = *To a great extent*; $\alpha = 0.56$).⁹

10.2. Results

10.2.1. Manipulation check

The manipulation was effective. Managers in the accountability condition indicated that employees wanted more accurate feedback ($M = 6.81$, $SD = 0.45$) than in the control condition ($M = 4.16$, $SD = 1.19$), $F(1, 96) = 211.70$, $p < 0.001$.

10.2.2. Illusion of transparency

We then tested our main prediction that the illusion of transparency would be present in the control condition but not in the interpersonal accountability condition. The patterns in Fig. 5 support this prediction. We observed a significant interaction of the interpersonal accountability manipulation (between-dyad) and the reported performance rating by role (within-dyad), $F(1, 96) = 6.34$, $p = 0.012$, $\eta_p^2 = 0.07$. Specifically, managers in the control condition anticipated that they communicated the employee’s overall performance more negatively

⁸ The predicted attenuated interaction remained significant when all dyads were analyzed, $F(1, 115) = 4.50$, $p = 0.036$, $\eta_p^2 = 0.04$.

⁹ The low reliability coefficient is likely a reflection of the fact that the second item (i.e., how important it was for the employee to understand the manager’s assessment as accurately as possible) was less sensitive to the manipulation as most managers generally agreed that it is important for employees to have an accurate understanding of their performance. Nevertheless, both manipulation check items were significant in the predicted direction when analyzed independently ($ps < 0.001$).

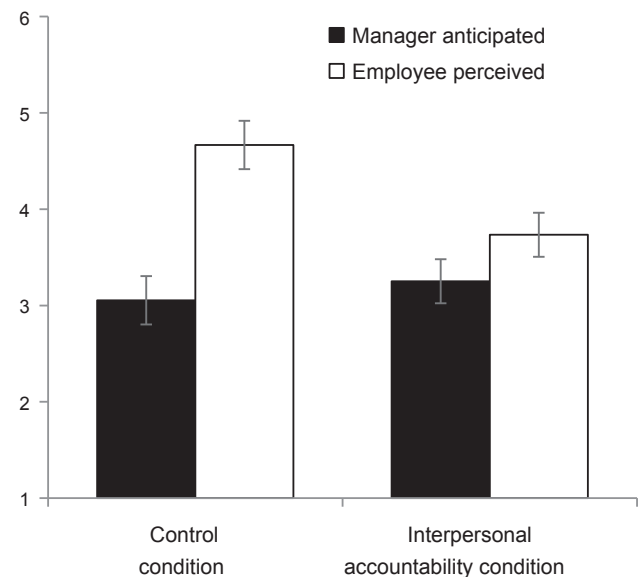


Fig. 5. Anticipated and actual understanding of employee performance rating by experimental condition in Study 4b. Performance rating scale ranged from 1 to 10. Error bars indicate ± 1 SEM.

($M = 3.05$, $SD = 1.63$; $CI_{95} = 2.56$; 3.55) than the employees actually understood ($M = 4.66$, $SD = 1.77$; $CI_{95} = 4.21$; 5.12), $F(1, 96) = 27.06$, $p < 0.001$, $d = 0.74$. However, managers’ anticipation ($M = 3.25$, $SD = 1.87$; $CI_{95} = 2.75$; 3.75) and employees’ actual perception ($M = 3.73$, $SD = 1.41$; $CI_{95} = 3.28$; 4.19) were no longer significantly different in the interpersonal accountability condition, $F(1, 96) = 2.43$, $p = 0.12$, $d = 0.22$. In addition, the accountability manipulation led to a significant reduction of employee ratings, $F(1, 96) = 8.31$, $p = 0.005$, $d = 0.58$, but did not affect manager ratings, $F(1, 96) = 0.31$, $p = 0.58$, $d = 0.11$. For the test of our primary prediction (attenuated interaction), we achieved a statistical power of 0.99.

10.3. Discussion

Study 4b showed that managers no longer suffered from transparency illusions when we activated their accuracy motivation through employee request for accurate feedback. In contrast to Study 4a, however, the bias correction occurred on the employee side while manager ratings were unaffected by the accountability manipulation. This is consistent with our earlier interpretation that managers in Study 4a may not have felt a sufficient sense of accountability to deliver their feedback more negatively and instead corrected their own rating. Overall, this study provides further support for the idea that a lack of accuracy motivation is responsible for the gap between managers and employees (Hypothesis 3).

11. Study 4c: Organizational incentives and the mediating role of communication directness

The final study manipulated accuracy motivation at the organizational level through incentives because firms can use these to direct the actions of their workforce (Gerhart & Fang, 2015; Lawler, 1981). For example, offering participants performance-contingent incentives can trigger systematic and deliberate decision-making (Stone & Ziebart, 1995) and can reduce the impact of cognitive biases (e.g., Simmons et al., 2010). The pervasive impact of financial incentives on peoples’ decision-making tendencies implies that they may be an effective means to enhance managers’ accuracy motivation. Thus, we predicted that making managers’ financial compensation contingent on the accuracy with which they communicate the negative feedback to their employees would reduce their transparency illusions.

An additional goal of Study 4c was to examine why increased accuracy motivation would reduce transparency illusions. According to our theory, increased accuracy motivation should cause managers to recognize that their intentions may not be fully apparent to their employees and, as a consequence, communicate more their feedback more directly by rephrasing or clarifying more what they mean (*Hypothesis 4*).

A final goal of this study was to test whether the effects documented in the previous experiments would hold when managers anticipated an ongoing relationship with employees. Although Study 1 established the presence of the illusion of transparency in a real organization where managers and employees share a common past and future, Study 4c made this contextual feature more explicit in an experimental context by instructing all managers to expect ongoing interaction with the employee.

11.1. Method

11.1.1. Participants and design

For the manager role, we recruited 105 participants from Prolific Academic (www.prolific.ac), an online participant pool maintained by the University of Oxford. All participants (mean age = 32.69, $SD = 10.94$; 49.5% female, 1.4% not reported) were residents of an English-speaking country (e.g., United Kingdom, United States, Canada) and reported English as their first language. Participants were paid \$1.50 (manager role). For the employee role, we recruited a larger sample of 1,000 participants from Mechanical Turk (mean age = 36.69, $SD = 25.85$; 51.1% female) who were paid \$0.30 for their participation. We used a larger sample for employees to reliably detect qualitative differences in managers' feedback directness across conditions. Each manager feedback was read and evaluated by an average of 9.5 employees (min = 7; max = 11).

Sample size was determined in advance based on the effect size achieved in a pretest. Eight manager observations were excluded because managers did not give feedback to the employees as instructed (e.g., wrote about something unrelated to the task), leaving a total of 97 manager observations and 924 employee observations.¹⁰

11.1.2. Task and procedure

The task and procedure was identical to Studies 4a and 4b. To further increase external validity, we explicitly told managers that they were in the middle of a long-term project and that the employee would continue to stay for the second half of the project. Thus, all managers were instructed to anticipate an ongoing relationship with each other (see also San Martin, Swaab, Sinaceur, & Vasiljevic, 2015).

11.1.3. Organizational incentives manipulation

To manipulate incentives, managers in the *organizational incentives condition* were told that they could earn a bonus of \$10 if the employee would be able to accurately estimate the exact performance rating (2 out of 10) purely based on the information conveyed in their written feedback. Managers in the *control condition* received no additional instructions or financial incentives.

11.2. Dependent measures

11.2.1. Performance rating

In order to make it feasible for managers to achieve the bonus, we simplified the dependent measure to a single overall performance measure, replacing the 3-item composite measure from the previous studies. Thus, managers reported their anticipated rating and

¹⁰ The predicted attenuated interaction remained significant when all dyads were analyzed, $\beta = -0.58$, $z = -4.15$, $p < 0.001$. The mediation by feedback directness also remained significant, $CI_{95} [-0.1379; -0.0234]$.

employees their perceived rating on a single 10-point scale (1 = *Poor overall performance*; 10 = *Excellent overall performance*).

11.2.2. Communication directness

Based on prior research (Liu, Chua, & Stahl, 2010; Niemann, Wisse, Rus, Van Yperen, & Sassenberg, 2014; Park et al., 2012), we measured communication directness using five items anchored on a scale ranging from 1 (*Strongly disagree*) to 5 (*Strongly agree*). Specifically, employees indicated to what extent the feedback they received was direct, upfront, straightforward, open, and frank ($\alpha = 0.91$). A factor analysis confirmed that all items loaded highly on a single factor.

11.2.3. Manipulation check

Participants in the manager role also indicated on two items 1) the extent to which their payment depended on the accuracy of their feedback and 2) the extent to which they were promised financial incentives to communicate their feedback as accurately as possible (1 = *Not at all*; 7 = *To a great extent*; $\alpha = 0.78$).

11.3. Results

11.3.1. Manipulation check

The manipulation was effective. Managers in the incentives condition perceived their payment to be more dependent on accuracy ($M = 5.49$, $SD = 1.50$, $CI_{95} = 5.06; 5.92$) than those in the control condition ($M = 3.02$, $SD = 1.87$, $CI_{95} = 2.47; 3.56$), $F(1, 95) = 51.72$, $p < 0.001$.¹¹

11.3.2. Illusion of transparency

We then tested our main prediction that the illusion of transparency would be present in the control condition but not in the incentives condition. Because employee observations were nested in manager observations (i.e., each manager feedback was received by multiple employees) and our study design included repeated measures at the dyadic level, we analyzed the data in STATA using the "xtmixed" command for multilevel linear modelling (Rabe-Hesketh & Skrondal, 2008).

The patterns in Fig. 6 support our prediction. There was a significant interaction effect of the incentives manipulation (between-dyad) and the reported performance rating by role (within-dyad), $\beta = -0.62$, $z = -4.32$, $p < 0.001$. More specifically, managers in the control condition anticipated that they communicated the employee's overall performance more negatively ($M = 3.99$, $SE = 0.18$, $CI_{95} = 3.63; 4.34$) than the employees actually understood ($M = 4.65$, $SE = 0.18$, $CI_{95} = 4.29; 5.00$), $\beta = 0.66$, $z = 6.39$, $p < 0.001$, $d = 0.30$. However, managers' anticipation ($M = 3.11$, $SE = 0.18$, $CI_{95} = 2.76; 3.44$) and employees' actual perception ($M = 3.14$, $SE = 0.18$, $CI_{95} = 2.80; 3.49$) were no longer significantly different when managers' financial compensation was contingent on feedback accuracy, $\beta = 0.04$, $z = 0.44$, $p = 0.66$, $d = 0.02$. In addition, both the ratings provided by the managers, $\beta = -0.88$, $z = -3.50$, $p < 0.001$, $d = 0.16$, and those provided by the employees, $\beta = -1.50$, $z = -5.93$, $p < 0.001$, $d = 0.28$, were lower in the incentive condition than in the control condition, suggesting that incentives not only eliminated the illusion of transparency but also generally led to more accurate feedback scores. For the test of our primary prediction (attenuated interaction), we achieved a statistical power of 0.99.

11.3.3. Communication directness

As predicted, we also found that the feedback was perceived as more direct by the employees in the incentives condition ($M = 4.36$, $SE = 0.04$, $CI_{95} = 4.29; 4.43$) compared to the control

¹¹ The two manipulation check items were also significantly different across conditions when analyzed independently ($ps < 0.001$).

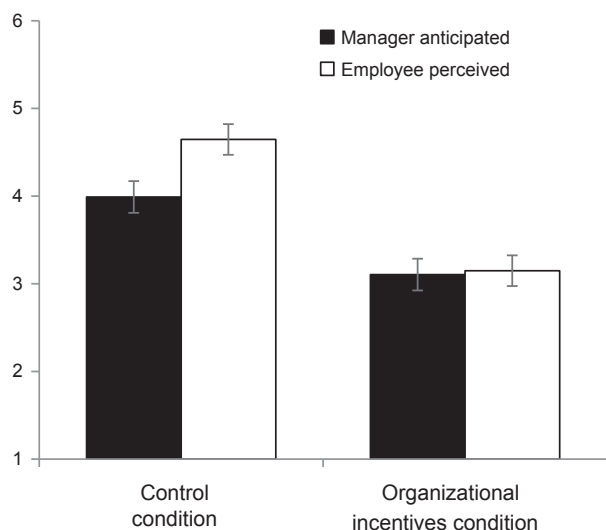


Fig. 6. Anticipated and actual understanding of employee performance rating by experimental condition in Study 4c. Performance rating scale ranged from 1 to 10. Error bars indicate ± 1 SEM.

condition ($M = 4.21$, $SE = 0.04$, $CI_{95} = 4.13$; 4.29), $\beta = 0.15$, $z = 2.68$, $p = 0.007$, $d = 0.17$.

11.3.4. Mediation analysis

To test whether the effect of incentives on managers' transparency illusions was driven by more direct communication (Hypothesis 4), we conducted a multilevel mediation analysis using STATA's "ml_mediation" command recommended by Krull and MacKinnon (2001). We used condition as the independent variable (0 = control condition; 1 = incentive condition), communication directness as the mediator, and the difference score between manager and employee ratings (i.e., employee rating minus manager rating) as the dependent variable. There was a significant indirect effect (5000 iterations) from condition to the difference score via communication directness, $CI_{95} [-0.0932$; $-0.0042]$. We also found a significant indirect effect when we used the employee rating as the dependent variable instead of the manager-employee difference score, $CI_{95} [-0.0812$; $-0.0024]$. Thus, accuracy incentives reduced transparency illusions because they encouraged managers to communicate their feedback more directly.

We also explored an alternative explanation that accuracy incentives would have led managers to simply provide more feedback. To test this account, we repeated the mediation analysis using the amount of words managers used in their written feedback as the mediator. However, no support was found for the mediating effect of word count, $CI_{95} [-0.0716$; $+0.1677]$.

11.4. Discussion

Study 4c provides additional evidence to support Hypotheses 1 and 3 by showing that managers no longer suffered from transparency illusions when their bonus was contingent on the accuracy of their feedback. In addition, Study 4c demonstrated that this effect emerged because managers communicated more directly (Hypothesis 4), and not because they simply communicated more. Finally, the study showed that the effect persisted even when managers were explicitly instructed to expect an ongoing relationship with the employee.

11.5. Internal meta-analysis

To demonstrate the robustness of the illusion of transparency and to obtain a better estimate of the true effect size free of publication bias we conducted an internal meta-analysis including 11 studies from the file

drawer (Cumming, 2014; Tuk, Zhang, & Sweldens, 2015). We found a moderate and significant main effect across all baseline conditions, $d = 0.44$, 95% CI [0.36, 0.52], $Z = 10.71$, $p < 0.001$, and a significant reduction of the effect size in the intervention conditions, $Q(1) = 8.78$, $p = 0.003$ (see Supplemental Online Materials for additional analyses).

12. General discussion

Existing research on performance appraisals provides recommendations for how managers can reduce the inflation of negative feedback (e.g., Fisher, 1979; Ilgen et al., 1979; Larson, 1986; Sussman & Sproull, 1999; Waung & Highhouse, 1997). This research assumes that feedback inflation is largely intentional, such that it requires awareness and deliberate action of the provider. Accordingly, feedback interventions with the goal of alleviating this inflation have primarily targeted the intentional aspect, for example by helping managers to feel more comfortable about giving negative feedback (Sussman & Sproull, 1999). Yet, research showing that people's cognitive biases have a pervasive impact and distort the communication process unconsciously (e.g., Keysar & Henly, 2002) suggests that some feedback inflation may be unintentional and thus additional or different interventions might be needed to strengthen feedback practices. Indeed, our studies consistently demonstrate that feedback inflation can occur due to an unintentional cognitive bias causing managers to overestimate the extent to which employees understand the negative feedback they intended to provide. We also revealed that this illusion of transparency can be reduced by making managers aware of this bias and by motivating managers to provide accurate feedback.

The studies designed to test our hypotheses have several strengths. Study 1 established the presence of the illusion of transparency in a real organization and showed that this bias is particularly pronounced for negative feedback. Study 2 replicated these effects using a homogenous participant sample and random assignment to conditions. Study 3 further established the robustness of these findings and showed that these effects are unlikely driven by self-view maintenance and social desirability concerns of the employee. Studies 4a, 4b, and 4c provided insight into managers' accuracy motivation as a mechanism. Specifically, they showed that managers' accuracy motivation could be activated by making them aware of their bias (Study 4a), through explicit employee requests for accurate feedback (Study 4b), and by making managers' incentives contingent on the accurate delivery of their feedback (Study 4c), and that doing so reduced their transparency illusions. Study 4c further established that the illusion of transparency is more likely to occur when feedback is provided with more indirect statements than with more direct messages. Overall, the results of our studies converge to show that managers suffer from transparency illusions, why this happens, and what managers, employees, and organizations can do to reduce such unintentional feedback inflation.

12.1. Theoretical contributions

12.1.1. Feedback inflation can be unintentional

The current studies contribute to and extend the feedback literature in a number of important ways. First, we demonstrate that the illusion of transparency is a pervasive bias that affects the accuracy with which feedback is delivered. This finding echoes various surveys and research reports that continue to show that managers consistently fail to communicate performance feedback clearly (Bloom & Van Reenen, 2010; Cannon & Witherspoon, 2005; Manzoni, 2002), and that this failure constitutes a major source of frustration in performance management according to HR professionals and employees (Mercer, 2013; SHRM, 2014). Introducing the illusion of transparency to the feedback literature is also an important contribution because it can help to account for unexplained variance in the miscommunication of performance feedback. Past research has primarily focused on rater intentions (see DeNisi & Smith, 2014) and relied on the assumption that feedback

providers have full control over what is being communicated and that what is being said reflects the provider's intention (e.g., Benedict & Levine, 1988; Bond & Anderson, 1987; Fang, Kim, & Milliken, 2014; Sussman & Sproull, 1999; Waung & Highhouse, 1997). Complementing this view, we show that managers suffer from unintentional biases when they communicate negative feedback. In other words, managers' intentions may not always be fully reflected in the transmitted feedback because they might not be aware that the information that they are communicating is not evident to the employee.

A question naturally following from our studies pertains to the relationship between intentional and unintentional feedback inflation and the conditions under which each of them emerges. According to past research, intentional feedback inflation is driven by the feedback provider's need to avoid retaliation and emotional harm (e.g., Fisher, 1979; Waung & Highhouse, 1997). Such tendencies are likely more pronounced for individuals who have a low tolerance for conflict (Bond & Anderson, 1987) or a high concern for others (Gerbas & Prentice, 2013; Van Lange, 1999). Intentional feedback inflation may also be fueled by interpersonal and contextual factors such as social distance (Weenig, Groenenboom, & Wilke, 2001), richness of the communication medium (Waung & Highhouse, 1997), or the extent to which organizational culture allows for open communication (Anicich, Swaab, & Galinsky, 2015). In contrast, unintentional feedback inflation can be explained by heuristic thinking and a lack of cognitive resources. The extent to which people suffer from cognitive biases, such as the illusion of transparency, may thus be affected by individual differences such as need for cognition (Cacioppo, Petty, Feinstein, & Jarvis, 1996) and domain-relevant expertise (Loschelder, Friese, Schaerer, & Galinsky, 2016; Wilson, Houston, Etling, & Brekke, 1996), or the extent to which organizational contexts are characterized by high attentional demands (see also Schaerer, Lee, Galinsky, & Thau, 2018). Although these factors may either influence intentional or unintentional feedback inflation, other factors may affect both types of inflation. For example, feedback providers who are high on agreeableness may be more likely to avoid interpersonal conflict (Graziano & Eisenberg, 1997; Jensen-Campbell & Graziano, 2001) and be more susceptible to anchoring biases (Eroglu & Croxton, 2010). Similarly, feedback valence affects both types of feedback inflation as people are more reluctant to share negative than positive information (Dibble & Levine, 2010) and that transparency illusions are more pronounced when feedback is negative rather than positive (see Studies 1–2). Finally, Study 4c demonstrated that providing incentives led to a reduction of both intentional and unintentional feedback inflation. Future research may investigate the antecedents and relative influence of intentional and unintentional feedback inflation more systematically.

12.1.2. Elucidating the mechanism underlying transparency illusions

The present research also contributes to our understanding of the illusion of transparency (e.g., Cameron & Vorauer, 2008; Gilovich & Savitsky, 1999; Gilovich et al., 1998) by identifying and testing an underlying mechanism. Although past research has established the presence of the illusion of transparency in a number of different settings, it did not provide a nuanced test of the mechanisms underlying the illusion. The present theory and empirical support provide a clear answer to the call by Gilovich et al. (1998) by showing that the illusion of transparency is driven by a lack of deliberate thinking and that motivating senders to be accurate communicators counteracts this unintentional bias. Our focus on performance feedback settings, which allowed for interaction between a provider (i.e., manager) and a recipient (i.e., employee), is also an important contribution to the illusion of transparency literature because prior research relied predominantly on context-deprived settings without any interaction between the target of the illusion and the respective audience (e.g., Gilovich et al., 1998; Keysar, 1994; Keysar & Henly, 2002; Newton, 1990, for an exception see Van Boven, Gilovich, & Medvec, 2003),

leaving it unclear as to whether transparency illusions also extend to interactive settings.

12.1.3. Increasing the external validity of accuracy motivation research

Finally, our results are relevant for research on accuracy motivation. We show that accuracy motivation is an important construct that applies to rich interactive feedback settings in organizations and not just context-deprived judgment and decision-making tasks (e.g., Lundgren & Prislun, 1998; Simmons et al., 2010; Thompson et al., 1994). Importantly, the finding showing that employees can trigger accuracy motivation (Study 4b) is a novel contribution to this literature because accuracy motivation and deliberate thinking are typically manipulated through experimenter-induced manipulations (e.g., Biesanz & Human, 2010; Darke et al., 1998; Thompson et al., 1994; Vasilopoulos, Cucina, & McElreath, 2005). To the best of our knowledge, we are the first to demonstrate that an interaction partner can trigger accuracy motivation through a social process. Thus, we also extend the literature on cognitive biases more generally, which does not currently address how biases can be reduced through an interaction partner, especially by someone who is ranked lower in the organizational hierarchy.

12.2. Practical implications

Managers often face severe time pressure, social responsibilities, and other contextual demands (e.g., DeVoe & Pfeffer, 2011; Simon, 1956; Wright, 1974) and may not be motivated enough to allocate sufficient cognitive resources to performance appraisals (e.g., Fiske & Taylor, 1991). Changing institutional norms to increase individuals' accuracy motivation in the workplace is a challenge for managers, employees, and organizations alike. Although interventions are available to reduce intentional feedback inflation, our research suggests that these tools may be insufficient and that training also needs to address the unintentional aspect of feedback inflation. Our studies suggest several ways how inaccurate feedback delivery can be avoided using theoretically motivated – but practically relevant – interventions at the intrapersonal, interpersonal, and organizational level.

Study 4a has practical implications for the individual manager. Specifically, our findings suggest that simply educating managers that their feedback may not be as evident to their employee was effective in reducing their unintentional transparency illusions. Although this intervention seems easy to implement, it should be noted that it resulted in both a significant correction on the employee side as well as an upward adjustment on the manager side. In addition, the pressures and demands many managers face in modern organizations may cause them to revert back to bad habits. Thus, organizations need to ensure that managers receive continuous training (Fischhoff, 1982) and constant reminders of the fact that they may be subject to biases during feedback delivery.

Study 4b demonstrates that employee requests for more accurate feedback delivery by the manager can be effective to receive more veridical feedback. Perhaps one drawback of such an employee intervention could be the fact that steep hierarchical structures often impede upward communication, making these requests more difficult to implement (Festinger, 1950; Morrison, 2011). However, such challenges could be mitigated, for example, by establishing a formal process through which employees voice their expectations and desires prior to the performance appraisal meeting, or by developing an organizational culture that facilitates open and honest communication between employees and their supervisors (Edmondson, 1999; Morrison & Milliken, 2000). Future research could further explore how the framing of such requests influences managers' accuracy motivation.

Finally, Study 4c has practical implications for how organizations' can prevent managers from delivering inaccurate performance feedback. Specifically, we have shown that making managers' financial compensation contingent on their feedback delivery was sufficient to

attenuate the illusion of transparency. In contrast to awareness (Study 4a) and accountability (Study 4b), incentives not only attenuated the manager-employee difference but also generally led to more accurate performance ratings (as compared to the rating managers were instructed to communicate). Thus, incentives not only eliminated the illusion of transparency, but also led to a reduction of intentional feedback inflation as managers reported significantly lower ratings in the incentives condition compared to the control condition. This implies that incentivizing managers to deliver their feedback accurately may also be a fruitful way to address deliberate inflation of negative information that has been documented in other research (e.g., Dibble & Levine, 2010; Rosen & Tesser, 1970; Waung & Highhouse, 1997). However, monetary incentives also come with the disadvantage that they are costly to administer, that they may make individuals feel under-appreciated, and that removing them later on is likely to reverse positive effects (Gerhart & Fang, 2015).

12.3. Limitations and future research

Our findings also have limitations that provide exciting opportunities for future research. First, although our studies focus on the most widely occurring situation in organizations in which feedback is communicated “downward” by a manager to an employee (Bies, 2013; Fisher, 1979; Heidemeier & Moser, 2009; Ilgen & Knowlton, 1980), future research could explore in greater detail whether our effects extend to “upward” feedback and peer feedback (see also Schaerer, du Plessis, Yap, & Thau, 2016). Research on power and employee voice suggests that the illusion of transparency may be even more pronounced in upward communication. Because of their rank and control over resources, managers exert a great deal of power over their employees and are less likely to be influenced by others (Keltner, Gruenfeld, & Anderson, 2003; Magee & Galinsky, 2008). Thus, managers should be less concerned about protecting themselves and others from the undesirable consequences associated with the delivery of negative feedback. Analogously, relatively powerless employees that speak up may be labeled as ‘troublemakers’ for communicating unfavorable feedback to their superiors (Morrison & Milliken, 2000), which may lead to more indirect upward communication. These predictions are supported by findings showing that the illusion of transparency also occurs in non-hierarchical relationships between close others (Vorauer & Sucharyna, 2013) and is especially pronounced for individuals with little power compared to those with a lot of power (Garcia, 2002). Thus, it is likely that our findings are relevant for downward, peer, and upward feedback alike.

Second, Studies 4a–4c revealed differential effects of the three accuracy motivation manipulations (awareness, accountability, and incentives) on manager and employee ratings. Although all three manipulations reduced the illusion of transparency, this attenuation was primarily driven by a correction on the employee side (Studies 4b–4c) but sometimes also by a correction of manager ratings (Study 4a). We believe that the latter effect emerged because managers were not held accountable to communicate the negative feedback and instead chose the “easy way out” by adjusting their own ratings. Indeed, Studies 4b and 4c showed that holding managers accountable led them to communicate their feedback more accurately because they did so in a more direct manner (Study 4c) rather than correcting their own rating. Thus, interventions that increase people’s deliberate thinking may have differential effects in dynamic, interpersonal settings where people have multiple ways of correcting for potential bias. Managers can adjust their own rating, communicate their feedback more negatively, or both. Since adjusting one’s own rating does not advance the goal of more accurate feedback delivery, future research could test more systematically when different types of accuracy motivation interventions trigger one reaction versus another. The present research suggests that interventions that aim to create greater manager accountability are more likely to reduce or completely eliminate their transparency

illusions.

Third, our research assumes that managers are generally insufficiently motivated to be accurate when they communicate feedback. A counterargument to this assumption is that aspects of our intervention studies that increased accuracy motivation and thus eliminated transparency illusions (e.g., awareness, training, tangible consequences) are already present in real-world situations. However, the idea that individuals are “cognitive misers” and only have a limited amount of cognitive resources available is not new and has been a basic premise of much behavioral and organizational research (Fiske & Taylor, 1991; Kahneman, 2003; Simon, 1982). After all, managers are under constant time pressure (DeVoe & Pfeffer, 2011), have to handle challenging and straining tasks (Campbell, 1988), and deal with conflicting role demands (Anicich & Hirsh, 2017; Rizzo, House, & Lirtzman, 1970). Thus, it is not surprising that real-world professionals are as prone to suffer from superficial processing and biases as our field study (Study 1) and other research has demonstrated (Barnes, 1984; English, Mussweiler, & Strack, 2006; Northcraft & Neale, 1987). In addition, one could argue that most managers with supervisory responsibilities are properly trained in giving accurate feedback. Yet, our field study (Study 1) and the pilot study reported in footnote 7 found no effect of managers’ supervisory experience or amount of feedback training on the size of their transparency illusions. Furthermore, although most feedback training has focused on eliminating halo effects, increasing observational accuracy, distinguishing performance dimensions, and reducing intentional feedback inflation (DeNisi & Murphy, 2017; Roch, Woehr, Mishra, & Kieszczyńska, 2012; Smith, 1986; Waung & Highhouse, 1997), there is little training available that is concerned with eliminating unintentional inflation of feedback.

Finally, the present research has focused on the delivery of accurate feedback as one goal of performance appraisals. Yet, there may be other goals of performance appraisals such as ensuring employee well-being and retention, and these goals could potentially conflict with the accurate delivery of feedback. Although communicating feedback less accurately and directly may sometimes be desirable (e.g., to maintain harmony), managers should at least be aware of this decision before delivering negative feedback more positively than intended.

12.4. Conclusion

As managers often fail to deliver corrective feedback accurately and a younger workforce increasingly demands candid feedback, scholars and practitioners need to understand how feedback can be delivered more effectively. Combining insights from the literatures on feedback, the illusion of transparency, and accuracy motivation, we proposed that managers suffer from unintentional transparency illusions when delivering negative feedback because they lack accuracy motivation. Our approach is a departure from the traditional approach to treat feedback inflation as intentional and complements this view by showing it also has an unintentional component. Our results show that when managers communicate negative feedback, they do this more clearly when their accuracy motivation is high, reducing and sometimes completely eliminating their transparency illusions.

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Appendix A. Supplementary material

Supplemental online materials, data, and syntax can be accessed at https://osf.io/k3t9r/?view_only=

643e33f20a814088bc6c3637e438c2c. Supplementary data associated with this article can be found, in the online version, at <http://dx.doi.org/10.1016/j.obhdp.2017.09.002>.

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