



Performance Management

How Toxic Leadership can Undermine and Destroy Effective Performance Management Systems

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Executive summary

Most of the research on leader effectiveness has focused on the positive side of leader behavior. However, there is evidence that toxic leaders can seriously undermine organizational life through creating a climate of intolerance and incivility. The research suggests that managers do not always act in an ethical fashion when promoted to positions of power. This CQ Dossier describes toxic leadership and how this negative form of leadership can disrupt effective performance management. The dossier also provides recommendations on how best to deal with toxic leaders within a performance management system.

How toxic leadership undermines effective performance

Toxic leaders tend to fail mainly due to negative [personality traits](#) of narcissism, psychopathy and Machiavellianism, collectively referred to as the “Dark Triad” (Paulhus & Williams, 2002). Leadership research typically finds that in terms of managerial derailment, those leaders who fail tend to have negative personality traits (Hogan & Hogan, 2001). This derailment can lead to problems in establishing effective performance management systems because [toxic leaders](#) find it difficult to have quality relationships with their subordinates. For organizations to establish an effective performance management system, it is important to identify and deal with toxic leaders who can impede effective performance appraisals through creating conflict within a group.

In a recent review, Narcissism, hubris and Machiavellianism were identified as three core dark traits of leadership (Judge, Piccolo, & Kosalka, 2009). Together these traits can disrupt the organizational environment through deviant behavior that impedes effective performance management.

Narcissistic Managers can impede accurate performance ratings

Narcissistic managers tend to view others as inferior to themselves often being insensitive and hostile towards others. They tend to interpret information with a self-

serving bias and their decisions lean towards enhancing their own reputation rather than for the good of others (Judge et al., 2009). This tendency to devalue others can reduce accuracy in ratings because narcissists tend to focus more on their own performance rather than others. This makes it difficult for them to view others in a favorable light and so can lead to ineffectiveness in a performance appraisal review.

Managers with hubris show resistance to feedback

Managers with a high degree of hubris tend to perceive themselves as much more positive than a realistic assessment shows. Having high hubris can be detrimental to an effective performance management system because these managers tend to be very defensive when they receive critical feedback (Baumeister et al., 2003). They will question evaluators' competence and devalue negative evaluations. Because managers set an example for others this can result in a climate where feedback is not well received due to a lack of trust between participants in the performance review. Moreover, one of the negative consequences of hubris is that these leaders tend to engage in irrational decision-making and this can lead to poor decisions regarding employee development and promotions (Hayward & Hamrick, 1997).

Machiavellianism leads to an ineffective performance management system

Individuals who score high on Machiavellianism tend to be cunning, manipulative and will use whatever means necessary to gain political power. Machiavellian leaders lie, manipulate and forcefully persuade followers towards the mission of the leader rather than the organization. Moreover, they are politically oriented, seek control over their followers and demonstrate natural talent for influencing others. Because Machiavellian leaders do not adhere to moral or ethical standards they are more likely to break the standards of an effective performance management system. This can include tactics such as promoting themselves over others and not being ethical in promoting those who have demonstrated performance excellence in the organization.

Overall, toxic managers can create environments that are miserable for their subordinates so this has an impact on the firm and the management of effective performance (Hogan & Kaiser, 2005). The most frequent reason for management derailment is insensitivity to others (McCall & Lombardo, 1983) and this can seriously undermine an effective performance management system especially as these derailed managers have relationship problems and are seen as abrasive and intimidating under stress. (Morrison, White, & Van Velsor, 1987).

How to reduce the effect of toxic leadership on effective performance management

Many toxic managers end up being derailed so it is important that organizations first ensure that they select and promote individuals who do not score high on the dark triad of personality traits. There are also other interventions that organizations can use to deal with toxic leaders who create a poor environment for effective performance.

HR Function can be catalyst for change

It is important that the HR Resource Function is valued in the organization because this function allows the HR professional to openly discuss toxic behavior with the manager. HR professionals within the firm are in a unique position in that they are the first to hear complaints about toxic behavior by managers. Moreover, they can get insights into behavior through performance management reviews, thus allowing HR professionals to initiate feedback and conversations on how to deal with the toxicity.

Selection is important in identifying toxic leaders although there are challenges because derailed managers tend to resemble successful leaders. Both tend to be intelligent with high potential and so it is hard to select those managers who will be successful. However, HR selection practices can focus on those dark traits to identify early on managers who will derail. These toxic managers tend to be less self-aware, have inflated self-evaluations and are unable to learn from experience. Assessing these qualities might identify problem candidates during selection (Lombardo & Eichinger, 2006).

Another way in which toxic leadership can be thwarted is through aims to develop derailed managers. Toxic leaders tend to lack self-awareness and so the HR function can be utilized to provide feedback to managers on how subordinates perceive them. This can help raise self-awareness and reduce the limitations of toxic managers. Feedback does enhance self-awareness (Kluger & DeNisi, 1996). In addition, most ratings focus on the successes of management and employees so inclusion of ratings that measure destructive behavior can be included in an effective performance management system.

In conclusion, it is important that organizations recognize that some managers have toxic personality traits that are deleterious to the effective performance of employees. However, human resource management practices show that organizations can implement interventions so that toxic managers have less influence on effective performance management systems.

Key take-aways

- Managers do not always act in an ethical fashion when promoted to positions of power
- Toxic leadership can disrupt effective performance management
- Organizations should identify and deal with toxic leaders who can impede effective performance appraisals
- Toxic Managers can impede accurate performance ratings
- HR Function can be catalyst for change
- HR selection practices can identify individuals who are toxic
- Inclusion of ratings that measure toxic behavior can be included in an effective performance management system

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