Lecture 5. Performance Appraisal Biases

By

Husam Al-Najar
Managers commit mistakes while evaluating employees and their performance. Biases and judgment errors of various kinds may spoil the performance appraisal process.

Bias here refers to inaccurate distortion of a measurement.
1. **Contrast:** This occurs when the manager compares an employee’s performance to other employees instead of the company standard. When employees are ranked in comparison, someone must end up at the bottom, even if they are exceeding the company standard. The problem isn’t the employee – it’s the goal or standard that has been set.

**Example:**

We have a sales department with 10 people.

Each sales person has a goal to sell $1M annually.

It’s the end of the year and time for performance evaluations.

The manager ranks everyone in the sales team by annual sales and wants to give the biggest increase to the person who sold the most and the smallest increase to the person who sold the least. Makes sense, right?

What if I told you that the person who sold the least, sold $10M? They sold 10 times their goal.

Somehow it doesn’t seem right to give the smallest increase to a person who significantly exceeded their goal. Because the problem isn’t the person. It’s probably that the goal is too low.
2. **First Impression (primacy) effect:** Raters form an overall impression about the rate on the basis of some particular characteristics of the rate identified by them. The identified qualities and features may not provide adequate base for appraisal.

3. **Halo Effect:** The individual’s performance is completely appraised on the basis of a perceived positive quality, feature or trait. In other words this is the tendency to rate a man uniformly high or low in other traits if he is extra-ordinarily high or low in one particular trait.

**Example:**

If a worker has few absences, his supervisor might give him a high rating in all other areas of work. Put differently, hallo is a tendency to let our assessment of an individual on one trait influence our evaluation of that person on other specific traits. Managers often do this when they have a generally good relationship with the person they are rating and do not want to be too harsh or when they really like an employee and, thus, allow their personal feelings about this employee to influence their performance ratings. This is a very common type of error and is also one that is very difficult to correct.
4. **Horn Effect:** The individual’s performance is completely appraised on the basis of a negative quality or feature perceived الملامح والسمات المحسوسة.

This results in an overall lower rating than may be warranted.

It is imperative to mention that in contrary to horn error, halo effect is letting a single strength of an employee determine the overall rating.

In horn error, however, the individual’s performance is completely appraised on the basis of a single negative quality or feature perceived.

This results in an overall lower rating than may be warranted

**Example:** On the basis of the fact that an employee is not formally dressed up in the office, managers might judge that he may be casual at work too.
5. **Proximity Error:** Proximity error comes about from the way in which the various items have been placed or ordered on the rating form. Sometimes referred to as an order effect, this error illustrates the influence that surrounding items have on the rating one gives a person on a particular item.

**Example:** If the preceding item was a trait on which the individual was given a very favorable rating, the rater may tend to let the favorable response carry over to the next item on the list.

There is always the possibility of the reverse reaction occurring. If the preceding items have been on traits in which the worker was generally rated high, the supervisor may give a rather unfavorable score when the rater gets to a trait in which the worker truly deserves only a "moderate" ranking, simply because of the contrast effect of the preceding items.
6. **Excessive Stiffness or Lenience:** Depending upon the raters own standards, values and physical and mental makeup at the time of appraisal, rates may be rated very strictly or leniently. Some of the managers are likely to take the line of least resistance and rate people high when a manager has a large span of control, whereas others, by nature, believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe. The leniency error can render a system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among the employees.

7. **Central Tendency:** Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. For example, a professor, with a view to play it safe, might give a class grade near the equal to B, regardless of the differences in individual performances.
Strictness, central tendency, and leniency performance ratings
8. Personal Biases: The way a supervisor feels about each of the individuals working under him - whether he likes or dislikes them - as a tremendous effect on the rating of their performances. Personal Bias can stem from various sources as a result of information obtained from colleagues, considerations of faith and thinking, social and family background and so on. Spence and Keeping (2013) argue that it is difficult, if not impossible, for a manager to have an intention for appraisal without considering the performance of whom he is evaluating.
9. **Spillover Effect:** The present performance is evaluated much on the basis of past performance. “The person who was a good performer in distant past is assured to be okay at present also”.

10. **Recency Effect:** Rating is influenced by the most recent behavior ignoring the commonly demonstrated behaviors during the entire appraisal period.

11. **The Similar-to-Me Effect:** The similar-to-me effect is an interesting concept, but we see it in both nature and in the workplace. People are prone to favor someone who is similar to them. Men rate men higher than women. Women rate women higher than men. Older employees rate their contemporaries higher than younger employees. The list of possible similarities is huge. Similarity in age, gender, race, and experience all affect ratings. Even similar work habits, similar attitudes, or similar personalities lead to inflated ratings. The similar-to-me effect is everywhere – it shows up when rating supervisors, rating subordinates, and rating peers.
**Biases Example**

<table>
<thead>
<tr>
<th></th>
<th>Job Rating Scale</th>
<th>Job Rating Scale</th>
<th>Job Rating Scale</th>
<th>Job Rating Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Halo</strong></td>
<td>EXCELLENT on all factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leniency</strong></td>
<td>Job Rating Scale Employee A EXCELLENT</td>
<td>Job Rating Scale Employee B EXCELLENT</td>
<td>Job Rating Scale Employee C SUPERIOR</td>
<td>Job Rating Scale Employee D EXCELLENT</td>
</tr>
<tr>
<td><strong>Central Tendency</strong></td>
<td>Job Rating Scale Employee A AVERAGE</td>
<td>Job Rating Scale Employee B AVERAGE</td>
<td>Job Rating Scale Employee C AVERAGE</td>
<td>Job Rating Scale Employee D AVERAGE</td>
</tr>
<tr>
<td><strong>Recency Bias</strong></td>
<td>Job rating scale behavior during the last month has been POOR.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A GOOD APPRAISAL SYSTEM

Practicality
Validity
Reliability
Freedom from bias
Practicality
Fit with strategy
Acceptability

Appraisals failure due to

Unclear Language
Manager not taking PA seriously
Lack appraisal skills
Manager not prepared
Insuff. Rewards
Manager Lacks Infor.
Ineffective discussion
Manager not honest or sincere
No on-going feedback
Legal and Ethical Issues in Performance Management

**Legal:** Performance management processes are often scrutinized in cases of discrimination or dismissal.

**Ethical:** Employee monitoring via electronic devices and computers may raise concerns over employee privacy.