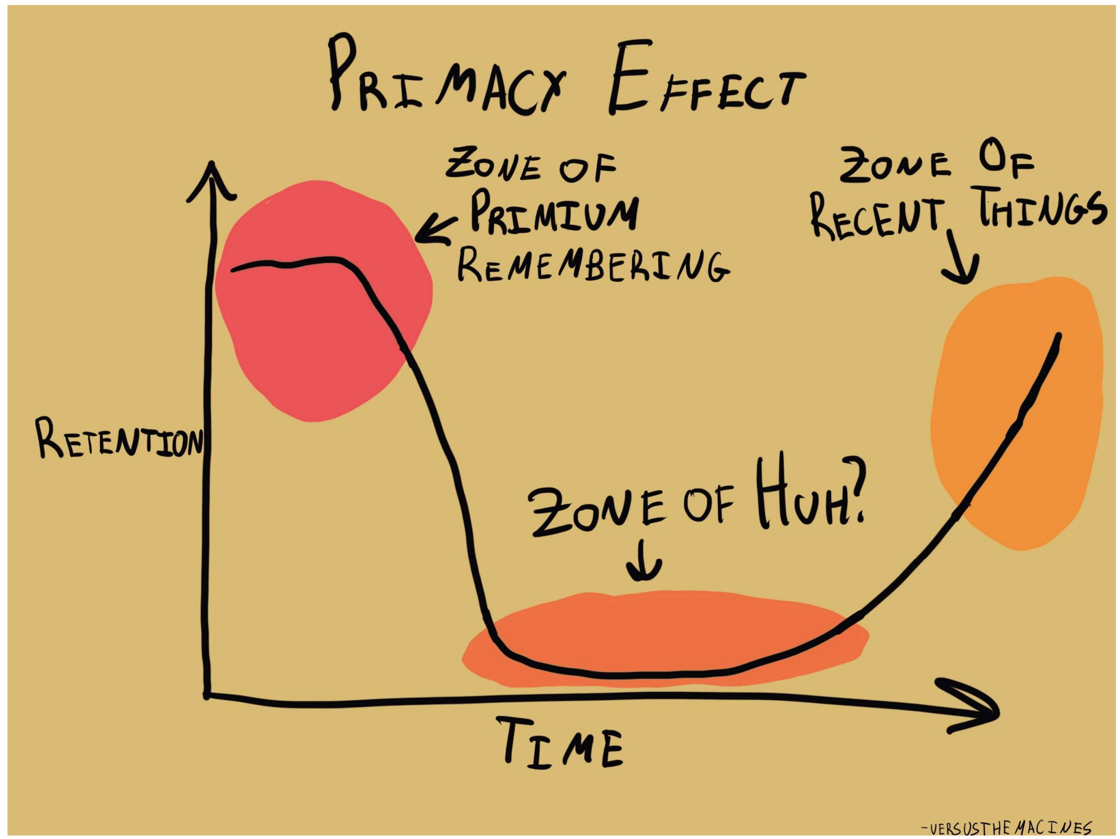
Performance Appraisal Biases

Primacy Effect

The *primacy effect* is the tendency to remember the first piece of information we encounter better than information presented later on.



Recency Bias

Rating is influenced by the most recent behavior ignoring the commonly demonstrated behaviors during the entire appraisal period.

If someone recently rocked a presentation, that recent performance will loom larger in a manager's mind. Why? Because it's easier to remember things that happened recently.

Halo Effect

An individual's performance is completely appraised based on perceived positive quality, feature, or trait.

For example, if a worker shows presenteeism at work, his supervisor might give him a high rating in the other areas.

Horn Effect

The individual's performance is completely appraised on the basis of a negative quality or feature perceived.

For example, "He is not formally dressed up in the office. He may be casual at work too!"

Central Tendency

Appraisers rate all the employees as average performers.

Leniency Bias

Leniency bias occurs when managers give favorable ratings even though they have employees with notable room for improvement.

Spillover Effect

It simply means the previous performance rating affects the current rating, irrationally.

For example, A man was awarded as a ‘star performer’ last year as he got the highest rating. This year his performance was not up to the mark even then, he was rated as a ‘star performer’

Identify the type of Performance Appraisal being used here.

A marketing agency uses a system where employees receive feedback from multiple sources, including their peers, supervisors, and even clients. The feedback focuses on collaboration, leadership, and communication skills. The manager consolidates this feedback to create a comprehensive performance report.

360 Degree

Identify the type of Performance Appraisal being used here.

In a software development firm, each employee sets specific goals with their manager at the beginning of the quarter. At the end of the quarter, the employee and manager meet to evaluate how well the goals were achieved. The discussion revolves around measurable outcomes and whether the objectives were met.

Management by Objective

Identify the type of Performance Appraisal being used here.

A customer service department uses a performance appraisal system that evaluates employees based on predefined behavioral indicators. For example, a scale from 1 to 5 is used to rate an employee’s ability to handle difficult customers, where 1 represents “Fails to resolve customer complaints” and 5 represents “Resolves complaints efficiently while ensuring customer satisfaction.”

Behaviorally Anchored Rating Scale

Identify the type of Performance Appraisal being used here.

A retail store manager keeps a record of significant events related to employee performance, such as successfully resolving a major customer complaint or failing to follow store protocols. During appraisals, the manager discusses these incidents to highlight strengths and areas for improvement.

Critical Incident Method

What is the primacy effect in performance appraisals?

a) Giving higher ratings to employees who are similar to the manager
b) Overemphasizing an employee’s most recent performance
c) Letting the first impression of an employee dominate the evaluation
d) Judging an employee based on their personal traits rather than their performance

Which of the following is an example of the halo effect?

a) A manager rates an employee highly in all areas because they excel in one task.
b) A manager focuses only on the employee’s recent performance.
c) A manager gives lower ratings to employees who have different work styles.
d) A manager uses peer feedback to evaluate an employee.

What is recency bias?

a) Focusing on an employee’s first impression
b) Giving higher ratings to employees with similar characteristics
c) Overemphasizing the most recent events in an employee’s performance
d) Comparing employees against each other rather than against standards

A manager gives better ratings to employees who share similar interests and backgrounds. This is an example of:

a) Recency bias
b) Similarity bias
c) Horns effect
d) Central tendency bias

Which bias occurs when a manager rates an employee poorly in all areas due to one negative trait or behavior?

a) Primacy effect
b) Halo effect
c) Horns effect
d) Recency bias

Scenario: A manager rates an employee poorly in all areas because they missed a critical deadline, even though their overall performance was excellent.

•**Question**: What type of bias is being exhibited?

Horn Effect

Scenario: During appraisals, a manager focuses only on the last two months of an employee’s performance and ignores their earlier achievements.

Question: What type of bias is being exhibited?

Recency Bias

Scenario: A manager consistently rates employees with similar work styles and interests higher than others, even if their performance is comparable.

Question: What type of bias is being exhibited?

Similarity Bias

Scenario: An employee who performed exceptionally well on a high-profile project early in the year receives the highest appraisal rating, despite underperforming in subsequent tasks.

Question: What type of bias is being exhibited?

Spillover Bias

Scenario: A manager avoids giving very high or very low ratings to employees, assigning most of them an average score regardless of their performance.

Question: What type of bias is being exhibited?

Central Tendency Bias

ABC Tech is a growing software development company with 800 employees. The company relies on annual performance appraisals to evaluate employees, determine bonuses, and identify candidates for promotions. Despite its structured appraisal process, dissatisfaction among employees has been rising, with many questioning the fairness of the evaluations.

The Problem

An internal survey revealed the following issues:

1. **Perception of Bias**: 60% of employees felt their appraisals were influenced by subjective factors rather than objective performance metrics.
2. **Recency Bias**: Managers tended to focus on the most recent accomplishments or mistakes, neglecting the employee's performance over the entire appraisal period.
3. **Halo/Horns Effect**: Employees who performed exceptionally well (or poorly) in one task were consistently rated higher (or lower) across unrelated performance areas.
4. **Similarity Bias**: Managers were more likely to give favorable ratings to employees who shared similar backgrounds, interests, or work styles.
5. **Gender Bias**: Women reported receiving less credit for team achievements compared to their male counterparts, despite equal contributions.

Discussion Questions:

1. What strategies should ABC Tech implement to further reduce bias in appraisals?

2. How can organizations balance subjective and objective measures in performance evaluations?

3. What role does technology (e.g., AI-driven appraisal tools) play in minimizing biases?