

4 unconscious biases that distort performance reviews

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Objectivity is the foundation of an effective performance appraisal system.

You want a system in which your top performers are recognized and then given opportunities to advance their skills while low performers are given the advice and motivation they need to improve their performance. Unfortunately, this isn't always the case.

A study found that nine in 10 HR leaders don't believe annual performance reviews result in accurate information.

Imagine you have a talented employee that gives 110 percent but finds their performance evaluation doesn't reflect all their hard work. Eventually, their disillusionment will turn into disengagement. Then they'll begin to look for another job, where they feel their work will be appreciated. The study reported that the No. 1 reason Americans leave their job is because they don't feel appreciated.

Whether we realize it or not, our brain has a natural tendency to sort information into groups in order to process it easier. This can lead us to make snap judgments about a person without even realizing it. Some psychologists call this the halo effect. They found that on average 61 percent of a rating is based on the judgments of the rater rather than the ratee. When one person's unconscious bias is applied to performance appraisals, it can lead to inaccuracy, favoritism and even discrimination, based on their age, sex, race or sexual orientation.

Fortunately, there are ways to mitigate the effects of unconscious bias. Here are four common types of bias that affect performance appraisals and how to overcome them.

1. Central tendency bias.

This is one of the most common forms of bias that can impact your performance reviews. Whenever you have a five or three point scale, raters have a tendency to lump the majority of their employees in the middle. This happens most often when managers have a low performer and just can't bring themselves to give them a low score, fearing they'll damage their employee's confidence. This is actually worse for low performers, as it doesn't clue them in to the fact that they need to improve, or give them any valuable information about what they need to focus on.

How to overcome it

In the past, to overcome this natural tendency tactics, such as forced rankings, were used to push managers to rank each of their employees against each other. But as we have seen, forced or . Ranking employees against each other creates high competition and animosity within teams. Rather than working together, teams begin to work against each other to receive a higher score.

To overcome central tendency bias, base performance appraisals on specific competencies.

Everyone has their strengths and weaknesses. Maybe one of your employees is not a strong public speaker, but they're a good writer. Rather than

focusing on public speaking, push them to improve their writing skills, and give them assignments that allow them to build this strength.

The most valuable information an employee can get from the review process is . Encourage managers to really highlight both in each employee's review so that afterwards they can create an effective development plan.

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2. Recency and spillover bias.

Our ability to recall an employee's performance can also have a major impact on their results. Accurately remembering how each employee did throughout the year is almost impossible. It can be especially difficult to recall projects that were completed during the first and second quarter.

Recency bias occurs when managers rate an employee based on their most recent performance - forgetting about the entire picture. Alternatively, spillover bias occurs when managers continue to rate an employee based on past performance, failing to take into account recent improvements.

Forgetfulness on the part of the rater can actually lead an employee to be over or under valued for their work. This is especially demotivating for employees, who show improvement later in the year but continue to be rated based on their previous performance.

How to overcome it

Ditch the annual review. It's much easier for people to recall the performance of an employee over the course of three months than over the

course of a year. Consider implementing quarterly or bi-annual reviews. This doesn't have to take up more time. There are that can help you set up reviews quickly and more frequently.

3. Negativity bias.

With more frequent reviews, you also want to make sure that your employees are getting the most out of the information they receive. When employees are used to getting feedback, they're more likely to know how to analyze and use it effectively - although some people have to learn this skill. People have a natural bias towards negative situations. This is a natural defense mechanism that helps us remember and avoid dangerous situations.

Negativity bias can also get in the way of our professional development. Instead of learning from constructive feedback, it can instead induce fear or anger.

How to overcome it

Help your employees develop an open mindset to feedback by giving it continuously throughout the year and coaching them on how they can analyze the information they receive. , and stay on top of goals.

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4. Halo Effect, confirmatory and similarity bias.

These types of bias are based on our perceptions of others. The halo effect occurs when managers have an overly positive view of a particular employee. This can impact the objectivity of reviews, with managers

consistently giving them high ratings and failing to recognize areas for improvement.

Whether positive or negative, we also have a natural tendency to confirm our pre-conceived beliefs about people in the way we interpret or recall performance, known as confirmatory bias.

For example, a manager may have a preconception that their male report is more assertive. This could cause them to more easily recall instances in which they asserted their position during a meeting. On the other hand, they may perceive their female report to be less assertive, predisposing them to forget when they suggested an effective strategy or were successful in a tough negotiation.

The halo effect is often a consequence of people having a similarity or affinity bias for certain types of people. We naturally tend to favor and trust people who are similar to us. Whether it's people who also have a penchant for golf or people, who remind us of a younger version of ourselves, favoritism that results from a similarity bias can give certain employees an unfair advantage over others. This can impact a team to the point where those employees may receive more coaching, better reviews and, as a result, more opportunities for advancement.

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How to overcome it

Basing performance on one person's perception makes biased reviews much more likely. Instead, 360-degree reviews allow each employee's performance

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to be assessed from multiple sources, including managers, colleagues and reports. Reviews based on multiple perspectives can help to factor bias out of the equation.