

# Performance appraisal bias and errors: The influences and consequences

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## ABSTRACT

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Individual performance evaluation (PE) provides a link between individual performance and organizational performance. PE is of considerable importance in human resource management (HRM). Lack of evaluation in various organizational dimensions, such as evaluation of resources and facilities, employees, and organizational goals and strategies is considered a serious disadvantage of organizations. Moreover, lack of evaluation in a system is regarded as lack of communication with internal and external environments which leads to organizational senility and, ultimately, death. In this paper a meta-analysis is used to review literature from various sources available on performance appraisal and influences of bias and errors in evaluation in Sabzevar. The results showed that PE system can result in improvement of the performance of both employees and organizations. Decrease in errors and bias can bring about employee performance improvement as well as an increase in satisfaction with and efficiency of evaluation system.

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## Introduction

In order to align individual employee performance goals with organization's wider objectives, goal setting, monitoring and evaluation organizations are assumed to be incorporated into a unified and coherent framework. Such horizontal type of alignment indicates the presence of an internally consistent employee performance management system. Employee performance management practices include goal-setting, i.e. planning, monitoring (feedback), and evaluation-appraising. This three-step recommendation is suggested by several researchers in

the field. Performance is operationalized into task performance and organizational citizenship behavior.

Performance appraisal is a crucial issue in human resource management (HRM) and is an important responsibility of managers and supervisors. In order to attain organizational goals, an organization needs greater awareness of its position. Such awareness increases knowledge of strengths and weaknesses in organizational performance and behaviors which help provide compensation. Moreover, in an attempt to improve its human resources (HR) and, thus, increase production volume and services, an organization needs to develop awareness of personnel efficiency.

Since humans are the greatest assets and play a key role in achievement of organizational purposes and goals, it is essential that those superior to other individuals in organizations know what factors motivate humans to reach better performance. If organizational management or leadership takes this important issue into consideration, it should put a great deal of emphasis on HR development in goal setting and attainment of its organizational goals, strategies, and policies. To enrich HR and to provide for effective investment in it, as well as develop knowledge of capacities, capabilities, strengths, and weaknesses, access to HR performance appraisal is considered essential. According to HR management theories providing employees with feedback enables them to set specific high goals and help them see the relationship between what they are doing and the outcome they can expect, that is goal attainment (Ford, Latham, & Lennox, 2011).

Most organizations resort to less responsive, inferior, and fixed interval, i.e. annual, performance reviews. However, both management scholars and practitioners point out the limitations of annual performance review. At best, such evaluation only partially captures an employee's performance. The question is how managers can move from the inexpensive, but problematic fixed interval performance review schedule to a continuous performance review process. The answer is providing feedback on a variable interval schedule. In management and HR literature, periodic evaluation of performance, which is often referred to as performance appraisal, is seen as a formal procedure whereby work performance is measured and documented (Schermerhorn, Hunt, & Osborn, 2008). The periodic evaluation of performance has been highly researched in management literature. More than a decade ago, Meyer (1991) noted that there have been literally thousands of articles on this topic in relevant journals during the last seventy five years.

Consider that a manager and his employee are meeting for a periodic performance review. The manager presents the performance data he has diligently collected and the conclusions along with a judgment on whether the employee's performance met the expectations. The meeting ends with a plan for what the employee needs to do to improve his performance. The employee listens, signs the performance review, and leaves wondering how the manager obtained all the performance data he had diligently collected. Too often this scene plays out in organizations. Managers collect evidence, judge it, and then tell their employees what to do to improve their work and to meet periodic performance expectations. Their problem is to get employee's commitment to stick to a performance improvement plan when the assessor's advice is regarded as old, inaccurate, distorted by observational errors, judgment is perceived as biased or misinformed, or performance expectations are considered too high, misinterpreted, or misinformed. Evaluating performance of others is no easy task. There are significant evidences that both those performing the evaluation and those receiving performance evaluation (PE) often find the process unpleasant (Meyer, 1991).

As conceptualized in the literature, employee performance improvement depends on six component parts. According to Latham, Almost, Mann, and Moore (2005), employees should be evaluated and then coached by a process where their performance is observable, under an employer's control, critical to implementation of organization's strategy, based on factors both the coach and employee know ahead of time, provided to an employee using objective descriptive behavioral statements, and documented for future reference of performance changes.

### **The Literature Review**

The literature continues to burgeon with multiplying terms which refer to PE, namely merit rating, appraisal, evaluation, performance report, performance appraisal, personnel evaluation, audit, and survey (Haji Sharif, 1992). PE refers to a hierarchy of formal actions aimed at rating the performance of employees in a given time period. It involves evaluating all visible actions in the light of value criteria for decision making purposes.

Evaluation of personnel competence is the systematic and disciplined measurement of individuals' work with regard to their accomplishment of assigned responsibilities and duties and determining their potential for growth and development. It is a process through which employee's performance is formally appraised in specific time intervals (Saadat, 1996).

Through evaluating employee performance managers can not only make decisions about employee transfer and redundancies through identification of extra forces, but also can decide about employee promotion, progress, and appointment. Managers identify skill deficiencies, strengths, and weaknesses of employees through PE, and then plan training programs based on the results of such evaluation. PE is also regarded as a tool for evaluation of training programs of organizations and help managers identifies the most effective programs.

Additionally, Employee PE can act as a basis for reward allocation. Performance-based allocation of rewards brings about satisfaction of qualified employees and encourages them to have a longer tenure in the organization. Obviously, being rewarded based on one's performance is appealing to qualified employees. Another major goal in rating performance is providing feedback about outcomes of employees' work. Such feedback should be provided immediately after the event to provide necessary energy and motifs for sustenance of behavior.

Different organizations have various purposes in launching PE. Having outcomes of such evaluations at disposal is considered a merit for every organization in decision making process. Evaluations help identify both work-related and irrelevant skills and qualifications of employees and design plans for nurturing both relevant and irrelevant employee talents. Through evaluation, not only is the performance of employees assessed, but also the training programs are evaluated and programs which are more reliable and effective are identified. It, thus, helps identify newly employed personnel with poor performance. Performance appraisal also aids in determining success and effectiveness of training programs and workshops according to current level of individual participation and its impact on performance. Precisely speaking, the rationale behind rating performance is to maximize efficiency through identification and forfeiting employee strengths.

### **Bias and Errors in PE**

Evaluation errors and biases may occur in judgment observations or information process stages. These affect the appropriateness and accuracy of PE. In the context of PE, organizations are assumed to communicate performance standards or goals, discuss how these standards can be met, explain criteria for evaluation, and provide timely feedback (Folger & Cropanzano, 1998). These elements, respectively, correspond to goal setting (Cederblom, 1982; Klein, Snell, & Wexley, 1987), and job relatedness of criteria used to evaluate performance (Cederblom, 1982; Klein et al., 1987). Therefore, existence of an

integrated and culture-based evaluation system as well as organizational strategies, policies, and goals is inevitable.

Bias in performance appraisal is problematic since it makes it difficult to make appropriate personnel decisions, such as promotions (Moers, 2005). In fact, the empirical results indicate that performance measure subjectivity is positively related to PE bias. According to Prendergast and Topel (1993), superiors in organizations have incentives to bias the PE. Moers (2005) also found that using subjectivity in PE lead to evaluations that make it difficult to differentiate among subordinates and may result in problems in personnel decisions and future incentives.

Drawing on the considerable body of literature on PE bias and errors, this paper undertakes a meta-analysis of the performed studies and hopefully, sheds sufficient light on the current understanding of PE bias. More importantly, we propose some suggestions to help decrease the evaluation bias and, thus, improve evaluations, employee satisfaction, and efficiency. This paper is organized as follows. Literature review section provides a typology of types of error and bias in PE as well as a review of the relevant literature. Research methods section describes the data sources. The results are summarized in results and discussion section. Finally, the conclusions are presented in concluding remarks section. Further research directions are also provided.

### **Halo Error**

As conceptualized in the literature, halo effect is the tendency to rate an employee uniformly high or low in other traits if he is extra-ordinarily high or low in one particular trait. For example, if a worker has few absences, his supervisor might give him a high rating in all other areas of work. Put differently, halo 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.

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. For instance, 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.

### **Leniency and Severity Errors**

The incentives of superiors to bias the performance rating of subordinates stems from the psychological cost of communicating poor performance, favoritism, and preferences for equity in rewards (Prendergast & Topel, 1993). Bias in PE is problematic because it has both direct and indirect costs. The direct costs are associated with higher compensation costs than those warranted by true performance of subordinates. The indirect costs are related to difficulty of making important personnel decisions based on performance ratings and the impact of incentives on motivation.

Just as some professors are known as easy A's, some managers tend to give relatively high ratings to virtually everyone under their supervision depending upon their own standards, values, and physical and mental makeup at the time of appraisal. Here, the situation is ripe for the abuse of inactive employees. Past studies have empirically shown that leniency error is a critical issue where evaluation-related decisions have a bearing on official decision making, such as rewards and promotion. The opposite happens when managers believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe. The former raters might best be described as being generally easy or lenient, while the latter may be classified as being hard or severe in their judgments or ratings. It is worth mentioning that managers also give a good evaluation hoping a poorly performing employee will "grow into" it. However, if everyone is to be rated high, the system has not done anything to differentiate among the employees. There are evidences that raters who feel accountable may exert more care when they rate others (Rosenbaum, Lehman, & Holcom, 1993). In a similar vein, Mero and Motowidlo (1995) found that accountability was negatively associated with rating errors in downward appraisals. Haeggberg and Chen (1999) found similar results in upward appraisals.

Both leniency and severity errors are commonplace in graphical evaluations which use figures to represent evaluation results and where evaluation does not require any written supporting statements. Rankings, in which each ratee's performance is ranked in comparison with other ratees, is a better alternative. In order to rank the ratees, the rater does not have to assign them grades and have concerns over assigning higher or lower grades. Rather, he should discriminate them according to their relative level of performance. Obviously,

leniency and severity errors are not an issue in rankings (Dessler, 1997). Both errors skew the performance appraisal results and render a system ineffective and should, thus, be avoided. The following diagram illustrates the distributions of ratings one might get from two different raters, one who is overly lenient and the other who is overly severe. There are evidences that discretion in PE gives rise to a number of problems (Prendergast & Topel, 1993). Moers (2005) found that superiors give more lenient performance ratings when they have discretion in PE due to subjectivity per se or the use of multiple objective PEs. According to Vance, Winne, and Wright (1983), most of the variance in halo and leniency is attributable to the behaviors of raters, rather than the work of the ratees.

### **Contrast**

Superiors, as evaluators, are usually required to rate the performance of a large number of employees. Contrast error 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 is not the employee. It is the goal or standard that has been set. Moreover, there is an order effect, i.e. individuals who are rated first are rated higher than those evaluated last. If the time gap between the two evaluations is large, the effect is larger. This issue is of great importance in evaluations aimed at electing or employing individuals.

### **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. For 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.

### **Central Tendency**

This is the raters' tendency to avoid making extreme judgments of employee performance resulting in rating all employees in the middle part of a scale without any consideration of their actual performance. For instance, when the score range is 1 to 7, supervisors tend to avoid assigning scores on either extremes, i.e. 1, 2, 6, or 7. This error may exist even in graphical evaluation scales. It is an attitude to rate people as neither high nor low. Thus, a manager might follow the middle path when he is not comfortable with conflict and avoids low marks to avoid dealing with behavioral issues. This gives the impression that there are no very good or very poor performers on the dimensions being rated. To avoid this problem, supervisors are recommended to use rankings because rankings prevent them from putting many in the center.

### **Spill-over Effect or Past-record Anchoring**

Spill-over effect happens when the present performance is evaluated much on the basis of past performance. If the results of previous PEs of employees were positive, managers will keep rating them overly highly, regardless of their current performance. For example, the person who was a good performer in distant past is assured to be okay at present also. It has been observed that even if employee performance is really low according to current evaluation criteria, managers seldom assign them a mark lower than one point below their previous evaluation score. For instance, in cases where the employee had previously obtained a score of 29, he would not get a score below 28 even if his actual score is much below. In Jawahar's (2006) study, previous performance was significantly associated with rater criticism ( $B = -21, p < .001$ ) and subsequent performance ( $B = .68, p < .001$ ).

### **Recency Error**

Recency effect is the rater's tendency to allow more recent incidents, either effective or ineffective, of employee behavior to have too much bearing on evaluation of performance. Thus, the employee's most recent behavior becomes the primary focus of the review. This can be extreme on both ends of the spectrum. An example is being critical of an employee who is usually on time but shows up one hour late for work the day before his or her performance appraisal. It is for this reason that keeping accurate records of performance throughout the year to refer back to during performance appraisal time is so critical.



Equity and fairness concerns are particularly crucial factors for understanding how employees react to a particular performance management system. The fairness of both the evaluation and the rewards an employee receives influence employee performance (Akerlof & Yellen, 1988). Equity theory holds that employees will compare evaluations and rewards they receive with those doing similar work. Such comparison can affect both motivation and responses of those who see themselves as not rewarded to the same extent as others performing the same task at the same level. Such perceived inequitable evaluation and pay decisions can have a negative impact on an individual's motivation to perform in the future. A second type of relevant employee perception is fairness of the process used to determine the rewards. These processes are regarded as fair when they are consistent and accurate and lack any kind of bias that favors one group over another (Burney, Henle, & Widener, 2007). Finally, there are evidences that employees' perceived lack of fairness undermines organizational commitment and organization citizenship behaviors (Schminke, Cropanzano, & Rupp, 2002).

### **Personal Bias**

There are evidences that performance appraisals might be influenced by rater's attitudes toward the ratee, i.e. liking and trust in the rater and perceived quality of their relationship. It stems from the way a supervisor feels about each of his subordinate employees and whether he likes or dislikes them. Eighty percent of managers admit that the fact that they like or dislike an employee affects their appraisals. Personal bias may come from various sources, to name just a few, information obtained from colleagues, considerations of faith and thinking, and social and family background. It includes stereotyping and hostility errors both of which take the rater away from reality, which is the actual behavior of the ratee. Common examples include showing bias based on race or gender.

Although rater effect is irrelevant to the evaluation of employee performance of a given task, the fact that a rater likes or dislikes a particular ratee can influence his ratings and determine his evaluation of ratee's performance (Cardy & Dobbins, 1986; Decotiis & Petit, 1978; Dipboye, 1985). Rator effect may affect what the raters observe (Isen, Shalker, Clark, & Karp, 1978); it may influence the attributions raters make about ratees' behaviors (Feldman, 1981); and it may impact the information raters receive from memory at the time of evaluation (DeNisi, Cafferty, & Meglino, 1984; Srull & Wyer, 1980). Tsui and Barry (1986) found that positive affect is associated with higher ratings, i.e. high leniency and

negative affect are related to lower ratings, that is, high severity in the types of PE targeted. Surprisingly, Antonio found an interaction between the amount of time raters observe ratees and the extent to which they like them. The influence of rater effect on ratings increases by enhancing the raters' observation of rates.

Apparently, raters are so strongly affected by positive or negative effect that increased observation. This refers to noticing specific behaviors that conform to their affect or retrieving affect consistent with information at the time of evaluation. However, this does not mean that such evaluations should be discounted. Rather, raters should be trained to control their emotional reactions toward ratees (Cardy & Dobbins, 1986). This type of training should not be a one-time event. Rather, it should be an on-going process focused on improving the way in which performance appraisers observe and rate others. 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.

### **Rater Attitudes and Values**

Value system of appraisers has direct influence on their PE. Managers claim that they evaluate on the basis of employees' current performance. However, evidences show that managers' value system is the best predictor of their method of evaluation. Accordingly, employees who give managers a sense of accomplishment are more highly rated.

Manager attitudes toward accurate rating is defined as overall favorability or lack of favorability of rendering an accurate performance rating for a particular subordinate, within a particular context, and at a given time. This encompasses general attitudes about rating accurately in the organization and more specific attitudes about rating a particular subordinate for a particular period of time in an organization (Spence & Keeping, 2013). For instance, if a manager believes that a particular employee will be demoralized and that the organization will not benefit from the evaluation, he will have a negative attitude toward accurate evaluation of the employee. Here, both the value and experience of providing an accurate rating will be negative (Spence & Keeping, 2013).

### **Fame**

An implicit analysis revealed that employees might waste time by fraternizing in the workplace, such as forming work groups and group memberships, instead of doing true work.

A group member might be very skilled in creating a positive image in the group but evade his responsibilities and meanwhile pretend to be important to the accomplishment of group tasks.

### **Employee Appearance**

The dominant narrative that emerges from the literature is that employee appearance impacts performance appraisals and employees' salary amount. There are also evidences that attractive appearance brings about 2000 to 2600 salary increase. This indicates that salary of an attractive employee would be approximately 13000 dollars higher than salary of an employee with modest appearance. This is especially rampant among men in male jobs as well as in the elderly.

### **Discrimination between insider and outsider Employees**

Members of insider groups are supported and trusted by the supervisor and, thus, receive challenging tasks. Members of outsider group, however, are treated as strangers and are, consequently, assigned unimportant and trivial tasks. The literature shows that insider group members receive higher ranks while, according to evidences, they do not necessarily perform better than others.

### **Method**

The present research was a descriptive one mainly relying on library resources. Through reviewing extant literature, it contributes to our understanding of PE bias and errors.

### **Results and Discussion**

It is argued that employee performance impacts organizational success (Gardner, Wright, & Moynihan, 2011; Wright, Dunford, & Snell, 2001). Accordingly, improvement of employee performance brings about better organizational performance and efficiency. Shepherd, Carley, and Stuart (2009) found that PE impacts four career areas, namely promotion in academic rank (87%), tenure decisions (86%), compensation decisions (82%), and retention of untenured faculty (81%).

An individual's attitude toward a behavior is a core determinant of whether or not that behavior will occur. An attitude represents an individual's overall evaluation of the favorability of a particular behavior determined by the assessment of the consequences of that behavior via two dimensions. One dimension, i.e. instrumental, concerns whether the

consequences are valuable or worthless, and the other dimension asks if the consequences are pleasant or unpleasant. Therefore, if a behavior's consequences are pleasant and desirable, the individual's attitude toward the behavior is likely to be positive. Job satisfaction has been represented as assessment of an individual's personal responsibilities and their employing company as contributing suitably to attainment of one's personal objectives. As conceptualized in the literature, employee satisfaction tends to be pleasurable emotional state which results from the calculation of a person's job as achieving or facilitating achievement of one's values. It reflects employee's evaluation of conditions they encounter at work and impacts their responses to managerial actions as well as their decisions with regard to the investment of personal resources.

Obviously, inaccurate performance appraisal will result in employee dissatisfaction (Jawahar, 2010). Nathan, Mohrman, and Milliman (1991) and Jawahar (2010) found that job-relatedness of criteria was associated with ratee's perceptions of quality of feedback ( $r = .49$ ,  $p < .05$ ). In a study of employee satisfaction at hospital, Pooyan and Eberhardt (1989) found that job-relatedness of criteria was related to employee satisfaction with PE ( $r = .61$ ,  $p < .001$ ).

Job knowledge, job relatedness of evaluation, goal setting, and suggesting ways to improve performance are proved to be the most important antecedents that affect ratee's reactions. Although it is true that lenient ratings contribute to employee satisfaction with feedback (Jawahar, 2006), past research has demonstrated that some factors, namely rater's knowledge of the ratee's job (Ilgen, Fisher, & Taylor, 1979), relatedness of evaluation (Nathan et al., 1991), giving ratees the opportunity to participate in feedback (Cawley, Keeping, & Levy, 1998), setting goals (Giles & Mossholder, 1990), suggesting ways to improve performance (Keaveny, Inderrieden & Allen, 1987), and evaluating performance in distributive and procedurally fair manner (Jawahar, 2006) are positively related to ratee's level of satisfaction. These further highlight the important role of rater in the appraisal process.

Ford et al. (2011) also found that repeated occupational commitment enhances task performance through surface acting. This highlights that human resource practitioners and managers should examine the factors that influence such commitment (Ford et al., 2011).

PE performed based on the actual performance of an individual can serve to inform a variety of HR decisions, namely pay or recognition, training, promotion and demotion, and adverse action and termination. In order to solve this problem, many researchers have suggested coaching employees on how to perform, rather than merely telling them what they

need to do. Coaching, as in athletic issues, involves giving on-going feedback on performance. It is greatly adopted by managers who believe that coaching is more likely to lead to positive organizational outcomes than a "tell and sell" PE (Ford et al., 2011). Some positive outcomes of coaching are that specific goals are set, the relationship between what the person is doing and the outcomes he can expect is clarified, good performance is praised, and the individual is inspired to take action that will result in an improvement in job performance (Ford et al., 2011). For many reasons including legal, coaching as a means for providing performance feedback is replacing or being added to conventional PE hoped to improve not only the performance of employees, but also that of organizations. Many managers who recognize the importance of coaching based on credible performance data suggest a 360 degree review process. An advantage is that since 360 degree data are gathered from multiple sources, namely boss, peers, customers, direct reports, and other employees, the employee who is evaluated is more likely to believe that performance assessment is not just a biased opinion of an uninformed supervisor, rather it is a collective and, hopefully, convergent opinion by all who have contact with the employee. Generally, 360-degree data are regarded as more objective.

Another practice performed by organizations to affect such performance is pay-for-performance (Gerhart & Trevor, 1996; Gerhart, Rynes, & Fulmer, 2009). It is the pay that changes with some measure of individual or organizational performance (Milkovich, Newman, & Gerhart, 2011). In key psychological perspectives, scholars argue that pay-for-performance (PFP) will affect performance through mechanisms such as instrumentality, i.e. the perceived link between performance and pay (Vroom, 1964) and meeting obligations by the employer (Robinson & Rousseau, 1994). Likewise, in fundamental economic perspectives, pay is considered to exert an influence on employee behavior through creation of transactional norms (Coase, 1937; Williamson, 1981), overcoming of monitoring challenges (Jensen & Meckling, 1976), and the motivating organizationally desirable behaviors. Despite widespread use of PFP, supportive PFP-relevant theories, and a meta-analytic finding that individual-level PFP has a weak but positive relationship with past employee performance (Jenkins, Mitra, Gupta, & Shaw, 1998), PFP efficacy is questioned by both academic researchers and practitioners (e.g., Pink, 2009). There are also strong concerns that PFP is negatively associated with performance (Ariely, Gneezy, Loewenstein, & Mazar, 2009), is not motivating (Pfeffer, 1998), decreases intrinsic motivation (Deci & Ryan, 1980),

motivates undesirable employee competition (Deming, 1986), and is difficult to effectively implement (Lawler, 2000).

Yet, another alternative which can help overcome limitations of traditional performance appraisals is mystery shopping. It has two advantages, namely timeliness and unpredictability as to when feedback will be given (Ford et al., 2011). Employees expect to be rated based on their success in fulfilling their individual performance objectives regardless of their grade or position or other non-performance-related criteria. Overall, there are considerable evidences that the less the risk of bias and errors in PE, the more accurate employee PE system, the greater employee satisfaction, and the better their performance and efficiency.

### **Conclusion**

To put it in a nutshell, PE is a managerial mechanism to obtain organizational development and efficiency. Nowadays, it is also considered a huge competitive advantage. Evaluation is an important tool in HRM whose appropriate accomplishment aids organizations in reaching their goals and satisfying employee interests. In the appraisal process, the manager evaluates employee behavior and performance through measuring and comparing it with predetermined criteria. Then, the manager records the results and informs the employee of them. However, it is rather difficult to perform accurate and appropriate evaluations because evaluation involves judgment about behavior and performance of individuals. It is important to evaluate with as little bias and errors as possible. To accomplish this, a combination of different error-free methods can be implemented. A great majority of HRM theoreticians maintain that prior to any decision making about promotion, salary increase, transfer, nomination, and redundancy, organizations need to obtain bias- and error- free information regarding performance of employees. Managers are assumed to rate behavior according to suitable performance criteria.

In sum, the overwhelming consensus among researchers suggests that the less the errors and bias in performance appraisal, the better employee performance and satisfaction and efficiency of the evaluation system. As with any empirical study, this study has its limitations. According to Moers (2005), the data do not allow us to examine the behavior of individual superiors. Therefore, the analysis assumes that all superiors behave in an identical way. Although psychological research holds that superiors are generally inclined to bias their performance ratings, it might be that super-specific characteristics lead to such behavior. Thus, a more detailed analysis of superiors' behavior in evaluation process would perhaps

alter our results. Next, the present research merely explores the impact of subjective performance, while the literature recommends that multiple performance measures should be used because no single performance measure is complete. There are evidences that overall effect of a mixed PE is greater than a solely objective and precise evaluation for people high in autonomous motivation.

Some proposals have been made in the literature for improving PE systems and for minimizing different forms of bias in the PE processes. However, these suggestions may not eliminate bias completely, but help reduce it. Firstly, regarding bias due to organizational position, employees should trust there is as much a chance for a grade 11 to get a level 3, 4, or 5 as for a grade 14 or 15 to receive one. Secondly, HR managers and organizational leaders should try to improve the credibility and fairness of the system through addressing bias that exists in their PEs processes. For example, some agencies use pass/fail systems which result in limited performance conversations with employees and have no way to connect results to pay for performance, and, thus, increased training for evaluators.

### **Implications**

This article is a start in an area ripe for further research. In terms of future research, at least seven diverse issues are worth pursuing. As mentioned earlier, Moers (2005) found that superiors provide more lenient performance ratings when they have discretion in PE due to subjectivity per se or the use of multiple objective PEs. Future research can address these issues. The researchers suggest further research to focus on performance bias quantitatively to extend the existing literature. As Moers (2005) mentions, there are a limited number of studies targeting the combined effect of various performance measures. Moers is one of the few studies performed in this regard.

Using explicit rules as well as goals might be a simple and cost-effective way to increase employee performance. The question remains however whether there is any difference between the effect of setting rules and that of PE. Obviously, no simple solutions exist to developing fair and reliable performance appraisal systems. Rather than looking for solutions, the present researchers suggest further research to focus on analyzing better what is going on in these processes that contribute to bias and lack of trust.

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