



A Study of the effectiveness of Bell curve method in performance appraisal

Dr. Anupama Nerurkar*

ABSTRACT

Intellectual capital or human capital is crucial in the economic success of the organization. The employee performance appraisal process is crucial for organizations to boost employee productivity and improve their outcomes. Performance appraisals are an annual process that involves evaluating employee's performance and productivity against the pre-determined set of objectives for that year. A bell curve distribution for performance means a large chunk of employees perform at or around the midpoint/average level and a small number of employees is there at both ends of the performance spectrum- performing either outstandingly or poorly. The main purpose of the study is to understand the concept of Bell -curve as a method of the performance appraisal and to find out its effectiveness appraising the performance of the employees. This study will encourage business organizations to use Bell Curve Appraisal successfully to identify top-performers and use other tools such as 360 Feedback, Continuous Performance Management, and Project-centric evaluations to determine the capabilities, promotability, and recognition and training needs of all employees.

Keywords : Performance Appraisal, Bell-curve, 360-degree appraisal, HTPOs

1.1. INTRODUCTION

According to the resource-based view, a firm's bundle of resources play a fundamental role in determining its ability to create a sustainable competitive advantage. The resource-based view established the improvement for an organization of building a valuable set of resources, bundling them together in unique and dynamic ways to develop organization success. Intellectual capital is crucial in economic success. Human Resource Management is a function that is a valuable asset and tool for corporate strategy.

The employee performance appraisal process is crucial for organizations to boost employee productivity and improve their outcomes. Performance appraisals are an annual process that involves evaluating employee's performance and productivity against the pre-determined set of objectives for that year. But although performance management is super important, it's rarely put to good

use. Many companies don't put in their best effort to pick the best perfect performance appraisal method, which is why only a few numbers of employees believe theirs is effective. Performance Appraisal also helps to evaluate employee's skills, strength and shortcomings. The results of this performance appraisal process determine the employee's wage raise and promotion. The objective of performance appraisal varies from company to company and depending on the industry/company size, the appraisal method varies.

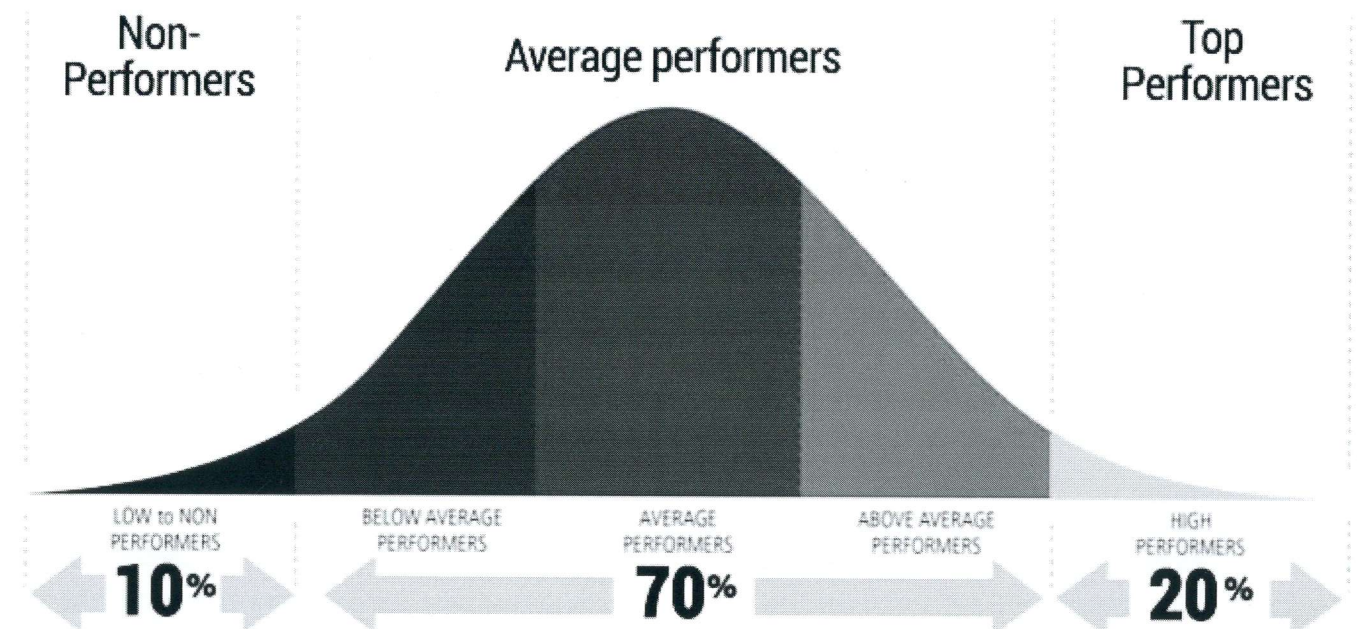
In the late sixties, many managers favored having different processes for different staff. Processes for appraising were different from those for technical and administrative employees and different again for manual or shop floor workers. In the 1970s and 1980s, the managers were switching to a belief in one inclusive scheme. There is a growing trend towards gathering the opinion of other people in the performance of individuals.

*Associate Professor and Head of the Department of Commerce, L. S. Raheja College of Arts and Commerce, Santacruz (West)

Those consulted may include managers, colleagues, internal and external customers and others i.e. 360-degree appraisal.

The bell curve was introduced to resolve certain issues with employee performance appraisal. While the productivity of employees has been measured since the beginning of the industrial revolution, the bell curve

gained popularity when Jack Welch, the famed CEO of GE implemented this within his organization. In simple terms, a bell curve distribution for performance means a large chunk of employees perform at or around the midpoint/average level and a small number of employees are there at both ends of the performance spectrum- performing either outstandingly or poorly.



Source-<https://empxtrack.com/blog/bell-curve-for-performance-appraisal/>

The concept has various names such as stacked ranking, forced ranking, rank and yank and the vitality model and is described as a "20-70-10" system by GE. It says:

The "top 20" percent of the workforce is most productive, and 70% (the "vital 70") work adequately. The other 10% ("bottom 10") are non-producers and should be fired.

This system, while credited with increasing GE revenues 5 fold, has been labeled as too harsh, said to affect employee morale and has been the subject of fierce debate.

Lenient scores mean a larger cluster of employees in a high-rating group (a right-skewed bell-curve), and strict scores mean large numbers of employees in a low-rating group (a left-skewed bell curve).

1.2. OBJECTIVES OF THE STUDY

1. To understand the concept of Bell -curve as a

method of the performance appraisal for the organization

2. To find out the effectiveness of the Bell curve method in appraising the performance of the employees.

1.3. CONCEPTUAL FRAMEWORK

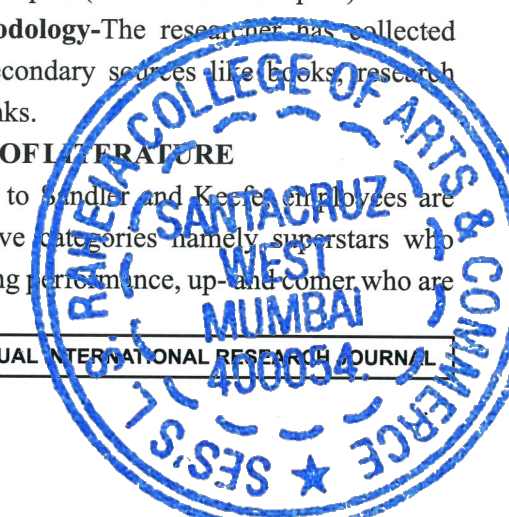
Performance appraisal is the organizing process of evaluating and managing both the behavior and human outcomes in the workplace. (Carell, Elbertand Hatfield)

Performance appraisal is a formal and systematic process by means of which the relevant strengths and weaknesses of the employee are identified, measured, recorded and developed. (Slabbert & Swanepoel)

Research Methodology-The researcher has collected the data from secondary sources like books, research papers and weblinks.

1.4. REVIEW OF LITERATURE

According to Sandler and Keefer, employees are classified into five categories namely superstars who deliver outstanding performance, up-and-comer who are



above average category, benchwarmer who fully meet job requirements, weak link who are below average and header for the door who deliver poor performance and show an unacceptable level of performance.

1.5. SIGNIFICANCE OF THE STUDY

Due to globalization, there is a significant change going on in the performance appraisal technique in order to serve the customers better. Successful institutionalization of the appraisal system requires open communication, striving for higher performance and taking responsibility at all times. The suitable performance appraisal system should be relevant, sensitive, reliable, acceptable and should be well planned, effectively monitored and subject to follow up from time to time.

In today's business environment, it is the performance appraisal system that triggers the organization's high-performance work culture and aligns organizations' values with employee aspirations. (N. Krishna Kishore and V.V. Ramani)

The success of a performance appraisal system also depends on the frequency of performance appraisal, a methodology of appraisal system, performance parameters, feedback mechanisms and rewards.

There are substantial rewards to be won for the organization knowingly and being clear about what to strive for. It then becomes possible for people at all levels of the organization to know what excellent performance looks like. In turn, it becomes possible for people to acknowledge and accept what they need to deliver. Finally, it becomes easier to identify what needs to be improved and how everyone can contribute to the improvement.

Sadanand Prusty has concluded in his paper 'Performance Management System on Development of Human Resources -A study at Nalco' that a good performance appraisal system should be subject to fair and clear communication, supported by assessment center, coaching, counseling and mentoring, review discussions, training etc. A good appraisal process together with innovative reward schemes is necessary to motivate and retain people in this challenging but growing BPO industry segment in India. Leadership and

support are also key factors to the successful implementation and staying process of a performance appraisal.

According to Amit Dhiman, associate professor-HR management-IIM Calcutta, in his time for a new strategy by Six modern performance appraisal methods says that a growing number of HR professionals report that existing performance appraisal methods fail to internalize employee performance results. In fact, performance appraisals are nothing more than an empty buzzword in some industries—just a formal way for companies to show that they have a standard procedure in place to measure individual competitiveness. The bell curve was introduced to resolve certain issues with employee performance appraisal. The primary difficulty is setting absolute standards of job performance. Setting standards on various aspects of a job is necessary to evaluate one's performance. Defining absolute standards fair jobs that require thinning or inter-personal skills is almost impossible. The appraisal for jobs like managerial, research, counselor and analysis jobs fall under this category. It is possible to identify and set absolute standards for jobs that are motor skilled, repetitive and the outcome is directly or others. However, they can be considered as relative standards and not an absolute one. General Electric group came up with an ingenious idea of using normal distribution in statistics to compare and distribute performance ratings of the employees doing similar jobs in a comparison group. The basic idea is that the maximum number of performance scores is closer to average and extremely poor and outstanding scores will be far less. The idea is appealing and allows managers to distribute performance ratings in a comparison group at different performance levels. However, employee performance in the comparison group may not be asymmetrical bell curve because employees are not randomly chosen. Organizations select employees with higher performance potential and motivate them to perform by giving rewards. Secondly, comparison groups, where employees do similar jobs have varied numbers with many groups being very small. Some organizations waive bell curve norms for very small groups say just six to seven members. However,

this makes measuring performance accurately difficult. Thus, finding a fair, symmetrical bell curve in appraisals is a rarity, the bell might be either tilted left or right, more often on the right side indicating a natural greater than average performance bias. Thus, in the majority of cases, in any comparison group, one may find absolutely poor or excellent performer far lesser than people who perform in between. While this still may be fine, the problem arises when the HR department forces managers to adhere to a standard distribution norm for all comparison groups, irrespective of job, group size and group performance.

These are the concerns, still, organizations force bell curve norms on managers. The bell curve's uniform enforcement helps to mitigate the appraisal's tendency like lenient scores and thereby ensures intergroup consistency.

1.6. BENEFITS OF PERFORMANCE MANAGEMENT BASED ON THE BELL CURVE

1. **Differentiation between employees**-The forced ranking makes it compulsory for the managers to make decisions and differentiate between different employees.
2. **Identifying HTPOs**-High-top performers are rewarded. They feel motivated and work harder to grow in the company.
3. **Retaining top talent**-HIPO growth and career plans can be developed by the organization to retain them within the company. The bell-curve model helps management to very quickly identify the top performers. This not only helps retain the top talent but also helps build succession pipelines.
4. **Avoids bias**-It also helps in removing manager bias.
5. **Adjustment of an employees**-An underperforming employee may be more suited for another position in the company.
6. **Increases productivity**-Bell curve can be a motivational tool for productivity.
7. **Adequate analysis**-The forced ranking with adequate analysis and HR intervention can help identify other positions for employees.
8. **Development of employees**-By analyzing capabilities, skills, strengths and weaknesses, HR can play a key role in employee development and place

employees in positions that map better to their individual capabilities.

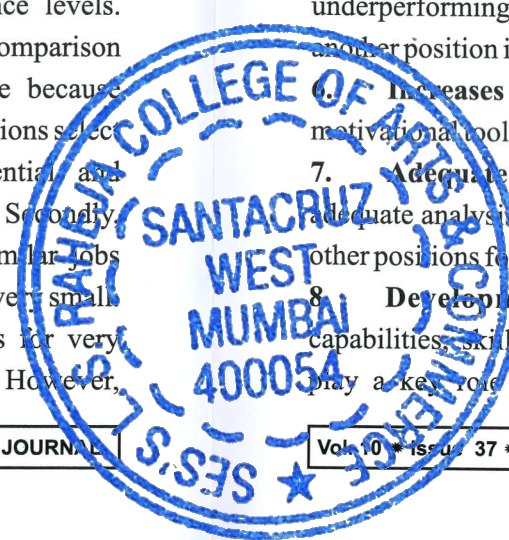
9. Identifying training needs-It helps in managing the training needs of the employees.

The training management talks about the importance of the correct allocation of training to employees. The bell curve graph can help identify the training needs applicable to different groups of employees.

1.7. DISADVANTAGES OF BELL CURVE

Many organizations have recently moved away from the bell curve distribution of performance ratings due to the following disadvantages-

1. **Rigidity**- Using the bell curve model in performance management may be considered a rigid approach for rating employees. Managers tend to rate performance leniently to not create any tension, avoiding the often-uncomfortable (but necessary) conversations that could demotivate staff if communicated poorly. Managers are forced to put employees in a specific rating just to meet the bell-curve requirements, meaning that some people are graded as 'bad' or 'below average performers', when that may not even be the case. The lower scoring employees could still be great performers who meet the role expectations but are pushed into this bottom category simply because there is nowhere else to place them against their peers in this rigid model. This performance evaluation method that force ranks employees into a bell-shaped best to worst scale.
2. **Not suitable for small teams**-Sometimes managers need to put employees in specific gradients just for the sake of bell curve requirements. This happens more often when the teams are small.
3. **Loss of morale**-It may lead to loss of morale and creates anxiety in the mind of employees who may worry about the possibility of an exit during tough job market conditions. Even employees that perform well may be placed in the middle 'average' group which isn't exactly a motivating classification to be given and is particularly bad as they make up the majority of the team. If 70% of the employees are working the best they can and are still considered average by the company. They are going to feel demoralized and lack productivity going forward,



which will ultimately result in them leaving the company one way or another

4. Deterioration of job performance-This may lead to further deterioration of job performance.

5. Not suitable for small companies- The performance review in bell curve is not suitable for small companies where the number of employees is less than 150. Bell curve system of performance appraisal is a forced ranking system imposed on the employees by the management. Through this system, the organization tries to segregate the best, mediocre and worst performers and nurture the best and discard the worst. With fewer employees, the categorization cannot be done properly, and the results are often erroneous.

6. Unhealthy competition-It may breed unhealthy competition among employees.

7. Not applicable to human performance- Research says that human performance does not follow the bell curve. The problem of measuring performance is actually at the core of the question – Does individual performance follow a normal distribution or a power-law distribution? In many jobs, it is difficult to measure performance objectively, and subjective measures of performance are used.

8. Forced ranking-The reason why it's sometimes referred to as 'forced ranking' is that managers have to do just that – forcibly rank all of their team into one of the stated categories regardless of whether they are all performing well or not, which surprisingly can be beneficial in some instances but damaging in others. In cases where organizations forced a normal distribution upon a power-law distribution, then the impact of the high performers would have gotten underestimated, and the impact of the lower performers got overestimated

9. Difficulty in the application of Normal distribution- (Research conducted in 2011 and 2012 by Ernest O'Boyle Jr. and Herman Aguinis (633,263 researchers, entertainers, politicians, and athletes in a total of 198 samples). found that performance in 94 percent of these groups did not follow a normal distribution. Rather these groups fall into what is called a "Power Law" distribution.

10. Discrimination-In some instances, bell-curve

ranking can even be discriminatory. A lawsuit in 2017 against Uber by a former engineer, felt the company's ranking system was discriminating against women and the lower rankings meant lower pay and fewer promotions. For example, there will be employees that are meeting the requirements of their role but cannot go that extra mile due to a protected characteristic. Perhaps a pregnant woman on amended lighter duties that cannot work longer hours or do overtime may be marked down against her peers that can. When employees are performing to an equal standard, gender bias research has shown that unconscious bias will determine the final score. A Harvard Law School study found that women are 1.4 times more likely to receive subjective feedback in their performance reviews that have nothing to do with how well they can do the job. – Monica Torres, Ladders

1.8. APPLICATIONS AND EXPERIENCE

Uber threw out this performance appraisal rating method following further negative publicity and decided to transform its appraisal strategy focusing on feedback and improvements instead.

Microsoft also made headlines when they axed their curve-rated performance appraisal in 2013 to adopt a better fitting method.

Facebook's culture was recently under scrutiny by former employees of the company, with blame placed heavily on their stack ranking performance review system.

Facebook employees are said to need reviews from around 5 of their peers, twice per year and the feedback is anonymous and goes unchallenged. If you put that against the company-wide limit of how many people are allowed to fit within a certain grade, it's easy to see how many employees are pushed into the average to underperforming categories and are never able to get themselves back out.

That's why it's surprising that even with the mass criticism; Facebook still uses this old-fashioned approach to appraisal scoring in such a fast-paced, innovative tech business.

Bill Gates gives a good example to understand the limitation of Bell-curve method better – He says "A great lathe operator commands several times the wage of an

average lathe operator, but a great writer of software code is worth 10,000 times the price of an average software writer." Lathe operation is a typical manufacturing era profession, whereas software coding is done by a knowledge worker, and is more of a 21st-century profession

1.9. CONCLUSION

Basically, the bell-curved performance appraisal is plain old fashioned. There are now better thought out, research-based performance appraisal systems on offer that boost employee confidence, promote collaboration and support team efforts, rather than push individuals to compete with each other.

If an employee is underperforming, instead of putting on paper, an organisation should try to actually get to the root cause of the issue and put a strategy in place that will support them and give them the tools and skills to improve. It will benefit both them and the organization in the long run.

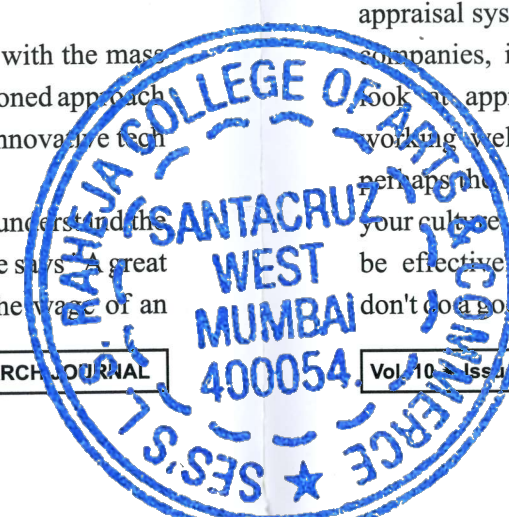
A solution could be to simply set team goals bringing everyone together to work in-line with organizational objectives, rather than fighting against one another for the top spot. All employees will be able to access and view their Company and Team goals, which will then help the employees to identify their role in achieving Team and Company goals and how they can set their own personal goals to feed all the way up to the Company level. This in combination with 360 and Quick Feedback as well as Development Goals creates a complete Performance management cycle that is concluded at 1-to-1 performance review meetings.

It's no secret that many companies still don't recognize the full value and benefits of what a great performance appraisal system can do for their business, but from looking at the widespread negative impact an appraisal system can have on the workforce of these top companies, it's important that the organization should look at appraisal process and ensure its strategy is working well for both employees and organization – perhaps the bell-curve method is exactly the right fit for your culture perhaps not. Organization objectives should be effectively set. Unfortunately, many organizations don't do a good job of this. If it doesn't know exactly what

is to be achieved, how will it measure if the objectives has been achieved or not? The appraisal can go wrong if the handling of appraisal discussion is seriously flawed. Sending the message that the organization's management is not committed to appraisal, building tension and anxiety into a new or revised appraisal process, composing the process design, conducting appraisal interviews that alarm all but totally insensitive can defeat the purpose of performance appraisal. Many appraisal processes fail those responsible for getting them off the ground do not through what they are doing. They copy another organization's scheme without necessarily finding out what offers it last. Some start by designing forms and then design a process to get the form completed. The appraisal process needs to be as simple as possible but as complex as necessary.

Another suggestion is that the organization can adopt power-law distribution. In a power-law distribution there are categories even within the high performers – meaning that in the top 10% of the organization, there is a top 2% whose contribution is much higher than the balance 8%. So, a "finer sifting" needs to be done, and the top 2% need to be looked at differently in terms of career planning and development. It is possible that within the same organization there are roles that have a bell curve performance distribution, and other roles may have a power law distribution. It is important to recognize this difference and plan reward allocation accordingly. In today's age and time, the case for variable pay is already strong, and the prevalence of the power law makes it even stronger. Many organizations are still lagging behind in the implementation of variable pay, and are losing out on performance gains. The pay differential (between outstanding and mid-range performers) for roles that have a power law distribution should be higher, than the pay differentials for roles where individual performance is closer to a normal curve. It may be a good idea to start slow on the variable pay vector, and slowly ramp it up.

Also, the bell curve enforces management accountability to differentiate performance and enhance fairness perception by maintaining consistency, both desirable outcomes. Some organizations try to achieve fairness by following methods-



Two-tiered evaluation-They start with evaluating performance at the strategic business unit /profit centers level and then apply different distribution norms to employee performance.

No-standard bell curve norms-Organisations also allocate reward budgets to managers based on the performance of SBU/ departments that constitute the comparison group. They nudge managers to differentiate individual performances but allow them the freedom to decide the distribution. To mitigate any distortions like leniency, alternative forms of accountability checks instead of bell curve can be implemented. Some organizations require managers to defend the appraisal ratings they have given to their subordinates with peers from different departments.

Group performance appraisal-As more and more jobs are designed around group work, organizations can focus on group-level appraisals. In such cases, the managers will have to grapple with free ridings from some group members and other non-monetary ways to recognize individual contributions in the groups.

No matter the technicalities of the procedure, no system will work unless basic principles of fairness-consistency, transparency, explanation, appeals and visible attempts to remove biases are practiced. Many organizations, while publicly opposed to ranking, believe that they don't have a viable alternative for recognizing, rewarding and retaining top performers. Hence most organizations still continue with bell curve performance management to identify and motivate top performers and work on developing the rest of the staff. It is important to say that Bell Curve Appraisal should not be used to create fear or terminate employees. HR practitioners need to understand performance distribution for different roles within their organizations and plan HR processes (performance management, compensation, career planning, learning & development etc.) accordingly.

Successful organizations are hungry for feedback. Teams and individuals can display the same determination to succeed. Successful teams put considerable energy into assessing their performance and its impact.

To conclude organizations can use Bell Curve Appraisal successfully to identify top-performers and use other tools such as 360 Feedback, Continuous Performance Management, and Project-centric evaluations to determine the capabilities, promotability, and recognition and training needs of all employees.

1.10. References :

1. Deshmukh, T. and Patel, J (2016). Research Paper On Bell Curve Method Of Performance Management. International Journal of Management (IJM). V.10(1), 38-42.
2. Harvard, Bob (2004). Performance Appraisal. Kogan Page India Private Limited, New Delhi.
3. Kalnina, Iona (2019). Performance Appraisals: Should You Grade Your Employees on a Bell Curve
4. Maniyamkott, M. Why you should not grade your employees on a bell curve. Available at <https://yourstory.com/2017/02/disadvantages-of-bell-curve>
5. O'Boyle, at al (2012). The Best and the Rest: Revisiting the Norm of Normality of Individual Performance. Personnel Psychology, v.65(1), 79-119.
6. Raman, V. (2006). Performance management System-Case studies, ICFAI University Press, New Delhi.
7. Sahu, R. K. (2007) Performance Management System. Excel Books, New Delhi
8. Tapomay, Deb (2008). Performance Appraisal and Management -concepts, antecedents and implications, Excel Books Hyderabad.



S. Lawa