

MANAGING THE EXTREMES OF THE BELL CURVE

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Abstract

Today technology is changing at a fast pace which has resulted in wide range of challenges to the organizations. In order to survive in the cut throat competition organizations must manage the resources well. Performance management is one of the management tools which help organizations to accomplish their business goals successfully. Organizations use the performance management system which suit their business needs the most. Nevertheless the Bell Curve or the Forced Distribution has been popular method of appraisal. In spite of being popular the Bell Curve has drawbacks. This paper will focus on some major drawbacks of the Bell Curve and feasible solutions.

INTRODUCTION

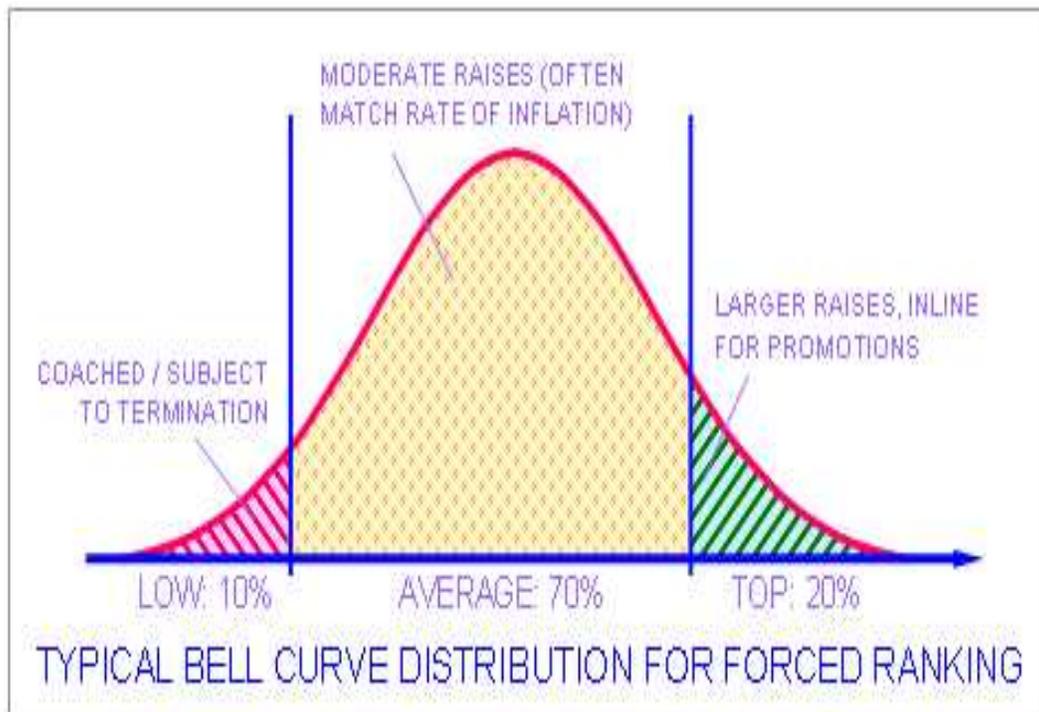
Performance appraisals are dreaded and disliked both by the employees as well as the employers. Appraisals still are indispensable. Appraisals are imperative as they help in identifying top performer and reward them appropriately. Similarly appraisals identify the poor performers and address their developmental need to perform better on job or help in taking lay off decisions. Bell curve generally segregates employees as top performers, middle performers and the low performers. It categorize people based on their performance, and rewards or penalizes them accordingly. The percentiles for top, middle and low performer varies with company policy. Even though very popular, Bell Curve system has its own flaws and benefits.

LITERATURE REVIEW

Defining Bell Curve

Bell curve system of appraisal is a forced ranking system imposed on the employees by the management. Forced ranking has been defined as “a workforce management tool based on the premise that in order to develop and thrive, a company must identify its best and worst performers, then nurture the former and rehabilitate and / or discard the latter” – SWlearning.

That is to say bell curve segregates all the employees into distinct baskets- top, middle and low. The percentage in each category is decided by the company’s policy. For instance it could be like top performers 10%, average performers 80% and the rest 10% as low performers. The percentages will vary as per organizational requirements from time to time.





BELL CURVE APPROACH TO APPRAISAL

Jack Welch the former CEO of GE championed the idea of Forced Distribution system for employee performance management. At GE the Forced distribution is represented as Top 10%, Strong 15%, Highly Valued 50%, Borderline 15%, and Least Effective 10%. The top performers are rewarded while the least effective are coached for improvement. The top performer are rewarded with bonuses , stock option , increased pay and the likes to keep them motivated so that they continue to give their best to the organization. For the low performers ranking is like warning which tell the employees where he stands in relation to his peers. Low performers are given an opportunity to improve or are laid off. GE identified 4E's as the measuring standards, namely, high energy level, the ability to energize others towards the company's goals, the edge to take crucial yes/no decisions, and the skill to execute and deliver the promises on time. These standards help the company to recognize the key talents who contribute to the overall objective of the organization.

The forced ranking at GE creates a more productive workforce where top talent is appreciated, rewarded, and retained. The appraisal system enabled the organization to integrate talent development into performance assessment. GE believed that people have capacity to grow continuously and differentiation pushes people beyond their normal boundaries.

There are other companies like CISCO, Infosys, EDS, SUN Microsystems which follow the Bell Curve approach for performance appraisal. The Bell Curve also known as RANK and YANK was popular among many fortune 500 companies but recent surveys show that there is a steep drop in the usage of the method. Microsoft recently eliminated its forced system and introduced system which will foster team work. Similarly Expedia got rid of its long-standing rankings system recently in order to rehumanize the relationship between employees and their bosses. The objective was to have an appraisal system which is less event oriented and which can keep the employees engaged.

Though there many companies which have abandoned the RANK and YANK system, Yahoo has recently adopted this performance rating system to identify top performers and fire low performers. Not only Yahoo there are many Fortune 500 companies which still have bell curve system of performance evaluation. Another company to join the group of companies abandoning bell curve is Accenture. It is shifting from an annual 'performance management' process to a new 'performance achievement' approach that will includes real-time, forward-looking conversations about setting priorities, growing strengths and creating rewarding career opportunities for it employees.

One of the major flaws of Bell Curve is it may not always creates a fair segregation of employees. The appraisals are relative and not absolute. Moreover the bottom performers are either replaced or laid off every year. This result in low morale and shrinking company size. As the company shrinks further, the average employee starts to feel the fear of being laid off, the pressure builds up and the morale goes down. With shrinking company size it becomes difficult to distinguish between top performer, middle performer and low performers as most of the employees left are average performers. Many times employees show increased activity in the time period approaching appraisals. As a result, visible performance is rewarded and not the actual performance. Due to regular layoffs the teamwork also suffers causing erosion of social capital.

CONCLUSION

It is essential assess employees fairly and reward them according to their performance. Appraisals are indispensable tool which help in assessment. Despite many companies scraping the Bell Curve and finding alternative methods of appraisals, it is difficult to find an absolute method of rating. One of the major problems with Bell Curve appraisal is lack of transparency and proper understanding of the process. Secondly the rigid implementation of this system induces competition thus hampering collaboration and team work. It also results in high degree of attrition as the employees regardless of which basket there are in under stress. The employees in the top performers segment want to maintain and improve. The majority in the middle want to join the set of top performers while employees in the tail end of the distribution are stressed. This brings the general morale of the employees low.

Despite its flaws the Bell Curve appraisal is the most viable appraisal methods especially for companies in service sectors which have large workforces .The defect is not with the system but possibly with the execution of the system. The most troublesome area is the managing the extremes of the curve. That is managing the top and low performers. The top performers have to be constantly motivated to deliver more results. The top performers can be encouraged to guide others and appropriately rewarded to share their knowledge and expertise with other in the organization. Some of their strategies could be taken as best practices to be followed in the organization. On the other hand the poor performers can be counseled to identify their problems related to work, provide training and suitably place them.



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