

The Relevance of Bell Curve for Performance Appraisal in the Context of Indian Companies

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Abstract:- The bell curve has always been a topic of contention for the human resource departments of various organizations. While some feel that it needs to be abolished as a practice to be able to rate talent as they deserve, others feel that it enables high performers to be recognized in a more prominent way, thus ensuring that the high performers are retained for a longer time. This does, however, mean that the so called ‘average’ performers, who are fulfilling performance parameters that are expected from them, are not being given as much importance, despite being the largest chunk of all employees. After all, it is a combination of high performers and employees who are just meeting expectations that drive an organization forward. This paper aims at examining if the practice of fitting employee performance in accordance with the bell curve is a practice that should be celebrated or if it’s time to retire this age-old practice with something more aligned to the expectations of employees as well as organizations.

I. INTRODUCTION

Before we delve deeper into the topic of performance reviews, it is important for us to understand what a bell curve represents. A bell curve is a normal distribution curve that represents the probability distribution for various values of the function being mapped on the bell curve. As an example, if the marks scored by candidates in CAT (the common admission test conducted by IIMs for MBA admissions) were to be mapped on a graph with the scores on x-axis and the number of candidates obtaining a particular score on the y-axis, we would be able to observe that most of the candidates would have obtained a score that was around the mean score, with number of candidates reducing if we move away from the mean scores on either side of it. Resultantly, the graph obtained would look like the figure shown below.

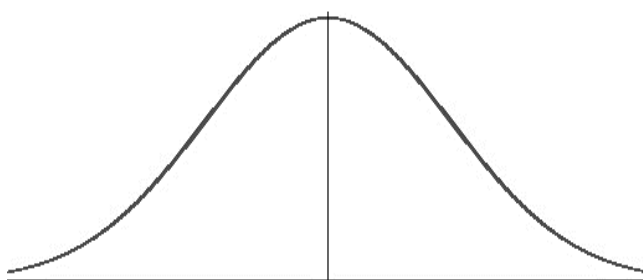


Fig 1:- A typical normal curve^[6]

It has been observed that many groups of data follow this distribution naturally, e.g., heights of people, IQ scores, salaries of people, etc.

In the context of performance appraisal, a bell curve generally defines the employees of an organization as “High Performers”, “Average Performers” and “Low Performers”, with the distribution generally being (as a percentage of the total number of people participating in the performance appraisal process) as 15-20% as high performers, ~70% as average performers and 10-15% as low performers^[7].

The bell curve for ratings fitment has its set of advantages and disadvantages. On the one hand, it helps in easy identification of high performers within an organization and helps the human resource department to focus their resources on retention and development of such exceptional cases, but on the other hand, it can also become a source of demotivation for people who have worked hard and produced results but simply couldn’t make the cut due to the forceful fitment to implement the bell curve.

As we proceed, we would like to assess what industry representatives believe regarding the bell curve for performance appraisal process and also get a better understanding of the perceived advantages and disadvantages of implementing the bell curve for the performance appraisal process.

II. LITERATURE REVIEW

This study implies that the performance appraisal system has a significant role for the effective implementation of CRC elements in the health care delivery system. Therefore, the performance appraisal system has a significant role for the effective implementation of CRC elements in the health care delivery system. Therefore, the perform

The study’s findings^[1] show the presence of significant positive outcomes when the organisation uses performance appraisal as a motivation tool. Further, the study finds that the use of more than one appraisal techniques helps yield greater satisfaction and consequently higher motivational levels. The specific aspects of performance appraisal systems that help improve motivation include the linking of performance to rewards; using the afore-said system to help set objectives and benchmarks; as well as the use of performance appraisal to help identify employee’s strength and weaknesses.

This also brings to notice another key aspect that has gained importance in recent years, especially when it comes to workplace dynamics – ‘Recognition’. Four conceptual approaches [3] to recognition are analyzed: the ethical perspective; the humanistic and existential view; the work psychodynamics school; and the behavioural outlook. An analysis of these different theoretical perspectives reveals that recognition takes four main forms: personal recognition; recognition of results; recognition of work practice; and recognition of job dedication.

As our economic growth accelerates, the human resource practices have to evolve continuously with it. In such an environment, greater attention is being paid to human resource practices as well [4]. The employees are some of the most sensitive resources that an organization has, who also have the highest capability for change and adaptability. It is the responsibility of human resource department to make sure that the support that is required by the employees and organization are made available in the form of policies and procedures. Thus, a rigid human resource department is one of the most critical deterrents for organizations that want to grow fast.

III. RESEARCH METHODOLOGY

To be able to assess the views of industry representatives, a survey was conducted with the sample size being of 106 people with whom the survey link was shared using open access forums like pagalguy.com and linkedin.com. It was ensured that the sampling was as random as possible, and that the responses were anonymous, thus making sure that the respondents were not being influenced by any sort of biases.

The survey consisted of three questions only – one to understand if they felt that the forceful fitment of employees’ ratings on the bell curve was a favorable practice according to them, 2nd to assess if they felt they were rated in alignment with their own perception of their performance in the past assessment cycles, and the last question was a short answer type question to collect data on the views of the respondents regarding the possible advantages or disadvantages of implementing the bell curve for performance appraisal in their respective organizations.

The responses for the first two questions were collected on a scale of five (the Likert scale), with ‘1’ standing for “strong disagreement” and ‘5’ standing for “strong agreement”.

IV. FINDINGS

Amongst the 106 respondents, 52 believe that the bell curve should not be practiced in organizations, while 45 people responded in agreement regarding the bell curve being a useful tool to rate and reward talent in the context of Indian organizations.

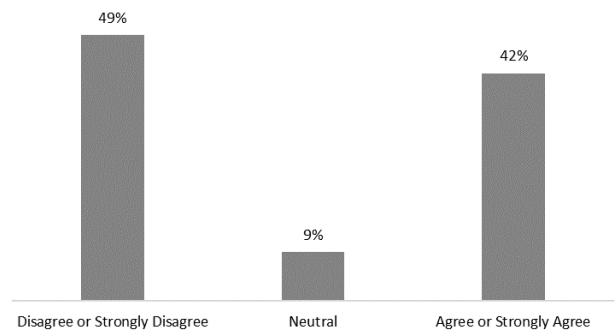


Fig 2:- Graphical representation of whether employees favor the bell curve

In addition to the employees’ opinion about the bell curve, they were also assessed regarding the ratings awarded to them in the previous performance appraisal cycles to understand if the ratings were in alignment with their own expectations. There was a much starker difference in the number of people who feel they were fairly rated versus the ones who feel that they weren’t fairly rated.

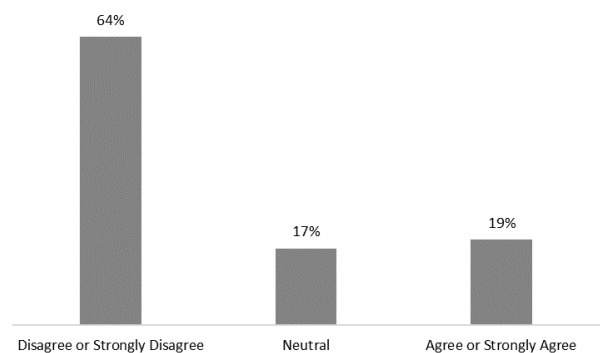


Fig 3:- Graphical representation of whether employees feel they were fairly rated

Lastly, the employees who participated in the survey mentioned that the bell curve was important for an organization to be able to recognize and reward its high performers but they also felt that the ratings being awarded did not seem fair.

V. CONCLUSION

In conclusion, we can say that the bell curve is definitely an important tool to stratify the talent within an organization in terms of the performance displayed by them. It helps the organization to plan for the budget for increments, variable pay components, promotions, amongst other things. Still, it isn’t a sure-shot tool to retain and engage talent though, as the performance of an organization’s employees is not a discrete quantity, rather it is a continuous curve with a lot of qualitative aspects attached to it. It is understandable that an organization would want very clearly defined cliffs when it comes to rating its employees, but unfortunately, just like everything where human emotions and well-being are involved, there are overhangs to these cliffs.

For instance, let us consider an employee involved with software development within an IT company. The performance criteria for such an employee would typically consist of parameters like number of projects completed, error rates within the software code, timely delivery of the product, troubleshooting efficacy, amongst other things, but the relative difficulty of a project compared to other projects isn't a criterion that would be well defined. The agreeableness of the client is another such criterion which would have a huge impact on the project itself but wouldn't necessarily be accounted for when the employee is being assessed during the performance appraisal cycle.

This also reflects in the results we discussed in the previous section. We can see that almost two-thirds of the respondents don't feel that they have been fairly rated. This is despite the fact that most Indian organizations now have a very clearly defined quantitative goal sheet for employees at all levels, but don't necessarily define the qualitative aspects of a task very proficiently.

In conclusion, while the bell curve remains a potent tool which aids in organizational planning and strategy formulation for talent retention and engagement, there is a need for more flexibility^[4] in the planning exercise. It is quite possible to have a lopsided bell curve instead of a perfectly symmetrical one, the decision for which should be made based on the revenue forecasts and budget in hand for employee compensation and benefits. This does mean a more intense exercise for the human resource departments every compensation cycle, but it would also ensure that a larger section of employees is better compensated, more engaged and as a result, is more productive and satisfied.

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