

BELL CURVE TO MODERN METHODS - A SHIFT IN PERFORMANCE MANAGEMENT SYSTEMS OF IT COMPANIES

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Abstract

The performance appraisal refers to the regular review of employee's work and his overall contribution to the organization. Conventionally there are many methods are being followed to review the employee's performance. Bell Curve is one of those conventional methods, which is a forced distribution method, where in managers are forced to rank their teams in 3 categories 1. High performance, 2. Average performers and 3. non-performers. But most of the companies are waving the bell curve systems right now and moving

towards the employee centric performance management system, which insists on continuous feedback and track individual performance. This paper aims at throwing light on the alternative methods of performance management implemented by some Indian IT companies instead of bell curve and their reasons to move away from the conventional appraisal system.

Keywords- *Bell- curve, Normal distribution, Performance management system, check point, team space*

1. Introduction

When the organisations expect performance from the employees, obviously the organisations should have to follow a system to measure the performance of the employees and link their performance level with rewards and recognition, which keeps the employee motivated. A variety of performance appraisal methods are followed in organisations. When the organisations want to link the performance of the employee directly with the reward, usually Bell curve performance method is used.

1.1 Definition

In performance management, Bell curve appraisal method is forced ranking system, which categorize employee performance in three categories as high performers, average performers, non-performers.

1.2 Characteristics of Bell Curve

1. The average or mean of a curve is always located at the center
2. Bell curve has only one mode or peak
3. It has a predictable standard deviation
4. It follows symmetry – exactly half data is located at right side and the other half is located at the right side of the bell

1.3 Process of implementing bell curve appraisal

1. As the company follows the Bell curve performance, it means the performance grading of all employees is distributed along the curve, which in turn implies the company talent should follow normal distribution pattern

2. Limitations should be applied on the ratings of an employee
3. Expectations and standards should be carefully designed, and it must be properly conveyed to employee

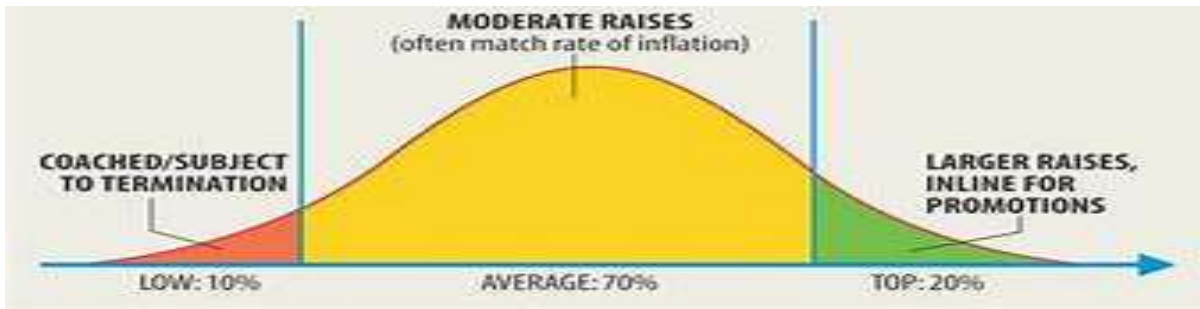
1.4 Working of Bell Curve Appraisal method

Compiling method is used by the Bell curve appraisal, to decide on the performance scores and to generate reports. On a graph these compiled scores are plotted to arrive at bell shaped curve. This will be like star performers are marked over the right side of the bell curve, the average performers fall in middle, and the poor performers falls in the left side of the bell curve as below

Table 1

Performance	Employee status	Rewards and Recognition
Top 20%	High performers	Bonus Leadership positions
Middle 70%	Average Performers	Little less monetary rewards and development plan for further performance development
Bottom 10%	Non-Performers	No financial reward or minimal rewards Sometimes companies lay off

Fig 1: - Bell Curve Distribution for Forced Ranking



1.5 Pros of Bell Curve in Performance Management

1. Easy identification of top performers, which help the organisation to design the career plan and retain them
2. Strict and lenient ratings of manager can be managed, which helps to avoid the mistake of demotivating true performer and retaining average performer
3. Helps to identify proper job position that should be allotted to the employee
4. Skill gap can be identified and accordingly training plans can be drafted

1.6 Cons of Bell Curve in Performance Appraisal

1. The system is too rigid as the managers sometimes put employees in a particular category
2. Possibility of employee getting demotivated and disoriented in their performance

2. Objectives

1. To identify the need, pertaining to use of new methods instead of the popular Bell curve method for performance appraisal
2. To understand about the millennial performance appraisal methods followed by the major IT players

3. Literature Review

1. Curzi, Y., Fabbri, T., & Pistoresi, B. (2020). In their study on performance appraisal and Innovative behaviour in digital era they described that the only way to cope with the innovations is to capitalize on employee's individual innovative work behaviour, which in turn contribute to the overall goal of organisation. Considering this, they conducted a survey among 865 employees of various organisations to identify how performance appraisal boost the innovative work behaviour. Their results show that compared to informal feedback, formal appraisal is more likely to reduce the perception that performance appraisal promotes individual innovation in work. Added to that, they also found that performance done on pre-set standards affect the innovative work behaviour of the employees and if the performance assessment is focus on new competencies developed by the employee it will have a positive impact on the employees' work. Thus, their study gives an idea how the performance assessment should be done by organisations in digitalisation era.

2. Kadam, J. J. (2021), in his study on Bell curves for performance appraisal – are they still relevant clearly mentioned about the change in performance appraisal methods has to be followed in the organisations as the traditional bell curve system is too rigid, unsuitable for teamwork and demoralize the employees. So, organisations should start following Performance appraisal methods that will encourage team efforts, boost employee confidence, promote collaboration rather than making compete.
3. Chattopadhyay, R., & Ghosh. A.K (2012), in their paper performance appraisal based on a forced distribution system: its drawbacks and remedies they mathematically demonstrate the problems lying in following forced distribution method of performance and simple solution that can be followed by the organisations
4. Grubb, T. (2007) in his article performance appraisal reappraised: It's not all positive gives an idea why formal performance appraisal fail in their objectives and why they should be eliminated.
5. Sarkar, A (2016), in her article Is it time to do away with Annual Performance Appraisal System? Benefits and challenges ahead argues that empowerment organisations are scrapping their old school methods of performance appraisal because the new system believes in ideology that every employee wants to contribute to the best of his ability and in case of failure , they themselves know the alternate solution to come out of it . So here the superior's job is to provide support to their development aligning the organizational objectives with the employee's individual career aspirations, which in turn give them a sense of empowerment
6. Sanyal, M. K., & Biswas, S. B. (2014). In their paper Employee motivation from performance appraisal implications: Test of a theory in the software industry in West Bengal (India), found the importance of the line managers in the practice of the appraisal process also reviewed different dilemma regarding appraisal practice and employee issues depending on company's size, business focus. The practice of appraising and its implications are also diverse in different companies throughout the industry.
7. Sing, R., & Vadivelu, S. (2016) in their paper Performance Appraisal in India–A Review, aims at providing a review on different performance

appraisal techniques practiced in Indian organisations.

4. Research Methodology

In this paper the secondary analysis research method, which involves analysing data collected by various researchers on alternative methods of performance appraisal and understanding the need for change in performance appraisal system.

5. Reasons for abandoning bell curve performance appraisal system

1. Employee dissatisfaction
2. Stalls creativity of the employee
3. Rigid appraisal system
4. Managers are forced to rate
5. Excessive competition which kills team spirit
6. Time consuming

6. Need for the shift of performance Management systems from Bell Curve to modern methods by IT industries

1. Fast changing technology
2. Fast obsolescence of skill
3. Multinational clients

4. Quality conscious

5. Requirement of individual achievements to be intertwined with the organizational goals

6. Millennial generation more in number

7. Millennial generation's nature of seeking frequent, instant feedback linked by engaging discussions and coaching

7 Modern methods used in IT Industries recently

The last five years from 2015 to till now, a remarkable change has been observed in the way employee performance has been appraised in the organisations. Managements has realized that they should focus on defining, planning, and managing the performance, instead of merely appraising employee performance. Organisations start encouraging employees to discuss their career aspirations while helping the individual to know what it takes to reach the next career objectives. Thus, the performance appraisal undergone a shift, where the evaluation is a continuous process and not just once in a year review, consisting of various components like instant feedback, frequent conversations, coaching, offering strength-based opportunities. Below are the discussion points on how some of the IT companies have managed the shift from traditional bell curve by adopting new methods

Table 2- Infosys's Icount

INFOSYS	
Traditional Performance Appraisal system	<ul style="list-style-type: none"> ● Bell curve Method
Reason for scrapping old system	<ul style="list-style-type: none"> ● Not suitable for small organisations ● Due to layoff of low performers its difficult differentiate between the performance of employees ● Excess fear and pressure ● Relative ranking bring rivalry ● Closed ranking method
Year of Implementation	<ul style="list-style-type: none"> ● 2016
No of employees	<ul style="list-style-type: none"> ● 1,93,000
New method of Performance appraisal adopted	<ul style="list-style-type: none"> ● Icount
Features of New Method	<ul style="list-style-type: none"> ● Open Ranking ● Reward top individual performer especially executives who contributed to generating more incremental revenue for the company ● Individual employees rewarded on the basis of how well they perform on specific short-term but important targets during the year. ● Allows for continuous feedback from peer, manager, stakeholder

Table 4- HCL's Isuccess

HCL	
Traditional Performance Appraisal system	<ul style="list-style-type: none"> ● Bell curve Method
Reason for scrapping old system	<ul style="list-style-type: none"> ● High attrition rate
Year of Implementation	<ul style="list-style-type: none"> ● 2016

No of employees	<ul style="list-style-type: none"> • 1,76,000
New method of Performance appraisal adopted	<ul style="list-style-type: none"> • I success
Features of New Method	<ul style="list-style-type: none"> • Focus on giving regular feedback and goals-setting • With a bell curve in place, the managers always had an excuse when employees questioned their ratings. • Distribution-led ratings, managers, take the responsibility and ownership for rating their team members

Table 5- Cisco's Team Space

CISCO	
Traditional Performance Appraisal system	<ul style="list-style-type: none"> • Bell curve Method
Reason for scrapping old system	<ul style="list-style-type: none"> • Rating of individual performance by managers • Annual reviews were not working, because they are infrequent and backward-looking conversations not at all relevant to currently task
Year of Implementation	<ul style="list-style-type: none"> • 2019
No of employees	<ul style="list-style-type: none"> • 70,000
New method of Performance appraisal adopted	<ul style="list-style-type: none"> • Team Space
Features of New Method	<ul style="list-style-type: none"> • Unlock the power of company's teams and accelerate team performance • Allows leaders to measure their engagement against the best teams, and against their own engagement over

Table 6- Wipro's Performance Next

WIPRO	
Traditional Performance Appraisal system	<ul style="list-style-type: none"> • Bell curve Method • Client appraisal
Reason for scrapping old system	<ul style="list-style-type: none"> • Employees who were rated more contribution expected (MCE) for continuous two years were asked to resign and this leads to a protest
Year of Implementation	<ul style="list-style-type: none"> • 2015
No of employees	<ul style="list-style-type: none"> • 1,70,000
New method of Performance appraisal adopted	<ul style="list-style-type: none"> • Performance Next
Features of New Method	<ul style="list-style-type: none"> • Frequent and quarterly feedbacks • Allocate performance-linked compensation budgets to its managers • Empower managers to take individual decisions related to employee appraisals

8. Conclusion

Any performance management system tries to accelerate the employee performance and try to line this up with the organisation goals. From the reviews done about few modern methods of performance appraisal system followed in the mentioned IT companies, we can conclude that the employees no longer ready to accept a common standard on which their performance is evaluated. The recent trend is that the employees want to know where their performance stands and

need continuous feedback and coaching to improve their performance. The success stories of the IT companies in managing the change in performance appraisal system has shown the world that the companies should be keen in observing the individual strengths and career desire and devise a plan that would link the individual career goals to the organizational goals. This will increase the involvement and efficiency of working and gives them a feel of empowerment but also leads to organisation grow.

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