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TIME FOR A NEW STRATEGY?

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TIME FOR A NEW STRATEGY?

Why do companies stick to the bell curve system of appraisal even when most employees find it an unfair way of evaluating them? Is it time for organisations to look for newer ways for annual appraisals?

EMPLOYERTIPS

By Amit Dhiman

The bell curve was introduced to resolve certain issues with the employee performance appraisal. The primary one being the difficulty of setting absolute standards of job performance. Setting standards on various aspects of a job are necessary to evaluate one's performance. However, while it has been possible to identify and set absolute standards of performance for jobs that are motor-skilled, repetitive and where job outcomes are directly and unambiguously the consequence of one's labour, defining absolute standards for jobs that require thinking or interpersonal skills is almost impossible. Many managerial, research, counsellor and analyst jobs fall in this category. So, if for such jobs an absolute standard could not be defined, the next best alternative was to compare one's performance with others doing similar jobs, that is to say set a relative standard instead of an absolute one. Once the relative principle was accepted, the need for a scientific method to compare and evaluate was felt. General Electric came up with an ingenious idea of using normal distribution in statistics to compare and distribute performance ratings of employees doing similar jobs in a comparison group.

The basic idea is that maximum numbers of performance scores are 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 in different performance levels. However, employee performance in a comparison group may not be a symmetrical bell curve because employees are not randomly chosen. Organisations 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 organisations 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, one can, at best, say that in majority of cases, in any comparison group, one may almost always find absolutely poor or excellent performers far lesser than people who perform in between. While this may still be fine, the problem arises when HR departments force managers to adhere to a standard distribution norm (for example, poor 10%, fair 20%, average 30%, good 25%, excellent 15%) for all comparison groups, irrespective of job, group size and group performance.

With so many concerns, why do organisations force bell curve norms on managers? The core argument put forth in its favour is its utility in enforcing managers to differentiate performance in comparison and reward better performers. The bell curve's uniform enforcement helps to mitigate the appraiser's tendencies like lenient scores, and thereby ensures intergroup consistency.

Thus, the bell curve enforces managerial accountability to differentiate performance and enhance fairness perception by maintaining consistency, both desirable outcomes. But the question arises, is it possible to keep what is good about the bell curve and avoid what is objectionable? Can we nudge managers to differentiate performance, identify extremities objectively and be fair? Some organisations do try to achieve this. Here are a few examples:

Two-Tiered Evaluations: Some organisations start with evaluating performance at the strategic business unit (SBU)/ profit centre level and then apply different distribution norms to employee performance.

No standardised bell curve norms: Organisations also allocate reward budgets to managers based on performance of SBUs/ 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 organisations 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, organisations can focus on group level appraisals. In such cases, the managers will have to grapple with 'free-riding' by some group members and find other non-monetary ways to recognise individual contributions in 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.

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