

# Performance Evaluation

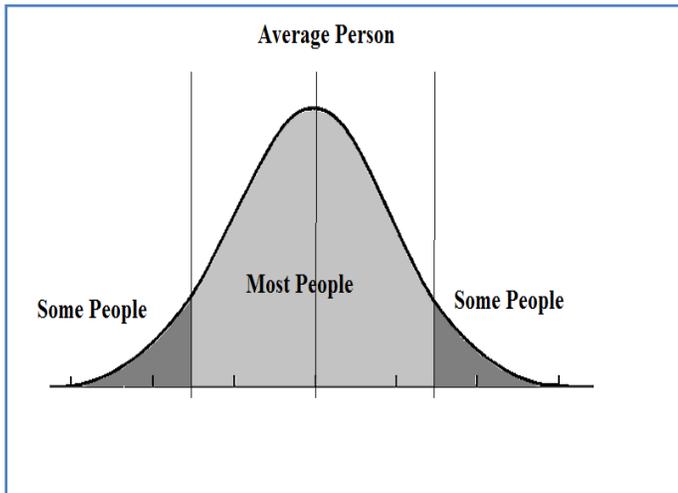
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## I. INTRODUCTION

Performance is an action or process of performing a task or function. And evaluation is judgment about the quality / quantity of the assessment conducted. Thereby, “Performance evaluation is a systematic process of observing, assessing, and interpreting one’s actual performance”.

The bell curve system — one of the appraisal methods popularized by former GE CEO Jack Welch, rates a workforce by comparing performances of people in similar tasks. And then, segregates all employees into distinct baskets— top, average and bottom performers; with the vast majority being treated as average performers.

The bell curve is the most common type of distribution for a variable. The term "bell curve" comes from the fact that the graph used to depict a normal distribution consists of a bell-shaped line. The bell curve is also known as a normal distribution.



“In the struggle for survival, the fittest win out at the expense of their rivals because they succeed in adapting themselves best to their environment”, said Charles Darwin.

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’. Those in the top slot are loaded with bonus and stocks; wherein, those in middle are the major chunk and required for the flow of the system. There is evidence of lagging areas, which is enriched by appropriate training programs.

Remaining odd lot has to come up a long way – whose existence is unsatisfactory, mostly to both employer and employee. Bell curve, is often criticized as a forced ranking system as managers have to mandatorily classify employees into three categories, and rank the performance of 70 per cent as average, 20 per cent as high and 10 per cent, low.

In the words of J. Chandra Sekhar, Ex-Chairman of BOS – Bell curve application in quality control of a product is not equivalent to the application of quality levels of a human mind. Using, product quality evaluation to performance quality evaluation has ‘heaven to earth’ difference.

Usually, bottom performers are replaced – but this has become an expensive approach and the resulting attrition rate reflects bad picture about the Company. At the same time, even the new batch might contain higher percentage of poor performers and can make matters worse.

The institution of performance management is fading away, most firms have completely or partially moved away from the bell curve are Accenture, Google, Microsoft, Adobe, Cisco and KPMG.

GE’s performance management overhaul earlier this year is noteworthy, not just because the company is No. 8 in the Fortune 500, but because it’s formal, once-a-year review ritual had been around for decades.

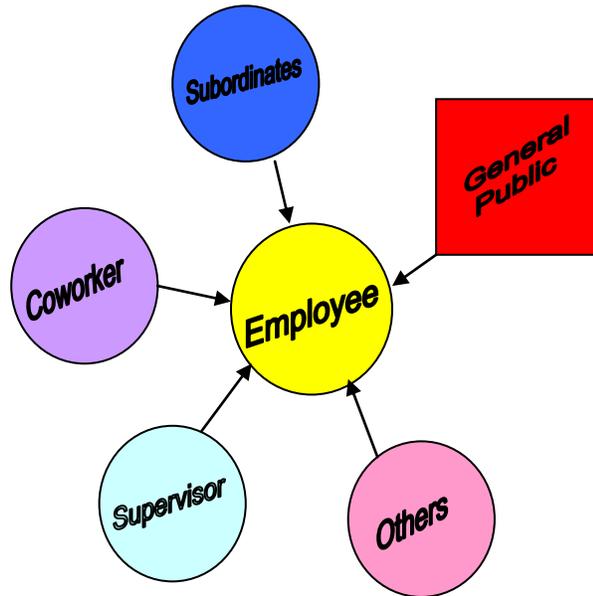
Before the change, GE managers meet with employees once a year for conducting evaluation. In the new system, GE managers, meet employees at the year-end; but the difference is that they’ll be guiding employees and coaching them on their path to meeting their goals under a much less rigid framework. Focus is switching from dictating what employees should do at work to helping them develop their skills. It is paradigm shift on spending time on development rather than the current approach of spending on evaluation.

Yet it remains that human capital is every business's greatest resource. And as employees become even better at their jobs, it’s a win-win for everyone.

Many companies want managers or team leaders to be made accountable for ratings. "With a bell curve in place, the managers always had an excuse when employees questioned their ratings. Now, in distribution-led ratings, managers will have to take the responsibility and ownership for rating their team members," says an HR head of a leading professional services and consulting firm in India.

Over the last two years, an increasing number of companies have been looking at other ways to evaluate their employees. "This year we did not do any forced rankings or curve fitting, we appraised people based only on their performance. We are now looking at tools to ensure that the

feedback process is more continuous, rather than at defined intervals," says Chief executive N Chandrasekaran of TCS.



While moving away from the bell curve, companies are trying to get more accountability into place for the rating; "From now on, the managers will take a call and reward" says Infosys' senior vice president Richard Lobo. He added, "In performance evaluation based on bell curve, it became a race to get to the top for employees. We were losing a lot of good people who were not ranked at the top."

For IBM, "In personal business commitment (PBC), you get your yearly feedback from there. Ultimately, it is in the hand of the manager, so your rating largely depends on your manager. There is a half-yearly assessment of project, which adds up to the PBC rating."

"We felt that managers are taking much more ownership, and being more accountable in the revised performance managed system", Saurabh Govil, chief human resources officer at Wipro.

We are not following the bell curve, instead we follow the absolute rating. We are slowly trying to strengthen a culture of dialogue and feedback," said Prithvi Shergill, chief human resources officer (CHRO) at HCL Technologies.

## II. INTERNATIONAL BUSINESS MACHINE

Rometty announced the latest move to adopt the Checkpoint appraisal system. "Checkpoint is a performance management initiative for the new world of work. The program was co-created by employees giving them an opportunity to shift goals throughout the year and gain more frequent feedback. Checkpoint's goals, conversations and evaluations are focused on five dimensions of employee performance: business results, impact on client success, innovation, personal responsibility to others, and skills," she added. "Goodbye PBC (personal business commitment), hello Checkpoint".

India has also abolished the company's previous methodology and introduced new system; employees will be subjected to four yearly reviews, replacing the previous system where they had to go through just one annual review. "There will be checkpoints, or milestones. On the basis of that, your milestones will be discussed, and you'll be given more immediate feedback instead of a yearly thing". "So, the idea is to get more frequent feedback from the managers, who will tell you what to improve upon and so on."

The new appraisal system basically seeks to maximize output and productivity from each employee and ensure that employees keep meeting their targets through the course of the year. The system will ensure that employees don't get rewarded based on just a single good quarter in which they meet all their annual targets.

"As part of the earlier system, you were given specific targets at the start of the year - and then your goals were reviewed at the end of the year. Now all that has changed completely."

## III. TATA CONSULTANCY SERVICES

Tata Consultancy India's largest IT services Company, said it has abandoned bell curve based performance appraisal and is moving to a system of continuous feedback, becoming the latest player to move away from the forced ranking system. TCS' move mirrors that of its global and Indian rivals such as Accenture, IBM and Infosys. Bell curve are universally loathed by those being ranked on it, and TCS employees are happy that the company has scrapped the system.

"There was too much room for manipulation; lots of people used to be unhappy". "The project managers used to say that they were forced to put good performers into the poor bracket just to fit the curve".

## IV. INFOSYS

The IT services company started conversations around getting rid of the bell curve three months ago and has finally bid adieu to the bell curve as a performance assessment tool for its 1.76 lakh employees. This decision is already showing results, attrition is estimated to be 13 per cent this quarter, compared with more than 20 per cent a year ago. "From this quarter, we have removed the forced ranking and in the October appraisal, employees will be appraised on the open ranking.

The change in the performance assessment system has primarily been pushed by chief executive Vishal Sikka. Since taking over in August last year, he has made several employee initiatives, including relaxation in dress code. The new system is expected to be more open and flexible with a pronounced focus on rewarding performance.

## V. WIPRO

During the middle of last year, India's third largest software exporter Wipro rolled out an ambitious pilot exercise across the company where it ditched its traditional

"bell-curve" appraisal system for a majority of its 170,000-odd employees.

Following the pilot, Wipro has now allocated performance-linked compensation budgets to its managers, as part of the new appraisal system. The new system significantly empowers managers to take individual decisions related to employee appraisals, as opposed to the previous system where managers had to conform to the bell-curve bandwidth. The trigger for this exercise was clear. Employees, Mid-level Executives and Top Managers needed to be more accountable for the company's performance, which in recent years has lagged. Wipro is now implementing a new evaluation system where feedback will be more frequent and quarterly, as opposed to a one-time annual process.

"Traditionally, we've looked at elements including bell curves, building differentiation, categorization, etc. Now, we wanted to make the process of giving feedback more frequent and our performance management system to be an ongoing coaching based process rather than just a one-time annual exercise," said Saurabh Govil, Chief Human Resources Officer.

#### VI. HCL TECHNOLOGIES

A few years ago, HCL Tech was following an open rating, or rating based. On feedback. "There are a few teams where the feedback is more than three to four times in a year." HCL Technologies' has taken the turn to say goodbye to the bell curve, though only partially as of now. The software services exporter is identifying departments where it can use a feedback-based performance appraisal system.

"Though it has become fashionable for organizations to keep introducing changes, it is rather difficult to actually change the entire culture of the organization. We at HCL are trying to get more feedback and dialogue into place. Some teams are ready and some are not," he said. Shergill said that in a year or two, there could be a situation where half of the organisation would follow the bell curve while the rest would follow feedback system for performance appraisal. The future of performance management will include more feedback and place a greater emphasis on development.

All objective should be set using the SMART format:

- S= specific i.e. it is clearly understood what needs to be achieved
- M= measurable i.e. there is a mechanism for assessing whether the goal has been achieved or not.
- A= Achievable i.e. it is something within the employees capability and responsibility
- R= Relevance i.e. is it important is in relation to the job or the employee's development

- T= Time bound i.e. there is date by which it should be completed

GE is in the verge of rolling out an app for delivering more regular feedback. Half the Fortune 500 will kill annual rankings and reviews by 2017. Single system of appraisal tends to result in erroneous results – bell curve requires to be backed by few other performance appraisal methods, in order to be effective.

#### VII. BIBLIOGRAPHY:

Kropp is the HR practice leader for the research firm CEB.

<http://www.chrmglobal.com>

<http://www.qubehrm.com>

