

The Bell Curve dilemma



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IT was November 12, 2013. Much to the delight of the employees of the software giant Microsoft, Lisa Brummel, the then HR head of the company, issued an internal memo. "No more curve" -- was the key message of that famous communication. While this was not truly a surprise for the employees, it was definitely a long awaited and much expected change that the management and employees were looking for.

The memo also said, "And no more ratings".

Like many other companies, Microsoft had been following the Bell Curve method to evaluate employees' performance.

Over the years, many of the employees were in the opinion that this ranking system led the colleagues to compete against one another. There were many instances when

despite strong performances many staff members were ranked either average or poor performers -- because of the inherent nature of the tool. Consequently, the company lost a large number of talent.

Steve Ballmer, the legendary chief executive officer of Microsoft, drove hard to come out of that age-old performance management tool before his retirement.

Finally, on Nov 12, 2013, Microsoft axed the controversial tool of evaluating the performance of its employees -- the main driving force for any organisation.

Performance management is a key for employee motivation and productivity and ultimately, in reaching the overall objectives of the organisation. Through this process, the manager and employee set objectives, monitor progresses and, finally, the employee's performance is assessed against the set objectives also known as KPI, an acronym for Key Performance Indicators.

One of the key outcomes of this process is to review the compensation of the employees based on the performance ratings. This is normally done on an annual basis.

The ultimate objective of the performance management, however, is to improve the overall employee effectiveness.

Over the years, businesses have been using a concept popularly known as the Bell Curve to evaluate and rate employee performance. This concept was, in fact, introduced first at General Electric by the then CEO Jack Welch.

A bell curve is also known as normal

distribution curve or Gaussian distribution. Because of the bell shape, it is called the bell curve. This is a statistical tool that shows that extremely-large values and extremely-small values are infrequent or occasional.

The most-frequent values are clustered around the mean or average value of a set of data.

A similar concept is applied for performance management. It is assumed that there are basically three categories of performance: high performers, average performers and low performers.

The high performers are exceeding the expectations, the average performers are just meeting the expectations and the low performers need to improve their performances.

The concept further outlines that typically, 70 percent of the employees of any organisation or a team are average performers, 20 percent high performers and the remaining 10 percent low performers.

As the distribution is predefined, it is sometimes also called forced ranking.

Once the ratings are done, the organisation is expected to take below actions:

- Reward high performing employees to boost their confidence and motivate them to achieve business goals.
- Encourage average performers to work harder and get into the square of highest performance.
- To guide the low performers and get them back on the track of better performance.

Although the Bell Curve method

has been practised by many organisations over the last two decades, management experts, HR professionals and even employees started challenging the effectiveness of the tool.

Like Microsoft, there were many reputed global organisations -- Google, General Electric, Cargill, Eli Lilly, Accenture, Adobe -- that came out of the Bell Curve-based performance rating system.

reflect the true picture; rather, it will result in erroneous ratings for the employees.

Because of the predetermined criteria (70 percent average, 20 percent high and 10 percent low performers), there could be situations where high performing team members would be rated as average, only because there are no more slots left in the high performance category.

their goals. Some companies are doing quarterly assessment.

Companies like Microsoft are promoting collaboration and teamwork. Instead of measuring individual performance, a team's results are being taken into consideration and eventually the team is rewarded on the basis of their collective performance.

Measures like profit-sharing have proven to have better motivational affects.

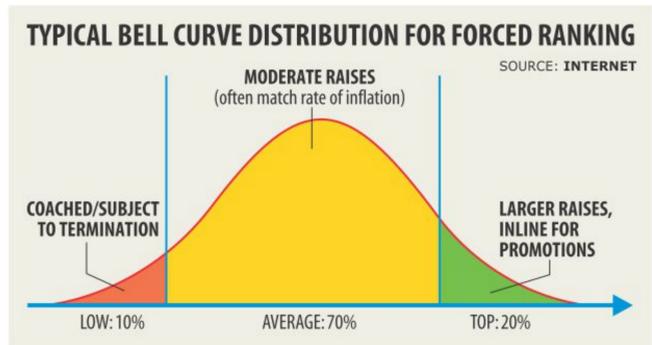
In general, the employees care for fair payment as per the market benchmark.

The so-called performance rating system to reward people puts pressure not only on employees but also on their managers. The Society for Human Resource Management in one of its studies found that 90 percent of performance appraisals are painful and do not bring any meaningful result.

More often than not, employees get demoralised and the working relationships with their managers deteriorate. As a result, the overall productivity of the organisations goes down.

Time has come to revamp the traditional ways of appraising and rewarding employees. No wonder reputed and dynamic companies are redefining performance management to nurture the culture of high collaboration and driving sustainable business results.

The writer is the managing director of Syngenta Bangladesh Ltd.



Let's try to dig further into this tool to identify the challenges and the disadvantages associated with this widely used method:

Theoretically, the Bell Curve is a scientific tool. However, one key fact that gets often overlooked is the size of the data. For any statistics to be valid there needs to be minimum set of data. For that matter, for any distribution to be normal, the size of the sample has to be at least 30. The bigger the data size, the better. Therefore, when this tool is applied to a small team it will not naturally

Similarly, few employees could slide into the category of low performers just to match with the tool.

Eventually, the employee gets wrong rating, which leads to unfair compensation and benefits and in the long run halts the career growth.

This begs the question: so, what is the alternative?

There are various approaches that are being adopted by businesses. Instead of a yearly review system, many companies are opting for more regular and frequent feedback to their employees to help them to achieve

Sri Lanka rejects Chinese request for local fuel sales

REUTERS, Colombo

Sri Lanka has blocked a proposal by Chinese firms bidding to build the island's biggest oil refinery to sell fuel locally, fearing a threat to domestic firms that dominate the small but growing market.

The veto is the latest in a tussle over Chinese investments in Hambantota, a southern town near an important shipping route, where China controls the sea port and plans an industrial zone for Chinese firms and a \$3 billion refinery with annual output of around 5 million tonnes.

China Huanqiu Contracting & Engineering Corp, a subsidiary of state-owned China National Petroleum Corp, and private refiner Shandong Dongming Petrochemical Group have jointly bid for the refinery located near the port.

Government spokesman Rajitha Senarathne said the Chinese companies had asked to sell refined products on to

the local market, but had been told just to export.

"The Chinese companies asked permission (to supply local markets), but we did not give them permission. We asked them to participate in tenders of local suppliers, if they want to sell locally," he told Reuters.

Another government official, who didn't want to be named as he is not authorised to speak to the media, said Sri Lanka did not want to cede control of the local fuel market to Chinese firms.

Sri Lanka's \$6 billion market is controlled by state-run Ceylon Petroleum Corp and Lanka IOC, a subsidiary of Indian Oil Corp.

"We have asked the Chinese firms to go for partnership with existing players if they want to sell their products in the local market," the official said. "We don't want both our companies to suffer by letting another player in."

The two Chinese companies seeking local market access did not respond to a Reuters request for comment.

Wider benefits seen in trade deals, challenging Trump-style mercantilism

REUTERS, Geneva

INTERNATIONAL trade deals have real benefits for small firms' competitiveness and regional integration, the International Trade Centre (ITC) said on Wednesday in research challenging US President Donald Trump's "America First" policies.

ITC executive director Arancha Gonzalez said governments often failed to reflect the wider interests of business in trade negotiations, with a reluctance to see trade and investment as two sides of the same coin, and providing only soft support for consumer protection, gender equality, tax coordination and small firms.

"It's a wake-up call for trade negotiators doing trade agreements to not apply a purely mercantilist lens but look at the wider implications of trade," Gonzalez said.

Mercantilism is associated with attempts to use trade to gain economic advantage over other nations, epitomized by Trump's policies to "make America great again".

But the research by the ITC, a joint venture of

the World Trade Organization and the United Nations which advises firms on how to export, found that broadening the scope of trade deals and deepening regional value chains had greater benefits.

"It's less about sugar, steel and autos and more about the quality and the coherent way you would put together your trade part, your investment part, your inclusiveness part, with your sustainability part, with your fairness part," Gonzalez said.

Each policy area newly covered by a trade deal increased a country's integration into value chain trade by 2.5 percent, the study found.

Each additional policy area also narrowed the competitiveness gap between small and big firms by 1.25 percent, enough to lift small businesses in Tajikistan onto the same competitiveness footing as their small business counterparts in Estonia.

"The deeper your regional integration, the more value chain activity you generate, but the more you close the gap between your small and your large companies," Gonzalez said.

Trade deals incorporating a chapter on

investment were measurably more beneficial than agreements that focused purely on investment.

While bilateral investment treaties boosted imports within the value chain by 2.8 percent, they did nothing for exports. Trade deals with investment provisions lifted imports by 3.2 percent and exports by about 2 percent.

The study looked at 279 bilateral or multi-country trade arrangements covering 189 countries, and also found that regional trade integration was a major success factor for value chains, which are increasingly the route to global trade for small- and medium-sized enterprises.

Every region is host to regional value chains expect Africa, which was not sufficiently integrated by trade agreements to create regional critical mass, the study found, based on ITC's database of 515 African firms.

Some of the strongest African economies were in North Africa but were weak compared to nearby European competitors, while South Africa - Africa's best shot at anchoring a value chain - was far behind the leaders in other regions.

World Bank raises 2017, 2018 East Asia growth forecasts

REUTERS, Singapore

THE World Bank raised its economic growth forecasts for developing East Asia and Pacific for this year and 2018, but added the generally positive outlook was clouded by risks such as rising trade protectionism and geopolitical tensions.

The Washington-based lender now expects the developing East Asia and Pacific (EAP) region, which includes China, to grow 6.4 percent in 2017 and 6.2 percent in 2018.

Its previous forecast in April was for 6.2 percent growth in 2017 and 6.1 percent growth in 2018.

"The economic outlook for the region remains positive and will benefit from an improved external environment as well as strong domestic demand," the World Bank said in its latest East Asia and Pacific Economic Update report on Wednesday.

The outlook, however, faces risks from rising trade protectionism and economic nationalism, which could dampen global trade, as well as the possible escalation of geopolitical tensions in the region, the bank said.

Increasingly hostile statements by US President Donald Trump and North Korean leader Kim Jong Un in recent weeks have raised fears of a miscalculation



REUTERS/FILE

People walk at a business district in central Tokyo, Japan.

that could lead to war, particularly since Pyongyang conducted its sixth and most powerful nuclear test on Sept. 3.

"Because of the region's central role in global shipping and manufacturing supply chains, escalation of these tensions could disrupt global trade flows and economic activity," the World Bank said.

That could be accompanied by financial market volatility that would likely hamper economic growth in the region, and there could also be a "flight to safety"

that spurs capital outflows, the bank said.

The World Bank said it now expects China's economy to grow 6.7 percent in 2017 and 6.4 percent in 2018. Its previous forecasts were for China to grow 6.5 percent in 2017 and 6.3 percent next year.

China's economic growth is projected to moderate in 2018-2019 as the economy rebalances away from investment and external demand towards domestic consumption, the bank said.

The World Bank cut growth forecasts for several countries in Southeast Asia including Myanmar and the Philippines, while raising forecasts for Malaysia and Thailand.

"Businesses in Myanmar appear to have delayed investments as they wait for the government's economic agenda to become clearer," said the bank.

It cut Myanmar's growth forecasts by 0.5 percentage points for both 2017 and 2018, to 6.4 percent and 6.7 percent, respectively.

"These projections do not factor in any longer-term impact of the ongoing insecurity in Rakhine State, which if it persists could have significant adverse effects by slowing foreign investment."

More than half a million Rohingya have fled from a Myanmar military crackdown in Rakhine State launched in late August that has been denounced by the United Nations as "ethnic cleansing".

In the Philippines, a delay in a planned government infrastructure programme has softened the economic growth prospects, the World Bank said.

It added that Malaysia's growth is gaining a lift from higher investment and a recovery in global trade, while Thailand's growth forecasts have been revised higher due to a stronger recovery in exports and tourism.

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