

# Motivating Employees By Using Bell Curve Performance Appraisals

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## **Abstract**

Bell curve performance appraisal is a method used in Human Resource Management to evaluate employee performance. This system groups employees into different performance levels based on a distribution that resembles a bell-shaped curve. The bell curve performance appraisal method was made famous and widely adopted by Jack Welch, the former CEO of General Electric (GE), in the 1980s. Although the concept of the bell curve as a statistical distribution predates Welch's use of it, his implementation at GE popularized its application in performance management. Encourages differentiation by clearly identifying high and low performers. Helps organizations allocate rewards and incentives more systematically. Promotes a performance-driven culture by discouraging complacency.

**Keywords:** Bell Curve, Performance appraisal, Jack Welch, General Electric, High performers, Average performers, Non-performers, Employee performance, Parameters of performance, Consistency in appraisal.

## **1. Introduction**

Many large organizations, particularly in the IT and banking sectors, have traditionally used bell curve-based performance appraisal systems. Notable examples include Infosys, Wipro, and ICICI Bank. Several public sector undertakings (PSUs) in India, such as ONGC and SAIL, have also adopted this method. Under the bell curve system, a small proportion of employees are categorized as top performers, the majority are rated as average performers, and a smaller segment is identified as low or non-performers. The bell curve appraisal system in Human Resource Management helps organizations systematically assess, compare, and rank employee performance, ensuring that performance ratings are distributed in line with organizational standards, strategic objectives, and alignment with the mission and vision of the organization.

The bell curve performance appraisal system is used to categorize employee performance by differentiating individuals into top performers, average performers, and underperformers. This system ensures that a predetermined percentage of employees fall into each category, which supports structured reward distribution and performance management. Human Resource departments use the bell curve appraisal to identify and appropriately compensate high performers, provide training and development opportunities for average performers, and address performance gaps among underperformers through

feedback and improvement plans. As a result, this method is often preferred by HR departments as it promotes a culture of high performance, accountability, and continuous improvement within the organization.



The bell curve performance appraisal system was widely adopted by organizations in the past; however, in recent years, several companies such as Google, Microsoft, and Adobe have moved away from it. These organizations have shifted toward more flexible performance management systems that emphasize individual strengths, continuous feedback, and employee development rather than rigid categorization into predefined performance groups.

Statistically, the bell curve adapts to strict parameters by maintaining a consistent shape and predictable properties across different data sets. Regardless of the data being analysed, the distribution remains centered around the statistical mean, with the majority of observations clustered near the average and progressively fewer observations appearing at the extremes.

Employee performance is often perceived to follow a bell-shaped distribution due to multiple factors, including natural variations in human abilities and standardized methods of performance evaluation. The normal distribution suggests that most employees will demonstrate average levels of performance, while only a small proportion will emerge as exceptionally high performers or significantly underperform. This assumption historically made the bell curve an attractive tool for organizations seeking a structured approach to performance differentiation.

**Why does the Bell Curve Work in Performance Management?** Bell curve performance appraisal is a structured method used in performance management to categorize employees based on their performance. Managers assess the performance of their team members over a specific period. This evaluation is based on predefined criteria, such as meeting targets, demonstrating key competencies, and contributing to team objectives. Employees are then ranked from highest to lowest performance. This ranking is typically done by comparing individual performances relative to each other rather than against

an absolute standard. Infosys replaced forced ranking with open ranking and frequent goal reviews every 2 months to reduce attrition and focus on individual goals.

**Distribution:** After employees are ranked based on their relative performance, they are distributed into predefined performance categories that resemble a bell-shaped curve. This distribution ensures differentiation across performance levels.

#### Top Performers (Top 10–20%)

These employees consistently exceed expectations. They demonstrate exceptional skills, high productivity, leadership potential, and strong contributions to organizational goals. They are often rewarded with higher incentives, promotions, and critical assignments.

#### Average Performers (Middle 60–80%)

This group forms the largest segment of the workforce. These employees meet performance expectations, achieve assigned targets, and maintain required competency levels. They are considered stable contributors and are usually supported through regular training and development initiatives.

#### Low Performers (Bottom 10–20%)

Employees in this category fail to meet expected performance standards. Organizations typically place them under performance improvement plans (PIPs), provide additional coaching, or take corrective. Wipro implemented a feedback-based system with quarterly reviews instead of annual forced rankings

**Feedback and Development:** Based on their performance ranking, employees receive structured feedback aimed at continuous improvement. Top performers are recognized and rewarded for exceeding expectations, which helps motivate and retain high talent. Average performers receive constructive feedback to sustain and gradually enhance their performance. Low performers are provided with targeted support through training, reskilling, mentoring, and performance improvement plans to help them close skill gaps.

Reflecting this developmental approach, HCL Technologies moved away from the traditional bell curve system in many departments and adopted a dialogue- and feedback-driven performance management model. This shift emphasizes ongoing conversations, coaching, and individual growth rather than forced rankings, fostering a more transparent and employee-centric performance culture.

**Objective Evaluation:** The bell curve offers a structured and objective framework for assessing employee performance by categorizing individuals into predefined performance levels. This approach helps reduce biases and promotes fairness in evaluations. By clearly distinguishing top performers, average performers, and low performers, organizations can make informed decisions regarding promotions, rewards, and development initiatives. For instance, IBM transitioned from the traditional annual bell curve to a system called Checkpoint, which conducts four reviews per year, focusing on results, innovation, and skill development.

**Motivation and Competition:** By recognizing top performers, the bell curve fosters a competitive environment that motivates employees to excel. Knowing that outstanding performance will be rewarded

encourages employees to strive for higher achievement. TCS Abandoned forced rankings for individual performance-based appraisals with continuous feedback. Recognizing achievements, offering development, setting clear goals, and fostering a sense of accomplishment boosts intrinsic drive, making employees feel valued and engaged. Linking appraisals to tangible rewards in terms of pay, promotions, motivates but overemphasis can diminish intrinsic motivation.

**Resource Allocation:** The bell curve approach recognizes top performers, fostering a competitive environment that motivates employees to excel. Awareness that outstanding performance will be rewarded encourages individuals to strive for higher achievement. However, some companies, like TCS, have moved away from forced rankings for individual performance appraisals, adopting continuous feedback systems instead.

By recognizing achievements, providing development opportunities, setting clear goals, and fostering a sense of accomplishment, organizations can enhance intrinsic motivation, making employees feel valued and engaged. While linking appraisals to tangible rewards such as pay, and promotions can boost motivation, overemphasis on these extrinsic incentives may reduce intrinsic drive over time.

**Consistency in Appraisals:** Using a standardized method like the bell curve ensures consistency across departments and teams. This uniform approach helps maintain a cohesive performance management system within the organization. For example, General Electric (GE) famously employed the bell curve performance appraisal system to rank employees and drive performance improvements. By identifying the top 20% of performers for rewards and addressing the bottom 10% through improvement plans or other interventions, GE maintained high standards of performance company-wide.

Applying fair, clear, and consistent standards for evaluating employees is critical. This includes ensuring that everyone understands expectations, receives regular feedback—both positive and constructive—and perceives development opportunities as equitable. Organizations achieve this through manager training, calibration meetings, standardized evaluation templates, and continuous communication, all of which build trust, reduce bias, and reinforce the credibility of the appraisal process.

**Started by GE:** GE's growth and success have often been linked to its performance management system, famously based on the bell curve, also known as forced ranking or the vitality curve. Championed by former CEO Jack Welch, this system assumed that employee performance follows a normal distribution: a small percentage are high performers, the majority are average, and a smaller percentage are underperformers. By identifying and often removing underperformers, GE aimed to build a more efficient and high-performing workforce.

The Bell Curve at GE specifically referred to Welch's 20-70-10 system, where employees were classified as top (20%), average (70%), and bottom (10%) performers. The bottom 10% were frequently managed out to foster a high-performance culture. While this approach helped recognize and reward talent effectively, it later faced criticism for harming morale and collaboration. As a result, GE eventually shifted its focus toward employee development and engagement rather than strictly enforcing forced rankings.

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