

Rank and yank essay



Performance appraisals will always be an intricate part of an organization's human resources. The Encyclopedia for Business, 2nd ed. defines a performance appraisal as a process by which organizations evaluate employee performance based on preset standards. The main purpose of appraisals is to help managers effectively staff companies and use human resources, and, ultimately, to improve productivity. However, the role of performance appraisals and their purpose have been subject to positive and negative feedback amongst employees, and outside critics.

No matter how you look at performance appraisals, the existence of some form of rating system will ensure that the right people are in place to execute the strategy and maximize success. Some of the most common forms are ratings scales, 360-degree feedback and management by objectives (MBO). The most scrutinized of the different forms is a type of ranking format known as forced-ranking or 'rank and yank.' A closer look into the history of the 'rank and yank' system will be provided along with detailed information of the how it works.

Opinions and views will be shared so as to determine whether it's a system that coincides with the definition of a performance appraisal. The rank and yank system was designed and implemented by Jack Welch when he performed his duties as the CEO for General Electric (GE). Rank and yank is a forced-ranking system that is an employee performance review system where workers within groups or departments are rated best to worst with the lowest ranked workers either terminated or considered for termination (American Business). Each year, employees are ranked in a distribution of 20-70-10.

Twenty percent of the employees received stars as a performance ranking while 70 percent were “ acceptable” and the remaining 10 percent were designated as “ needs improvement. ” Of that 10 percent, employees are given the opportunity to improve and move into the 70 percent or face termination (Milkovich, Newman & Gerhart, p. 376). “ Today, an estimated 60% of Fortune 500 firms still use some form of the ranking, though they might use gentler-sounding names like “ talent assessment system” or “ performance procedure,’ says Dick Grote, a Dallas-based performance consultant who has written a book on the topic” Kwoh). Companies such as Microsoft, Ford Motors, Intel, Enron (prior to their demise) and American International Group, Inc. (AIG) are but a few that still rely on the system. One of the biggest supporters of rank and yank is the creator himself, Welch.

He stated, “ This is not a mean system-this is the kindest form of management. Low performers are given the chance to improve, and if they don’t in a year or so, you move out. And that’s the way it goes. A spokesperson for Intel said, “ It rewards good performance, not seniority, not cronyism, not teacher’s pets. We think it is a pretty accurate reflection of people’s performance” (American Business). Other organizations who use the ranking praise it because when a company performs badly during an economic crisis or when there is economic slowdown, it’s easier to identify employees when forced layoffs appear. Since the bottom 10 percent haven’t been top performers to the company, they are the first to go in order to eliminate labor costs.

Managers also believe that it gives an employee a fair understanding of where he or she stands. Critics of the rank and yank system are massive.

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What some people didn't see about the system was how it was executed; the process of ranking employees. Of course, employees were evaluated for their performance but the real issues lied within how they were evaluated and the process thereafter. In some cases, at the end of each year, upper management would meet and decide on which ranking to give an employee.

From time to time, when managers didn't agree on a particular rank for an employee, brutal disputes would occur. An employee's fate with the company lied in the preparedness of his or her manager to fight for their job. As a result of the 'war room,' a majority of the employees were given a "needs improvement" instead of being placed in the appropriate higher rank. A former Enron employee stated, "Even if everyone did great, someone has to fall into the 'needs improvement' category" (Greenwald).

This process, of course, had its repercussions as employees began to complain. Ford encountered the most negative publicity when employees filed numerous lawsuits against them. In the end, they eliminated the rank and yank system. Microsoft and Conoco faced their fair share of lawsuits as well. Brad Smith, who worked with Welch in the early 1980s to implement GE's forced ranking system, later said that he disagreed with Mr. Welch's insistence on identifying a "bottom 10%" because sometimes a company simply doesn't have that many underperformers (Kwoh).

Critics also added that the forced rank system demoralized employees and showed favoritism to particular groups of employees over others—such as white over black or women and younger managers over older ones (Greenwald). Another criticism is that it promotes backstabbing amongst

employees as well as the managers. In my search for a better understanding of the ‘rank and yank,’ I read numerous literatures discussing various views and opinions about the system. I shared views of those who support the system as well as those who oppose the system.

As I gathered the information, one thing was clear; that the rank and yank system is a performance appraisal philosophy that I strongly disagree with. My disbelief in the system is based on the fact that any appraisal system that ranks employees based on biases and favoritism is an unstable one. With all the legal ramifications, the system puts a company at risk. Instead of establishing an atmosphere that promotes professional growth and promotions, the system enables low morale, the absence of loyalty, manipulation and discrimination in the workplace.

One piece of advice that I’d share with supporters of this forced ranking system would be this: At the end of the year, if you need to fire 10 percent of the employees that your company hired, trained and developed, who are now considered poor performers, then maybe your Human Resources Department and its operations need to be reorganized and some of those in charge need to be fired. This performance appraisal scheme is a dishonest one, and our Lord despises dishonesty. “You shall not give false testimony against your neighbor” (Exodus 20: 16, TNIV).

When managers give employees a ranking that doesn’t accurately evaluate their performance, they are giving false testimonies of that employee’s skills, performance, attitude and work ethic. “There are six things the Lord hates, seven that are detestable to him: haughty eyes, a lying tongue, hands that

shed innocent blood, a heart that devises wicked schemes, feet that are quick to rush into evil, a false witness who pours out lies and a person who stirs up dissension in the community” (6: 16-20). Of the six things that the Lord hates, rank and yank can be easily associated to four of them.