

# Case5.1



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Forced ranking is a management technique designed to evaluate employees' work efforts so that they fall in to one of three groups. The " top" group comprises the most efficient, most productive employees, and generally amounts to 10%. The " middle" group is by far the largest, comprising 70% of the company's employees. Those in the middle group are considered average. The " bottom" group is the final 20% of employees, those who are the least efficient and productive. There are many opinions regarding forced rankings. Some businesses swear by the efficacy of the technique, others feel that it has a specific time and place where it is appropriate, and still others feel that it is completely outdated and ineffective.

1. What's your opinion regarding forced ranking performance appraisals? Forced ranking, generally defined as a curve that leadership creates by assigning credit with " certain proportions of the production to proportions of a producing population" (" Wikipedia"), would most likely be of great benefit to a floundering company. After one or two years of culling the very bottom (i. e. least productive) employees from the pack, the company ought to see substantial improvement in productivity and efficacy. Such a move, if conducted properly, should certainly be enough to set the company right and enable its continued existence. However, forced ranking is not advisable as a long-term solution. Quite simply, this is because once you have sifted all of the chaff from the wheat, all you're left with is wheat. That is to say, if you cull effectively, eventually all you're left with is the good stuff. By continuing to dismiss employees based on forced ranking, eventually the company would be eliminating effective, productive employees, because that would be all that was left. At that point, rather than improving the overall quality of the employees retained, the company would essentially be shooting itself in

the foot by laying off good-quality workers. 2. How would equity theory explain some employees' negative reactions to forced rankings? Explain. With every concept, there are those who favor it and those who are opposed to it. With forced ranking, some employees have a negative reaction based on equity theory. The theory, defined as a "concept that people derive job satisfaction and motivation by comparing their efforts (inputs) and income (outputs) with those of the other people in the same or other firms ("Wikipedia"). Many employees get satisfaction from their work through seeing a direct correlation between the effort they put in to their projects and the income they get from those efforts. However, with forced ranking, employees see less direct impact from their own efforts. Instead, they are judged based on the productivity of the group they are put in (which is sometimes arbitrary). As such, some employees who work very hard will see little credit for that, while others who do not try as hard (but are good compared to others in their group) will see greater credit and potential compensation. 3. Based on Chapter 5, if you decided not to use forced rankings at your company, how would you motivate employees? The benefits of forced ranking are short-lived at best, and can severely undermine personnel morale. Therefore, if I were the head of a company, I would choose to institute a tiered program. The top tier would reward those employees that are the most productive and most efficient throughout the company. The second would reward those employees that are consistently above average (this would be over a longer term, such as 6 months). The third tier would reward those employees that consistently strive to improve their performance (upon reaching an above-average threshold, these employees would be moved to the 2nd tier). A tiered program like this would recognize

all levels of effort within the company, providing incentives for the employees to give their best and continue to improve. The greatest incentives would be offered at the top, but lower tiers would still receive incentives. Such a program would also cause employees who are not productive, efficient, or even attempting to become so, to stand out in a negative way. Those employees could be placed on a probationary period, and then terminated if they failed to improve. References: " Equity Theory." Wikipedia. Wikipedia, 22 Apr 2011. Web. 15 May 2011. . " Vitality Curve." Wikipedia. Wikipedia, 25 Apr 2011. Web. 15 May 2011. .