



## **Trimming Out the Deadwood**

By Garold L. Markle

Jack Welch, former General Electric CEO and Fortune magazine's "Manager of the Century", pioneered many benchmark-worthy world class business practices. According to W. Edwards Deming, a person many believe to be the founder of the Quality Movement, however, Welch's much ballyhooed performance evaluation system was not one of them. And when it comes to the sensitive subject of using a system like this for "trimming out the deadwood" (shedding the organization of ineffective workers), their positions couldn't be more polarized.

The GE system, as championed by Jack, requires managers to not only rate employees against job standards, but also to compare each competitively with peers using a forced ranking distribution. 20% are permitted A's (like in school, the top grade), 70% have to settle for B's, and 10% must be labeled as C's. Those receiving the bottom grade are forced to leave the company.

Corporations who practice this so-called "rank-and-yank" appraisal process do so believing that annual high-grading helps trim out the deadwood. It also clearly identifies stars and keeps everyone else on their toes. Dr. Welch felt it an essential ingredient in the recipe for a world class organization, even though he conceded that it was emotionally difficult.

Dr. Deming's point of view was completely the opposite. One of his famous *Fourteen Points of Organizational Transformation* was "Don't do performance evaluations!" He felt the ritual "robbed the



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worker of pride of workmanship” and “attributed too much to individual performance” when most work output is determined by systems and processes mandated and controlled by management. If that was too subtle, he listed performance evaluations as one of the *Seven Deadly Diseases* that American organizations were spreading around the world. To those puzzled about what to do instead, he replied “If your system does more harm than good, just stop doing it. That alone will be an improvement!”

**When a frustrated rank-and-yank practitioner challenged Dr. Deming on the need to trim out the deadwood, he typically responded with a question. “Were they alive when you hired them? Or did you kill them?”**

I’ve pondered the genius of this Socratic query for more than twenty years now. Below are at least four bits of “profound knowledge” that I think Dr. Deming was trying to convey.

First, his question more than subtly suggests that management should assume primary responsibility for creation of a systemic problem. Where did we screw up? Did we hire poorly? Describe the job improperly? Pick the wrong person for the job? Or... Did we give failed workers more to do than they could perform effectively? Train them poorly? Assign them to an ineffective supervisor? Fail to respond to their cries for help? Whatever the answer, an empowering follow-up question is “What kind of systemic changes are we going to make to prevent this problem from recurring?”

Second, and equally important, please notice that Dr. Deming never advised us to avoid trimming out the deadwood. Whatever caused the problem, if key position holders are truly dead, I believe he would strongly encourage us to make a change. Transfer, demote, or terminate. Do whatever it takes to resolve the situation. When we’re done, however, we must fix the root cause so that we don’t have to do this again.

Here’s a third extension of Dr. Deming’s logic. How, Dr. Welch, did you determine your deadwood to be an even 10%? What if we have 19.5% deadwood in a particularly poorly functioning division? Should we keep the ineffective 9.5% for another year? What if the true ratio of deadwood is only 3%? Do you really want us to fire the additional 7% simply out of principle?

Fourth and finally, how, Jack, can you argue that Six Sigma is the ultimate goal of any process (defect rates measured at .002 per million transactions) but simultaneously endorse a process that has a built in error rate of 10% in human capital? Could anyone but a global juggernaut like GE afford to be so extravagant?

I worked in HR for a Fortune 500 company that practiced something very similar to the GE system. We ranked employees against each other to force managers to get tough. We only included 5% in our bottom category and stopped short of requiring that recipients be immediately fired. Our strategy was to shame them into quitting whenever possible. (Arguably an even less effective and more inhumane practice.)



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*In the end, we created a situation where 90% of our employees felt like losers and the other 10% were paranoid.* The only intelligent way to play the game and remain a top performer year over year was to watch your back and fend off your “competitors” (publicly referred to as “teammates”). When we asked our people to work together in harmony in support of our customers, but paid and promoted them for superior individual performance, guess which one they made the priority?

Bottom line in this epic ideological battle on the best strategy for trimming out deadwood, I think the Socratic systems mechanic beats the chainsaw wielding celebrity CEO in every conceivable way.

So, what should you do to trim out the deadwood?

1. **Do your very best to prevent deadwood from ever occurring.** Focus on perfecting work processes. Hire, promote, train and develop talent appropriate for making your systems world class.
2. **Cut whatever percent of deadwood you encounter.** Don't impose artificial quotas for failure. If the true answer is 50%, so be it. Do whatever it takes to remove all nonperformers. Just be sure to get to the root of the problem and change your work practices to prevent more from taking their place.
3. **Coach employees instead of judging and critiquing them.** Focus on them individually by examining their contributions compared to job requirements, your standards of excellence and their career expectations.
4. **Don't rank employees against each other as a part of an annual performance review cycle.** It is the single most destructive personnel practice with respect to both teamwork and morale.
5. **It's more than okay to rank candidates for promotion.** Be sure to restrict rank lists, however, to those in the actual candidate pool. Candidates for promotion must first express an interest in being promoted. They've got to be silly enough to want increased responsibility and good enough to earn it.
6. **When necessary, rank candidates for layoff.** Limit rank list to candidates representing skill sets or occupying positions that are subject to consolidation or elimination. If a shift in market demand has left you with too many accountants but you have a deficit in sales personnel, exclude salesmen from the exercise.



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