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Top Up, Bottom Out

The bottom ten percent may not in actuality be the troublemakers after all...

Key Learnings

- Underlying philosophy of up-or-out process of performance management
- Strategies to manage underperformance through a sensitive yet rational approach

Corporate weeding is inevitable. During annual reviews corporate leaders often get irked with the bottomed-out part of the performance curve. Handling these under-performers has always been tricky for managers and leaders. More trying are cases that once occupied the curve peaks and have consistently slipped through the slope and settled around the bottom of the bell. Weeding out under-performers is an emotional process where leaders find it rather difficult to disassociate from employees they had once worked closely with.

The need to weed out under-performers is urgent since their performance has a direct impact on corporate performance. Ignoring their faltering performance levels could amount to sabotaging organizational interests. Hence it is a tough call, but managers have to go through with it. How managers go about handling the bottom ten percent is a critical aspect of performance management. Some may go straight for the axe without really understanding the reasons for underperformance.

Some others may be more patient with employees, taking time to delve into their past performance records. Such managers prefer to leave the axe for the last hour. They believe that the “up-or-out process” may not always hold good and hence giving under performers a second chance to perform may turn things around. Traditionally organizations are known to implement the up-or-out process as a part of their annual organizational planning exercise.

Under this approach, organizations prepare a performance curve that depicts the relative placement of employees on the curve in terms of their contribution to organizational success. This exercise is mainly carried out with the objective of identifying the rainmakers and troublemakers.

Leaders then direct managers to weed out the bottom ten percent employees who they believe are beyond recovery. This forms the basis of other HR decisions like promotions, transfers, recruitments and negotiated exits. Depending on the employee placement on the curve, they are promoted, transferred, demoted, retained or fired.

The up-or-out process is a regular practice among high-performance organizations. These organizations are completely result-centric. They are nice to people who deliver and mean to those who fail. In fact managers in these organizations use this process as an easy alternative to maintain impressive performance averages.



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Even though the process of up-or-out seems logical and fair, its implementation is rather bumpy. The ruthless Darwinian approach to management cannot be applied universally. Notwithstanding employee incompetence, a whole lot of complicated interplay of emotions, justice, biases and unforeseen reasons affects employee performance.

The up-or-out process is largely based on two assumptions. First, employees are solely responsible for their underperformance, and secondly, the process works on the belief that adding new hires is better than tolerating underperformance. The process gives the benefit of doubt to new hires taking away all the credibility from the existing employees. These assumptions may not always hold true.

There is little truth in the fact that employees are solely responsible for their underperformance when we know that external factors can impact employee performance. Further betting on an unknown devil is not ideal since it can work either way. Thus organizations should break free from their bias for the up-or-out process and adopt a more rational and sensitive approach to managing employee performance.

Managing underperformance the right way

Collaborate and coordinate

Involving employees in the process of goal setting is critical to employee as well as organizational success. Setting achievable, measurable and mutually agreeable goals is an important aspect of performance management. Shared goals also help employees to put up their best in terms of experience, knowledge and skills. Well-conceived objectives and goals are thus critical for delivering high performance levels.

Align personal and business objectives

Managers should ensure that the personal beliefs and values of employees are not in tangent with that of the organization. There have been cases where even competent people have lost out only because their values were contradictory to their employers. Thus aligning both objectives and value systems is critical for getting the best out of employees.

Constant supervising and support

Even the best performers need help and support from their mentors and leaders to hone their skills. Thus, providing constant support in the form of training, counseling and coaching to help employees get their best foot forward is an effective performance management measure. With the support of managers and mentors, employees feel secure and confident about openly discussing their shortcomings and strategies to overcome them.

Clarity in responsibility and accountability

Having a crisp account of job responsibilities can give employees a better understanding of their leader's expectations. This also provides an insight into the accountability status of individual employees. Holding employees accountable for their actions ensures better and faster execution of work processes.



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Employee performance depends on various factors. Attributing employee failure to personal incompetence alone without delving into other possibilities is an unfair way of handling employee underperformance. Therefore, to make a fair judgment of performance issues, leaders should adopt a more rational and sensitive approach and leave the axe for the woodcutter!