

SHOULD YOU FIRE 10% OF YOUR EMPLOYEES?

Jack Welch, the former chairman and CEO of General Electric, offered this advice for improving a company: Fire 10% of your workforce every year because their replacements would result in an annual upgrade of the workforce. Welch's HR policy categorized the entire workforce, using a classic bell curve, into the 20% top performers, 70% average performers and 10% worst performers. Every year the worst performing 10% were shown the door.

What harm can a few incompetent employees do? A lot more than you think. In my opinion, it's crucial for companies to screen out incompetent characters before they're hired—and if they do slip through the cracks, companies must make every effort to reform or (if necessary) oust them.

It's so much easier to focus on attracting and developing superstars. They are the ones that deliver astounding results and it's more rewarding to focus on top-performing, energetic employees.

Studies show that negative interactions can pack a much bigger wallop than positive ones. The reason is simple according to psychologist Roy Baumeister, who stated, "Bad is stronger than good." Consider research on bad apples and team effectiveness by psychologists Will Felps, Terence R. Mitchell, and Eliza Byington. They examined the impact of team members who were deadbeats ('withholders of effort'), downers (who express 'pessimism, anxiety, insecurity, and irritation') and jerks (who violate 'interpersonal norms of respect'). The experiment found that having just one slacker or jerk in a group can bring down performance by 30% to 40%.

Think about all the costs associated with firing a poor performing employee. Many costs can be quantified in dollars (such as severance, interviewing and new hire training) while other costs include your time, productivity or peace of mind.

A good example in my own company was my assistant bookkeeper. When my senior bookkeeper died, she took advantage of the open position and let us know that he had trained her to handle the job. Even though she was considered to be a negative personality, we kept her to keep some semblance of stability during a difficult time for my other employees and to our customers. Big mistake! She should have been let go and I should have bit the bullet and hired a bookkeeper with proven competencies.

I learned the hard way. Over the next two years, she embezzled three hundred and thirty thousand dollars from our company and is now in prison. Proving again the point by the psychologists... pay

attention to the bad as it is stronger than good.

GE got rid of formal, forced ranking around 10 years ago but, there's still some legitimacy to some of the procedures. According to the *Wall Street Journal* article, Jack argues that "rank and yank" should be called "differentiation." He argues that they need to know exactly where they stand in an organization, and that with constant communication and feedback, it isn't as harsh as people make it out to be. Welch wrote, "Yes, I realize that some believe the bell-curve aspect of differentiation is 'cruel,' and that always strikes me as odd. We grade children in school and no one calls that cruel. But somehow adults can't take it? Explain that one to me."

Smaller businesses find the threat that forced ranking poses to their cultures a little extreme. Industrial giants are often well-suited for introducing a successful ranking scheme, but growing businesses have completely different needs. Take my word for it, good policies will work whatever the size of the company, if they are communicated effectively to the work force.

Points to remember:

- Every employee should be given a chance to improve and deliver on expectations
- Terminating dishonest or vindictive employees is easy
- Firing underperforming employees is more difficult
- Terminating an employee is sometimes your only option to continue to promote success.
- Continuing to employ people who routinely fail is a disservice to them as well as your organization

Today GE invests more than \$1 billion annually in training and education offerings. Although GE has changed to relate to today's economy, today's employees, and today's culture, I give them kudos for clearly defining a star employee as someone who does great work and who helps others succeed as well.

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