The Worst Doctor at Harvard Medical School

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by Marc Effron,
Talent Strategy Group

Each year's Harvard Medical School graduating class includes one doctor who is ranked at the bottom of their class. To be clear, this individual was the absolute worst performer in their four years at this highly esteemed institution. Every other Harvard Medical School graduate that year had performed better than they did. If you lined up those Harvard doctors in order of their performance, this doctor would be at the end of the line.

There is a phrase that's used to describe that person. They are called .....

a Harvard Medical School doctor. Perhaps ranking people by performance doesn't seem quite so sinister now.

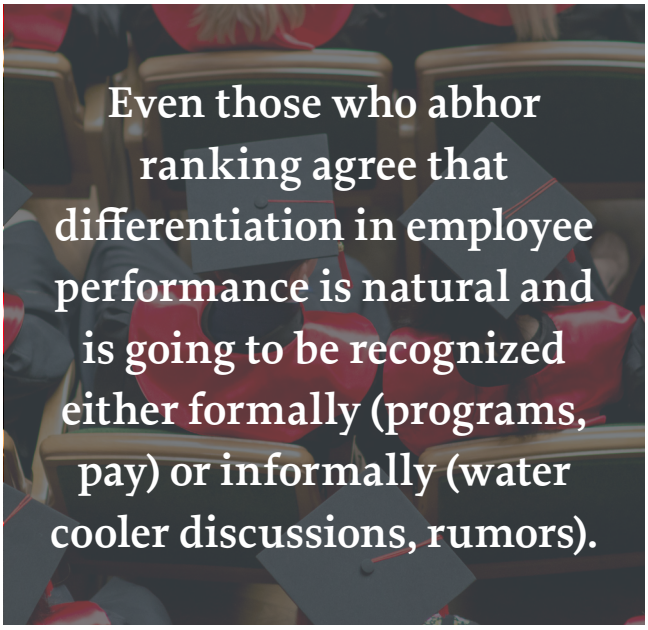
Ranking has acquired a derogatory image as an evil tactic executed by heartless business leaders to terminate helpless employees. Those fears seem to originate from:

1. the belief that there is something inherently wrong with sorting people from high to low, and/or
2. the belief that ranking and the actions taken from ranking are the same thing. Neither statement is true. The act of ranking serves the powerful, helpful purpose of providing data and transparency where there was none.

Blame (and credit) GE

It was through GE's use of the 20/70/10 distribution in their performance reviews that many business leaders were introduced to stack ranking. Many other companies followed that practice to help drive differentiation, with some forcing and some "strongly guiding" their performance distribution. Opponents of differentiation spread rumors that the bottom 10% of the distribution was terminated each year (not true) and gave ranking the pejorative label "rank and yank." The fact that the bottom 10% termination never happened at GE (nor likely anywhere else) didn't prevent this erroneous belief from becoming part of HR folklore.

So if we set aside the emotions and false information, is there any benefit from ranking employees' performance? Your answer likely depends heavily on your response to one question: Relative or Absolute?



Relative or Absolute?

At the heart of your personal talent philosophy is the question of whether you believe that anyone who crosses the finish line is a winner or that only the first person across is, by definition, ranked first and the others ranked in order after that. If you think you are the former (absolute), you may be surprised that you are the latter (relative). Even those who abhor ranking agree that differentiation in employee performance is natural and is going to be recognized either formally (programs, pay) or informally (water cooler discussions, rumors). So, the real question is, should you be transparent about differentiation or not?

We would suggest that ranking and transparency is an incredibly beneficial activity for at least four reasons:

1. Ranking creates data that enables, but doesn't force, a decision

In a typical day we constantly rank and

compare alternatives. We create hierarchies that range from where we prefer to have lunch to which idea we liked best at the team meeting. Ranking reflects the reality that we have standards for nearly every choice we make – from the detergent we use to the friends we keep. We make those choices largely at a subconscious level, never really understanding that we're always comparing things against our personal standards.

Sometimes you rank just for fun (which piece of expensive art you'd buy if you had the cash or your favorite contestant on *The Bachelor)*, and sometimes your ranking has consequences – a restaurant doesn't get your business or someone gets a date with you. In each case you've compared a set of choices and selected the one you prefer. You didn't say that the lowest ranked item was undesirable. It was simply the least desirable option available. Your ranking provides you with data that allows you to make a decision but certainly doesn't force one.

2. It allows differentiated investment

Many executives believe in some sort of differentiation based on performance and/or potential. The data from hundreds of executives who have taken our Talent Philosophy survey show that they prefer to invest 150% more than average in developing their company's high performing leaders and 125% more developing their company's high potential leaders.

That's only possible through ranking, or at least ranking some individuals as high performing or high potential and some as not.

Differentiation is also at the heart of variable pay. The fact that one person received a larger bonus than another person means that ranking occurred. Ranking by pay may allow you to hide that ranking from others, but it doesn't negate that you're ranking.

If you don't believe in ranking, then you can't believe in varying pay for individuals based on their performance – it's the same thing.

3. Top talent likes being ranked

Curiously absent from stories about companies eliminating performance ranking are quotes from those who consistently receive high rankings. We can assume that top performers know that others are ranked below them but we don't remember hearing them complain about being ranked.

There's rather clear science that says we enjoy being compared positively to others ([example at 2]). So we can assume that some portion of top ranked talent appreciates this recognition. To

many high performing individuals, ranking can reinforce that their efforts are focused in the right direction.

Ranking Motivates

While ranking will reinforce the confidence of top talent, it should also motivate others to raise their game. By definition, being ranked below the top suggests that someone is doing something better than you.

Those people might be putting in more hours, building better relationships, creating more innovative solutions, etc. They're doing something that you could do if you chose to.

This should motivate good quality talent either intrinsically ("I'm better than that and I'll show them!") or extrinsically ("I want the rewards and recognition that others are getting"). The ideal reaction to being ranked below your preferred point should be, "tell me what I can do to rank better next year." That's a strong argument for ranking – you shouldn't want to be at the bottom and should fight hard to not be there again.[3]

Conclusion

There's nothing wrong with knowing where people stand – data is just data. It doesn't need to have organization consequences, but there's nothing wrong if it does.

Ranking allows the differentiation that our leaders say they desire. It allows you to understand and recognize your organization's best talent. It promotes transparent communication with employees about where they stand. It can (or should) motivate lower performers by showing that a higher level of performance is possible.

For those who believe that ranking is somehow cruel, the real cruelty lies in not recognizing your best, not motivating everyone else and not being transparent about the fact that real differences exist.

As with those Harvard doctors, ranking employees require that there must be a negative consequence. It just means acknowledging the differentiated reality of everyday life.

References

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CONTACT THE AUTHOR

Marc Effron

President
Talent Strategy Group