

Forced Ranking Behind the Scenes

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By Dick Grote

“CHARLIE’S BETTER THAN SAM BUT NOT AS GOOD AS MARY.”

In a nutshell, that’s the operating dynamic behind the most controversial and under appreciated management practice today – forced ranking.

Companies that use a forced ranking system require their managers to assign employees into different categories based on both past performance and leadership potential. General Electric, the company best known for the procedure, sorts employees into three groups: a top 20% on whom rewards, promotions and stock options are showered, a “high performing middle” 70% with good futures, and a bottom 10%. The bottom 10 % are not likely to stay.

“A company that bets its future on its people,” GE’s former CEO Jack Welch wrote in his final stockholders’ letter, “must remove that lower 10 percent, and keep removing it every year – always raising the bar of performance and increasing the quality of its leadership.”

GE’s not alone. Ranking employees is everyday practice at highly admired companies like Microsoft, Cisco Systems, Hewlett Packard, and Sun Microsystems. Sun’s system parallels GE: 20% are “superior,” 70% are “Sun Standard” and 10% are “under performing.” Hewlett-Packard uses a 1-5 scale with 15% receiving the best grade of 5 and 5% receiving 1’s. Microsoft uses a 2.5-5 scale. PepsiCo uses a quartiling approach where managers allocate their troops into one of four quartiles; EDS uses quintiling.

What all these systems have in common is their requirement that managers, in addition to evaluating how well Anita has met her objectives and how competently Harry performed his job description duties, rank people against each other. Managers must place each person into one of a limited number of categories with a fixed percentage assigned to each bin.

At companies that don’t rank employees, almost every worker can come away from a performance appraisal discussion feeling, like the children of Lake Woebegone, that he or she is above average, particularly if a faint-hearted manager sets his standards low enough that the even the village idiot can exceed them. But with a forced-ranking system, managers are required to bell-curve the troops.

“FORCED RANKING IS EVERY DAY PRACTISE AT HIGHLY ADMIREED COMPANIES”

FORCED RANKING OR FORCED DISTRIBUTION?

In most companies that use the procedure, the forced ranking sessions are separate from the company's performance appraisal system. "Performance appraisal" is the important and well-established annual process that, done right, helps every member of the organization understand how his or her performance contributes to the achievement of the organization's mission. Performance appraisal educates all members of the company team about the competencies that are important to the company as a whole and in their individual job. It provides for the identification of their key job responsibilities and identifies the standards and measures that the boss will use to assess the subordinate's performance. It encourages setting important and meaningful goals and identifies the outcomes those goals will be expected to produce.

A company's performance appraisal rules may provide that only a certain percentage of people can be assigned into the various final rating categories. If they do, that's an example of "forced distribution." It's a *person-to-standard* comparison. Forced ranking is a different kettle of fish. Instead of a person-to-standard comparison, it's *person-to-person*.

There are several other differences between the two procedures. First, while almost every organization bigger than Joe's Bar & Grill has some form of performance appraisal mechanism, only the big boys tend to have a forced ranking system. A surprisingly large number of companies use forced ranking, however, and an even larger number are moving toward implementing the process. *Fortune* estimates that a quarter of Fortune 500 companies have instituted forced ranking programs.

A second difference between performance appraisal and forced ranking systems is that performance appraisal programs typically affect everyone in the company — nobody's immune to receiving an annual review — while forced ranking processes usually only examine people at the top of the organization. While it's critical that every member of the company know what's expected of him and set meaningful goals, the payoff for assigning talent into A, B and C pools is greatest with those who have the greatest impact on the corporation's overall success. In other words, you earn the right to be involved in forced ranking by making your way to the top.

Finally, performance appraisal necessarily focuses on the past. Just how well did Sandy do in achieving her objectives over the past 12 months. Forced ranking, on the other hand, focuses exclusively on the future. The issue for assessment in forced ranking sessions is the amount of stretch the person has to lead the organization into the future.

THE CRITICS ARE WRONG

Critics of the procedure argue that forced ranking is discriminatory, subjective, divisive, arbitrary, and unfair. It's not true.

Ford, Conoco and Microsoft have been hit with class action suits charging that their ranking systems

"FORCED RANKING'S PAYOFF IS GREATEST AT THE TOP OF THE ORGANIZATION."

were used to illegally favor some employees over others. Certainly the process is discriminatory: it discriminates in favor of the talented and energetic and against the lazy and dull. But that form of discrimination is not yet illegal.

It's a human tendency for people to believe that they're better than they actually are. Workers ranked at the bottom will never like it and are unlikely to accept it. Everyone in an organization wants the answer to the question, "Where do I stand?" Forced ranking gives them the answer. Unfortunately, some people will not like the answer they get. If they are members of a protected class they can easily transform their disappointment into an accusation that the poor ranking was actually a function of their age or color or sex, and not on their poor performance and lackluster potential.

But the argument that forced ranking is illegally discriminatory seems specious. On one hand, the Microsoft suit alleges that the system, by bolstering a good-old-boy mentality, encourages white managers to favor their white friends against the organization's black employees. The Ford suit, conversely, argues the opposite. There the middle-aged white men suing Ford argue that the company's diversity push has forced managers to disproportionately assign white men to the bottom 10%. And in Conoco's unusual suit the American plaintiffs claimed citizenship discrimination, arguing that the company illegally favored Britons.

It's unlikely that the discrimination charges will stick. One of the Microsoft lawsuits was dismissed May 9, 2001, in a Seattle federal court. In dismissing the suit, the judge stated, "a rational jury would not conclude that Microsoft's practices were discriminatory against older and African-American workers." The Ford suit was settled in March 2002. And employment-at-will is still a valid legal principle.

But what if a company's forced ranking procedure, honestly and objectively done, reveals that the blacks or women or disabled employees just aren't as talented as the white ones? Should they do what some Harvard professors are said to do and award A's to all the blacks, just to keep them from squawking?

Or engage in a little race-norming to boost the scores of low-rated performers who are members of a disadvantaged class and thus keep them from being rated C players and exited from the organization?

Rita Risser, the California attorney who is the author of the book, *Stay Out of Court: The Manager's Guide to Preventing Employee Lawsuits*, answered that exact question recently on her Fairmeasures.com website: "Keeping less qualified minority employees and laying off white employees instead is illegal race discrimination. That's the textbook answer. Many human resources managers believe that minority employees are more likely to sue than white employees and will keep them on to avoid suit. This is wrong, both morally and factually. Today, white employees are just as likely to sue for race discrimination, and they are finding a sympathetic ear in the court. Whether you lay off the white employees or the minority employees, you may get sued. But if you lay off the less qualified employees, no matter what their race, you will win."

THE SUBJECTIVITY COMPLAINT

Is forced ranking arbitrary and subjective? Of course it is arbitrary: managers are required to assign employees into a specific and arbitrary number of performance categories. But the rigorous procedures in place in most organizations that use forced ranking prevent the process from becoming erratic and capricious. Small employee groups are "rolled-up" to assure that a sufficiently large population is under comparison. Senior managers relentlessly grill their juniors about the source and validity of their judgments. Managers prepare ranking books with complete dossiers on the employees to be graded. These intensive sessions may last two full days.

"FORCED RANKING'S RIGOROUS PROCEDURES AGAINST SUBJECTIVITY AND BIAS."

Is the process subjective? Only to the extent that, like so many other difficult decisions managers in sophisticated organizations are required to make, there is no algorithm into which the numbers can be plugged that will then churn out an algebraic answer as to who ranks higher than whom. The employee ranking process requires the exercise of honed managerial judgment in a situation where the data are always incomplete and often contradictory — the same managerial judgment that we applaud and reward when it is applied in other areas.

The apparent unfairness of the process provokes the most protests. The most common objection to the use of a forced ranking posits a situation in which the hapless manager is forced to sit in judgment of his team of what he believes to be uniquely-skilled organizational Green Berets, each one doing an excellent job, and force-rank a portion of them into the company's dunce category. But talent variations do exist, even among real Green Berets. As a whole, The Green Berets may well be the ultimate military organization, but some demonstrate more courage under fire than others. Some make better judgments about how an attack should be planned, about which informants are double agents. So while everyone in a small department may indeed play a unique role well, some play their roles better than others and offer more potential to play bigger and more challenging roles.

What is never put forth in these specious "Green Beret" objections is the opposite (and equally likely) scenario: the team in truth is a bunch of organizational Keystone Kops, and the forced ranking system compels the manager to place an arbitrary number of the witless and undeserving into the top category.

PAYOFFS AND TURNOFFS

Besides the misguided objections to forced ranking already discussed — that the process is arbitrary and discriminatory and unfair — critics are concerned that the process may impact morale by generating an "every man for himself" organizational culture made up of a bunch of self-centered individualists who scorn team play and value competition over cooperation. That concern is allayed by making sure that the ranking criteria value teamwork and cooperative efforts. (In the case study we'll review shortly, one of the most common reasons for an A player to be assigned into the B category was that "he didn't play well in the sandbox.") When that message about why a top performer failed to be assigned into the A category is communicated, behavior change is usually rapid.

The benefits of forced ranking, intelligently and ethically conducted, are numerous. More than almost any other process, it creates and sustains a high-performance, high-talent culture. Early in my career, I worked for five years each for General Electric and PepsiCo, each company a well-known and vocal advocate of the process. I never saw the atmosphere of ruthlessness and unbridled individual competitiveness nervously anticipated by the critics. It wasn't there. What was there was a culture of highly committed and hugely talented people who brought enormous energy every day to achieving challenging organizational goals. Both were incredibly healthy and satisfying places to work.

(What made GE and PepsiCo particularly satisfying places to work for the talented was the fact that those who didn't share their level of talent or commitment didn't stick around long. Whether they were removed through a forced ranking process, or through more normal performance management processes, or simply from their personal discovery that this just wasn't the right place for them, the talent-free always exited quickly.)

There is evidence that forced ranking procedures correlate with total return to shareholders and other measures of organizational performance. Recent research involving over 200 companies reported by Linkage, Inc., indicates a strong correlation between companies with strong performance management procedures, including forced ranking, and three- and five-year total shareholder returns. Companies that use individual criteria to assess the performance of employees and managers significantly outperform companies that focus primarily on measuring business-unit or overall company performance.

Forced ranking procedures certainly generate well-defined consequences. Employees rated at the top not only stand to receive greater financial rewards, they also are the beneficiaries of enhanced and targeted development efforts. Since corporate budgets for management and executive development aren't unlimited, it makes sense to identify those who will benefit the most from these expensive activities.

"THE PROCESS ENCOURAGES A HIGH-PERFORMANCE, HIGH-TALENT CULTURE."

Finally, an effective forced ranking procedure helps make performance management a corporate priority and lets employees know where they stand. "One of the common complaints from employees is about the lack of feedback on their performance," observes Lisa Sprenkle. "Forced ranking sends a clear message as to how people stand, or fall." A forced ranking process overcomes the common supervisory reluctance to finger poor performers and injects some starch into the backbones of managers who would otherwise prefer to rate everyone as above average.

One common observation made by managers during forced ranking discussions, when those managers have been provided with the last two or three performance appraisals of the individuals being assessed in their briefing books, is that there is frequently a disconnect between the information written in the performance appraisal and the picture that emerges in the frank, person-to-person comparisons made in the forced ranking discussions. When top executives discover that they and their junior managers have routinely been writing and approving excessively lenient assessments of the performance of subordinate staff, a significant improvement in the quality and tough-mindedness of the next cycle's performance appraisals is a regular outcome.

MAKING FORCED RANKING WORK RIGHT

The forced ranking process is, by definition, a rigorous, disciplined approach that is used to establish the relative ranking of an identified population of an organization's management personnel, typically at the middle and senior leadership level. The procedure reinforces the fact that an organization's leadership should be subject to a higher standard of performance than the rest of the workforce.

To initiate a forced ranking process, the usual procedure is for the company to define a small number of criteria against which employees will be gauged. It also determines a ranking distribution. For example, the distribution used by several organizations, and the one that Grote Consulting Corporation usually recommends, is a distribution of top 20%, vital 70%, and bottom 10%. Note that individuals are placed in a few discrete categories, rather than forced into true rank order. Charley Morrow, a contributor to Linkage's Innovations in Performance Management study, notes that, "If you have 100 employees, there is little value in differentiating who is 33rd and who is 34th. Such systems require undue amounts of time and effort."

Senior executives (themselves often having already been ranked by the CEO) then evaluate the population being assessed against the criteria. They discuss each individual and assign him or her into one of the pre-determined categories.

"THE GREAT VALUE OF THE PROCEDURE IS NOT IN THE RANKING ITSELF, IT'S IN WHAT ACTIONS RESULT FROM THE RANKING DECISIONS."

The great value of using a forced ranking process, however, doesn't result merely from plunking people into the different buckets. The payoff comes from the action that is taken with each person following the assessment sessions. Identified top performers (A players) are subject to aggressive development, grooming, and rapid promotion. This insures that the company has the highest performing executive talent pool leading it both now and in the future. Managers placed in the lowest category, C players, are typically removed from the position or from the organization itself. This separation process frees the organization of relatively lesser-performing contributors and allows these individuals to achieve a higher probability of career success by finding jobs and/or organizations that are more congruent with their skills.

FORCED RANKING BEHIND THE SCENES: HOW IT REALLY WORKS

In June 2002, I completed a major forced-ranking project with one of America's best-known consumer goods companies. From the start, the company – anonymous at their request – did everything right.

Why did they decide that forced ranking was right for them? Almost three years ago a new CEO had been brought in from the parent company for a turnaround. He found:

- ❑ While the company was highly profitable, market share had been flat for the past several years.
- ❑ A culture best described as high-tenure, best effort.
- ❑ Performance appraisals were regular and routine but leniency was common.
- ❑ A succession planning process that included all of the accepted standard features, but the same candidates were rated as highly promotable year after year and key organizational slots were rarely filled by the identified candidate the succession planning list recommended.

In addition, a recently appointed performance improvement manager with two decades of field HR experience wanted to explore forced ranking as a way to overcome the functional silos and lack of performance management toughness that characterized the organization.

"IT'S USUALLY BEST TO REPLACE C PLAYERS. DEVELOPMENT EFFORTS TOO OFTEN RESULT ONLY IN THEIR MOVING UP JUST SLIGHTLY AND DISPLACING OTHER MARGINAL PERFORMERS"

The process started with an executive overview for the company's top brass. This three-hour presentation gave the company's senior leadership a first-hand view of the procedure as it works in several different organizations. We concentrated on exploring the key components of the system that, assuming they decided to proceed with the process, would make their forced ranking process exactly appropriate to their culture and objectives.

The top leadership group analyzed five critical areas

- ❑ **Criteria for evaluation:** Since we would be assessing leadership and future potential, we would need to identify some standard yardsticks that would apply to individuals across all organizational units. A list of four emerged that everyone agreed was appropriate and measurable: Execute with excellence, Passion for results, Succeed with people, and Make tough decisions. The first three criteria were lifted directly from the company's "Values in Action;" the final one was not only incorporated in one of the other values but would also be measurable in part by the way in which the person participated in the process as an assessor.
- ❑ **Organizational level:** How far down in the organization would the ranking process extend? Where do you reach the point of diminishing returns? And would this executive group also be included in the forced ranking population? To make sure that the forced ranking process would have the biggest impact, we decided that only the company's top executive and vice-presidential group (47 individuals) and their direct reports (180 individuals) would be included in the ranking process. This meant that the CEO and I would meet for him to rank his seven direct reports. This group would then meet with him to assess the pool of VP's; and the VPs would meet to assess all the remaining managers.
- ❑ **Confidentiality:** To what extent would the company publicize the fact that it was embarking on a forced ranking system? Would assessees be told how they came out in the forced ranking process? The group decided to publicize the program to all exempts, even the ones who weren't included in the ranking process. "Non secrets, no surprises," was the mantra.
- ❑ **Procedure:** How exactly would the ranking sessions be run? How long would they last? What would be the roles and responsibilities of each participant? And how would rankers be prepared so that they could do their job knowledgeably and accurately? We decided to run two sessions a day (a bad decision, it later turned out, since we ended up spending less time of identifying developmental ideas for the A players than we would have liked.)
- ❑ **Outcomes and consequences:** What will happen once the ranking process is complete? What will we do with those who are assessed to be the company's A players? More worrisome to the group: what will we do with those identified as C's?

A significant amount of discussion involved that last question: what will happen to the bottom-ranked individuals? The immediate assumption was that they would be involved in a development effort to move them up, into the B-player ranks. I pointed out that, unfortunately, the effect of initiating development efforts with this group is merely to churn the larger population. People who are rated as C's are developed until they move up a bit and displace some bottom-end B's. These new entrants to the C ranks are then developed until they move up and displace others . . . a never-ending nasty cycle.

A better solution, I argued, was to do what everyone knew was right: to reserve development efforts for the A players who would enormously benefit both themselves and the company, and to remove C players from their jobs.

"EXECUTIVES WERE ASSIGNED A DECEPTIVELY SIMPLE TASK:
ALLOCATE THE MID-MANAGEMENT POPULATION INTO THE TOP
20 %, THE VITAL 70 %, AND THE BOTTOM 10 %."

Did this mean summary terminations? No. But it meant that anyone identified in the bottom group would be removed from his position and either moved to another job that he could handle in an outstanding way, or exited from the company in a dignified way with a generous separation package.

FIGURING OUT THE NUTS AND BOLTS

The program was well publicized to everyone who would be directly affected as an assessor or assessee. Each individual was assured that not only the final ranking itself but also the strengths, weaknesses and development needs (including disagreements) that emerged in the group discussion would also be shared.

Every assessor got a briefing book with complete job history and demographic data on the individuals being assessed along with the last one or two performance appraisals. Each one went through a three-hour training programs that reviewed the spirit, intent and mechanics of the program, along with intensive skill-building activities. A sample activity: Write down the initials of every boss you've ever had in your career, from your first part-time job in high school up to the one you've got now. Pick the A and the C — the best boss and the worst. Now assess that boss against the four leadership criteria. What made him or her an A player or a C?

Finally, the CEO sent everyone involved in the procedure two emails in the two weeks before the meeting. In the first, he said, "The purpose of this process is to identify the top 20% of our leaders whose career development should be accelerated, the middle 70% whose solid contributions are critical to our success, and the lower 10% whose talents are not fully leveraged here, and who could probably be better utilized elsewhere. This initiative will focus on employees in grade levels 14 and above, including my management team." In the second he provided a blunt message to all assessors: "The future of the company's leadership rests with the employees that you identify as the top 20%. Use care, be deliberate, be selective, and be "executive" in these identifications. I want the best identified so that aggressive development can be created and implemented for them. We must also identify a full 10% of our lower performers. That said, I am prepared to work with you to ensure that all employee separations which become necessary through this process are accomplished in an orderly manner."

INSIDE THE ASSESSMENT MEETINGS

The assessment meetings took up most of a week, with each meeting running up to eight hours. At first we thought it would be feasible to conduct two assessment sessions per day, morning and afternoon, for two different groups. But the intensity of the meetings coupled with the large number of people to be assessed caused many sessions to run long. But the quality of discussion of any individual was never sacrificed; only the extended discussions of development needs for A players and appropriate placement for C players had to be shortened.

Meeting mechanics were simple. In each session, the name of each manager to be assessed was written on a 4X6 Post-it note and arranged in alphabetical order on blank flipchart pages posted on the wall. In the center of the room, facing the group of assessors was a blank piece of graphics paper, five feet high, ten feet long. Lines divided this paper into three segments. The only words on it were "Top 20%", "Vital 70%," and "Bottom 10%" at the top of the appropriate section, together with another Post-it note that provided the exact number of people that needed to be assigned into each category.

After a quick review of the mechanics for the session, the rationale, a few ground rules, and the key points from the training sessions came the final instructions about the required meeting outcome: "Your job is to discuss each individual fully, then move each name from the alphabetical list to the appropriate position as an A, B, or C player."

In the first session after a minute or two of hesitance and shuffling, the assessors decided to move all of the names from the alphabetical list to the initial position at once and not one at a time. Each boss went up to the flipchart, peeled off the names of his or her subordinates, and stuck them in the A, B, or C area.

In the first assessment session, 37 people needed to be slotted as As, Bs, or Cs. After the assessors sat down, the numbers weren't close. Thirteen names had been placed in the A area, 26 were tagged as Bs, and the C territory was empty. For the first of several times in the session, I reminded them of the outcome required: 7 As, 26 Bs, 4 Cs.

"If this were my company, would I want this guy on my team?" the head of manufacturing asked of an apparent high-potential benchmark A player. "I'm going to throw the first turd on the table," he continued. "He doesn't belong in the top 20%. He's no A."

The sales head came in. "I want him on my team," he said. "On my B team."

The man's boss, after several other challenged the assumption that this individual, long considered a high-potential employee, actually had less stretch than had been assumed, got up and moved his name out of the A ranks. "But he's a high B," he said as he moved the Post-it note to just the other side of the line.

"There's no such thing as a 'High B!'" the manufacturing VP responded. "A B is a B is a B."

The first argument erupted. Very quickly the assessor group further refined the middle category into B+'s (those who just missed being classified as A's), B-'s (those who barely escaped the C category), and the great majority of good solid B performers. And this made sense, since the conversations that would follow the assessment meetings would be different depending on whether a B player just barely missed being named an A or whether the individual barely escaped a C player designation.

The discussions concentrated on the requirement that they make their judgments based on the four criteria that the executive group had selected: Execute with excellence, Passion for results, Succeed with people, and Make tough decisions. But other factors continually came in. One manager was new to a job and, somebody argued, was a B by default. "Not true," another said. "We are looking at an individual's innate skills, and they aren't going to change because of a new job."

Pruning the list of A players was tough, particularly since everyone agreed that these managers were all among the best in the organization. But the rules couldn't be changed. "Look," somebody explained. "We've got a shelf that holds seven bottles. It doesn't matter how hard we work or how beautiful the bottles are. We can only put seven bottles on the shelf!"

Assigning people into the C category was equally difficult, even when there was common agreement that an individual did not measure up to the rest of the team. "I don't want to have to shoot myself in the foot and get rid of somebody that I don't have a replacement for," the head of IT said. "Does it mean we have to terminate?"

"Will this be a hollow exercise if we don't terminate?" the CEO replied. The discussion brought out that some departments that had done a good job of moving quickly on marginal performers stood at a disadvantage compared with those that, until now, had tolerated mediocrity. "But a C is a C, wherever his is," another said. The outcome was that one department that had never been seen as tough-minded ended up contributing almost all the C players to the list.

Every individual was discussed fully, though some required far more time than others. The solid B players were usually identified and slotted with just a few minutes of review. The longest discussions came around those who had generally been accepted as high-potential promotion candidates when the discussions around the table revealed that not everybody agreed with what had previously been the accepted view.

"I'll be straight," the CEO said about one individual who for years had been seen as the obvious replacement candidate for an executive's position. "She's not an A player and she's not going to get your job. She's not proactive. She may be a strong manager but she's not a leader. I'm not going to say never, but it's a long, uphill fight. She needs to work on her bedside manner. You have turned her into a very competent professional, but she's not on track for your job."

"ONE FREQUENT OUTCOME OF A FORCED RANKING PROCESS IS THAT COMPANIES THEN CREATE POWERFUL DEVELOPMENTAL EXPERIENCES TO ACCELERATE CAREER GROWTH."

The sensitivities that surround personnel discussions throughout organizations showed up here, tempering the blunt frankness that characterized all of the sessions:

“Would you give her the Western region job?”

“Yes, I probably would.”

“If she were a white male, would you give her the job?”

“Well . . . ”

“She is disorganized in her style of thought. If she were a white male, we wouldn’t be having this conversation. She is a solid B. Promoting her is not the right thing for this organization.” A pause. “Am I damning her too much?”

“No. She’s a B.”

Besides identifying the company’s top talent, vital majority, and also-rans, the intense forced-ranking discussions also caused the senior management to look at development in bigger ways than training seminars and university executive programs. “Are there jobs in headquarters that we can use as development experiences for these guys in then field that we just don’t see?” the VP of HR asked.

The head of operations responded. “We’ve got a couple of jobs that might be possible to use as 18-month rotation assignments.”

“There’s another issue, though,” another participant said. “We’ve got some people who are doing a good job but aren’t going anywhere and aren’t going to move. These people are slot-blockers.”

A name of a slot-blocker, surfaces. One of the executives talks about him in a way that makes him sound like an obvious C player, a man that needs to be replaced. “But telling him that he’s a B will be a real shake-up for him,” his boss replies, still convinced that his subordinate is a candidate for an A ranking.

“So would telling him that he’s a C and he’s out,” another responds.

The matter is settled. “I don’t think it’s healthy for anyone to be in that job forever,” the VP-HR says. The individual will be told that while he was ranked as a B player, the organization will be looking for another assignment for him because his job is too important to have it permanently filled.

THE RESULTS

The immediate result was that the task was completed successfully. Each group of assessors assigned the appropriate percentage of individuals to the various groups. But more than that, they achieved in every case a genuine consensus on the leadership potential of each of the company's top 227 leaders.

For each of the C players a full discussion was held of whether there actually was an appropriate job match for this person somewhere in the company or whether it would serve everyone's interests best if the person moved to find other opportunities elsewhere. For the A players, specific developmental assignments were discussed for some; for others the development plan was figured out over the following weeks with the individual's active participation.

Perhaps the greatest additional benefit resulting from the process came in the comments made by many of the managers and executives as, exhausted, they left the room at the close of the session: that they had for the first time truly understood the depth of the company's top-talent pool and recognized where leadership peaks and valleys existed.

"AN EFFECTIVE PERFORMANCE APPRAISAL SYSTEM NEEDS TO BE IN PLACE BEFORE FORCED RANKING IS UNDERTAKEN."

Forced ranking can't substitute for other organizational processes. An effective performance appraisal process that focuses all organization members on key goals and competencies should be in place before a forced ranking procedure is initiated. Because of forced ranking's sensitive and controversial reputation, wise decisions about tailoring the procedure to the organization's specific culture need to be made from the start. The process needs to be toughly managed, since the temptation to bend the rules will be always be present. But if a company wants to jumpstart a genuine leadership development process, and move quickly toward muscle-building the organization, forced ranking is the best tool around.

ABOUT DICK GROTE

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