
Jerry Dias
National President
Président national

Renaud Gagné
Quebec Director
Directeur québécois

Robert J. Orr
National Secretary-Treasurer
Secrétaire-trésorier national

March 5, 2019

To: All Telecommunications Locals across Canada

Re: Final Report: Survey on Performance Management

Members,

We are happy to share the final report from our monumental members' survey on stacked ranking and performance management.

Thank you for all of the hard work that each of you put into promoting participation in the survey. Your emails, leafletting, postering, meetings and social media posts helped ensure that wide varieties of members' experiences are reflected in the survey results.

With a large membership base filling out the survey, the results provided some useful insight on how performance management and stacked ranking impacts members in their workplace. From October 22 to November 19, 2018, thousands of members responded to the survey.

Their comments and experiences painted a clear picture of the ineffective and unfair treatment that employees face as a result of stacked ranking and other performance management techniques.

We have attached the final report from the survey to this email, which you are encouraged to share with your members.

This is not the last that you will hear about stacked ranking, but it is an important turning point.

As we solidify the removal of stacked ranking for Bell Sales members and push to enforce that change across the sector, our campaign will grow as required to achieve the desired changes for all those affected.

We are looking forward to getting that work done with all of you.

In solidarity,



Chris MacDonald
Assistant to the National President



John Caluori
Assistant to the Quebec Director



Tyson Siddall
Telecommunications Director

lmc/cope-343

Attach.

cc: Jerry Dias, Bob Orr, Renaud Gagné, Joie Warnock, Lana Payne, Naureen Rizvi,
National Reps Servicing Telco Locals

STACK RANKING AND PERFORMANCE MANAGEMENT

Research Department

Introduction

In recent years, Unifor members in the telecommunications sector have increasingly identified performance management as a concerning workplace issue across the country. In particular, implemented systems of performance management have had obvious negative impacts on the work environment and members' mental health and well-being.

The issue of performance management in the sector moved into the public spotlight when the CBC began covering the issue of customer complaints toward major telecommunications companies. The CBC's Go Public investigation gained more public attention in Fall 2017 as several current and past telecommunications employees came forward to describe the intense pressure to mislead customers in order to hit unrealistic and fluctuating sales targets.

The public scrutiny over sales practices eventually prompted the federal government to order the Canadian Radio-television and Telecommunications Commission (CRTC) to hold a public inquiry into misleading and aggressive sales practices. Unifor actively engaged in this process through a submission informed by members' experiences with performance management structures like stack ranking.

What is stack ranking?

'Stack ranking,' 'rank and yank' or 'vitality curve' is a corporate management model based on identifying a bottom proportion of employees based on an arbitrary performance tool, and disciplining or terminating them if they do not perform based on these measures.

In its purest and most extreme form, stack ranking involves identifying a top, middle and bottom group of performers. The 'bottom' group would be labelled as under-producers or under-performers, eventually resulting in their termination. The system supposedly retains the most productive employees and assumes that the standard of 'productivity' increases as the 'bottom' group of employees are continuously shuffled out.

In the context of Unifor workplaces, members in the telecommunications sector have identified this strategy in practice – a practice that has led to many grievances related to discipline and has had wide-ranging impacts throughout these workplaces.

In practice, this form of performance management has involved:

- Creating Key Performance Indicators (KPIs), which are arbitrary benchmarks that may be out of an employee's control.

- Identifying and ranking employees who are in the bottom quartile based on KPI results.
- Putting identified employees who are in the bottom quartile on an action plan (e.g. Performance Success Plan; Performance Improvement Plan) that typically involves enhanced monitoring and evaluation of these employees.
- Employees who remain on these plans for a significant amount of time end up facing discipline or in the worst case, terminated.

Stack ranking's history as a corporate tool

Jack Welch, the former CEO of General Electric (GE) from 1981-2001, is generally credited with popularizing rank-based forms of performance evaluation. As CEO of GE, Welch imposed a three-step scale based on individual goals and performance, a process that would result in the company firing the bottom 10% of employees on a regular basis. Fortune.com had reported that 100,000 jobs were lost at GE during Welch's tenure as CEO.

The Welch approach to employee management spread across major corporations and became a popular tool among every type of large company. Studies between 2009-2012 showed that more than half of large North American companies used some form of stacked ranking. An estimated 60% of Fortune 500 companies were using the method.

The problems with the stack ranking method

The stack ranking concept has been widely criticized around the world because of its unrealistic assumptions about human behavior and the lack of appropriate comparisons between different divisions within a company. Major companies have employed this strategy based on no empirical evidence that this approach would work well with human beings.

This competitive model of organization has been used in the name of "productivity" without a real vision for what "productivity" actually means. Stack ranking, arguably, does the opposite: it has been shown to encourage sabotage between employees, create poisonous office environments, lower office morale, impact interoffice relations and foster cut-throat and unethical behavior.

In reality, stack ranking has often been used as a method to cut jobs. GE's well-documented use of stack ranking came a price of shedding 100,000 jobs over the course of 20 years. In the case of one Unifor telecommunications local in Ontario, more than 600 members worked in sales in 2014, only to see that number dwindle to roughly 230 members by 2018.

Stack ranking and similar forms of performance management persist in the telecommunications sector. But at what cost? One of the most high-profile cases involving institutionalized harassment is the case of France Telecom. Former executives with the company have been ordered to stand trial over their role in a wave of over 30 employee suicides over the course of two years, beginning in 2008. An investigative report by labour inspectors found that management used “pathogenic” restructuring methods such as forcing people into new jobs and giving unattainable performance objectives.

The move away from stack ranking

Enron used the stack ranking approach – while the accounting scandals were associated with the company’s downfall, part of the company’s demise was attributed to employees inflating results (in part, to save their jobs).

Critics of Jack Welch had also questioned whether the short-term performance pressure he placed on employees had worked. Some suggested that GE’s system led the company to cut corners and possibly contributed to a number of scandals over defense contracting or bond-trading schemes in the 1990s (according to *Businessweek* in 1998).

Microsoft used stack ranking for many years but eventually abandoned it. A 2012 article outlining the downfall of the once dominant company interviewed several past employees. The author writes:

At the center of the cultural problems was a management system called “stack ranking.” Every current and former Microsoft employee I interviewed—*every one*—cited stack ranking as the most destructive process inside of Microsoft, something that drove out untold numbers of employees. The system—also referred to as “the performance model,” “the bell curve,” or just “the employee review”—has, with certain variations over the years, worked like this: every unit was forced to declare a certain percentage of employees as top performers, then good performers, then average, then below average, then poor.

- Kurt Eichenwald for *Vanity Fair*

The professional services firm, Accenture, which employs over 300,000 people around the globe, gained attention in 2015 with its decision to eliminate rankings and annual evaluation processes for employees. Of the decision at the time, Accenture’s CEO explained, “All this terminology of rankings—forcing rankings along some distribution curve or whatever—we’re done with that. “We’re going to evaluate you in your role, not

vis à vis someone else who might work in Washington, who might work in Bangalore. It's irrelevant. It should be about you."

Human resources experts are rejecting stacked ranking

The practical evidence has been mounting to support the idea that stacked ranking is an outdated, ineffective and destructive management model. Even Deloitte, one of the world's most prominent management consulting firms acknowledges that the system is broken. A 2014 feature article on the subject by Deloitte states, "Today's workers expect to be held accountable for results – but they also expect coaching, development and regular feedback. Look carefully at the performance management process to see if it truly drives performance today or is merely an artifact of the past. In many cases, a shift from "evaluation" to "development and performance improvement" will drive appreciable results."

The management research firm CEB has also observed that major corporations are moving away from stack ranking because of the time-consuming paperwork and the frustration experienced by managers and employees. Despite the fact that many major companies still have not made the change, most are aware that their current performance management systems are flawed, according to the firm.

CEB's research found that 95% of managers are dissatisfied with the way their companies conduct performance reviews and almost 90% of human resources leaders say the processes does not produce accurate information. At the same time, CEB found that the average manager spends more than 200 hours annually on tasks related to performance reviews (e.g. filling out forms, sitting in training sessions, evaluating employees). The firm estimates that a company of about 10,000 employees spends approximately \$35 million a year to conduct reviews (Washington Post, 2015).

Essentially, companies have slowly recognized that they are not gaining value from the time and money they are spending on performance management. Whether or not companies are focusing on the personal well-being of employees, they are looking more at supportive and constructive mechanisms to improve performance and encourage innovation.

What Unifor telecommunications members are saying

A Unifor members survey on performance management was created and distributed to members in the telecommunications sector. With a large membership base filling out the survey, the results provided some useful insight on how performance management and stacked ranking impacts members in their workplace.

From October 22 to November 19, 2018, more than 3,500 members responded to the survey. Their comments and experiences painted a clear picture of the ineffective and unfair treatment that employees face as a result of stack ranking and other performance management techniques.

Some key results are presented, along with some relevant comments made by members filling out the survey:

- 29% of respondents indicated that performance metrics in their workplace had been clearly explained to them.

“Statistics are not always fair and no one knows how they are calculated. Management has an idea; however if I want detailed information about specific statistics, no one can pull out data and explain why it is working that way with all calls taken and data provided.”

“We as techs do not know how the company calculates metrics.”

- 14% of respondents believed that expectations with regard to performance were fair and reasonable.

“It’s more of an underlying tone that is being established and set. Sales reps are being approached by their managers on a daily basis either through email or face to face to continually push sales and having reps set unrealistic goals. And if these goals are not met they will be put onto a PIP (Performance Improvement Plan).”

“[These measures] do nothing to help my performance as an employee, it bogs me down and discourages me. It makes me not trust the company because they do not trust me. Blanket policies are not good for moral. I’m under stress I don’t need.”

“The metrics system is flawed to begin with and the corporate dumbasses must realize it is, but that’s the way they want it. It is designed for us to fail.”

- 17% of respondents believed that their employer provided an adequate level of coaching in order to meet performance objectives.

"The management and communication is non-existent. The coaching plan is non-existent. Any attempts to coach are reactionary based on one month poor performance and do not take into account any outside circumstances. They put the bottom 25% on improvement plans each month and do nothing to work with employee to improve."

"I'm good at my job. I'd like to be great at it. That won't happen without proper training and support from a skilled and knowledgeable support staff or immediate supervisor. Employees shouldn't have to figure out Bell's systems on our own - especially when we're being measured as to how accurately and efficiently we use them."

- 20% of respondents indicated that the ability to meet performance metrics was within their control.

"After working here 20 years I have seen the move from a closer working relationship with my Manager who understood and supported us... to a Management team that is only interested or has no choice in evaluating us individually, and as a team based on an unfair system of statistics which does not truly reflect the realities of the working environment."

- 29% of respondents were put on a company improvement plan, almost all of whom faced disciplinary measures for not meeting performance metric targets.

"They keep on pressure on employees to meet their demands and don't see you as a human being."

"All the support I get from my manager is threats and intimidation of discipline and when I need him the most he simply doesn't answer the phone."

"This is a system where the metrics are there to discipline workers, not help them. The person who fudges the numbers to make themselves and the manager look good are usually the ones not working."

- Out of the group put on improvement plans, only 14% believed that they were provided an adequate level of coaching or training to improve performance.

"The company should start training people so they can actually do their jobs right rather complain afterwards if their numbers are not met due to this."

"Mostly just that when we are told we need to improve something we are just basically told "do better" and not offered any help in actually improving the areas we need to work on."

- Half of these respondents said that the coaching or training equipped them to manipulate the system to achieve performance targets.

"My manager... pulled me offline to coach me because I had received an auto fail... On every call, we had to probe the customer (ask questions) to look for needs we can exploit to get a sale. This was called "managing customer's needs" ... If a customer has no use / need for a service [my manager] said I still had to make a sales attempt... This was the sort of pressure agents at Bell faced on a daily basis."

"Just about everyone is being taught to manipulate there numbers in one form or another. Customer service has gone way down as well as employee attitudes."

- 8% of respondents believed that the customer experience was improved because of the different performance management systems in their workplace.

"Tricks" are suggested by the immediate supervisors who are also trying to keep their job or protect their career path within the company... These "tricks" to increase sales too often take place within grey zones that are borderline in terms of their acceptability. They tarnish the company's reputation, but this effect doesn't appear in the column containing sales statistics."

"We are treated as people who can not be trusted. These metrics do not improve customer satisfaction. All these metrics do is pit one employee against another and also against management."

- 69% of respondents felt that had to rush their work to close out orders or tickets in order to meet the demands of the performance management system.

"We are overbooked so always in a hurry. You pretty much have to skip your breaks to do to all the work that is on you. "

"We're pushed to cheat the system and I know several guys doing so. I work on the ticket and if not completed, I still sign it up as done. I'm now getting repeats on tickets which use to be zero."

"Stack ranking statistics force us to not provide good service in order to rush and meet them."

"Tickets should be given more time to do work, the system is not flexible when it comes to different job type work tickets."

- 73% of respondents said that the physical or mental health of employees in their workplace were negatively affected because of performance management.

"I recently had to take a 4 month leave of absence due to mental health issues. While my manager was understanding of the troubles I was having performing my day to day duties, HR refused to acknowledge them or give me time to let the treatment I was seeking the proper time to help me. As such, the progressive discipline escalated each time I had a problem."

“A performance based metric does not support a good customer experience nor an environment that nurtures good mental and physical health.”

- 13% of respondents believed that excellent performance was actually adequately recognized by their employer.

“It is my belief that it is not always the most deserving employees who get recognition.”

“The company doesn't care about their employees, the only thing they care about is how good the number is looking.”

“Punishment is apparent for failure, but recognition for good work is all but absent.”

“Employees are evaluated on a system that is skewed and doesn't give a true evaluation of an employee's performance. Recognition for job done well and done safely go unrecognized.”

Conclusion

The mainstream narrative around stack ranking and similar performance management structures has evolved over the last few decades. Once regarded as a new style of management that yielded the most results out of employees, stack ranking has fallen out of favour with major companies and human resources experts because of its obvious flaws and the efforts of telecommunications workers in Canada and around the world.

Through the members' survey, Unifor members in the telecommunications sector confirmed what is wrong with this approach to performance management - this form of evaluation creates a poisonous work environment, negatively impacts customer service and harms the mental health and well-being of employees who are being managed in the system.

It is for these reasons that Unifor has identified the removal of stack ranking and unfair performance management as a priority in the telecommunications sector.

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