The Poisonous Employee-Ranking System That Helps Explain Microsoft's Decline
(slate.com)
217 points by probabilistic 17 hours ago | 158 comments

add comment

bguthrie 14 hours ago | link

The only thing that matters about your coworkers––the only thing––is if, after the year's over or the project's done, you'd work with them again. If a team is doing good work and everyone on it enjoys working with each other, do not fuck with it.

Everyone in life has disagreements, petty jealousies, things they struggle with in other people. The beauty of the question, Would you work with her or him again?, is that it specifically doesn't try to disentangle those things––because to a productive team the quality its members' relationships with each other as important as the quality of their work. If one or the other is off, it's not necessarily anyone's fault, and it may not even be cause for termination. But it's as good a metric as you need.

But it's utterly foolish to winnow on a percentage basis. You'll break up good teams and prevent better ones from forming. You'll destroy morale. You'll encourage a leadership culture of cutthroat sociopaths whose success is at best tangentially related to the quality of their work. Do not do it.

reply

dobbsbob 11 hours ago | link

This is the system Bill Gates' foundation is currently trying to peddle to the US government for school reform.

reply

keithpeter 10 hours ago | link

If that is true, then good luck to you all in the USA.

One of the pleasures of teaching is working in a (loosely coupled) team of good teachers with *complementary* strengths and weaknesses. Teachers are 'loosely coupled' because they spend most of their time with students rather than other teachers or managers, but being able to compare notes, get support and *give* support is really important to the role.

reply

HelloMcFly 11 hours ago | link

I'm currently trying to get my workplace to change from the forced distribution model to a "membership model" of employee evaluations. I'm currently contracting with them on talent management policies and tools, so I'm in the position to do it.

In essence, it works as you describe: rather than trying to make managers give ratings using an arbitrary metric they don't understand (which can be avoided with behaviorally-anchored rating scales, but most companies don't spend the effort to

create them), you basically ask them to decide whether they're in the club or not.

There is a bit more to it than that, such as training for and having managers justify their ratings, but it's simplicity is the draw.

reply

ahk 13 hours ago | link

When you tie my compensation to me having provably lousy coworkers, guess what happens.

reply

robin2 2 hours ago | link

> guess what happens

Because intrinsic pleasures of the job are more important to you than your compensation package, you initially find dealing with "lousy coworkers" demotivating. But you endeavour to make the best of a bad situation by finding out how to help your coworkers become better at their jobs. You end up developing a far deeper satisfaction in your work than you'd previously thought possible.

Did I guess right?

reply

w3pm 12 hours ago | link

I think you misread the op's post -- the suggestion was, "would you work with them again." If they're lousy the answer is obviously no.

reply

rismay 3 hours ago | link

That isn't true all the time. Goldman Sachs uses an even "worse" review process. It's called a 360 review: your employees that report under you, co-workers at the same management level and your managers all rate you. The reviews are bell curved and the worst performers are asked to leave. It just so happens that Goldman Sachs has some of the smartest and people on Wall Street. I think it says a lot because a ton of "failed" Wall Streeters leave and completely destroy the perspective industry they go into afterwards. I don't think this type of system encourages crappy workers, but it does encourage a very ruthless company culture - which might not be the best to encourage collaboration.

reply

noloqy 10 hours ago | link

Conversely, if you are graded on the curve, you want your coworkers to be provably lousier than you are.

reply

hga 3 hours ago | link

But your compensation still depends on having some "*provably lousy coworkers*", or worse, if they're all gone some people who are good will perforce get labeled as lousy.

reply

walshemj 2 hours ago | link

The quiet ones, the different ones disabled, gay, female etc who wont push back look for the ones who where bullied at school. If you team is lucky you might have some terminally ill people you can dump at the base of the stack - this sounds worse than it is as there was medical retirement available for these poor

devils.

reply

rayiner 3 hours ago | link

This bit stuck out for me: "For that reason, executives said, a lot of Microsoft superstars did everything they could to avoid working alongside other top-notch developers, out of fear that they would be hurt in the rankings. And the reviews had real-world consequences: those at the top received bonuses and promotions; those at the bottom usually received no cash or were shown the door."

Individualized bonus/compensation decisions have no place in environments where the work is heavily or totally team-oriented. It forces people into a mode where they focus on getting the most individual credit instead of making the product as successful as possible. That general incentive exists in any team-setting, of course, but when you grade everyone on a curve like that and tie compensation/job retention to it, you really force everyone into playing that game.

By way of contrast, look at how investment banks do bonuses. If you're in IBD, your bonus is usually based on the success of your deal teams. If you're in S&T, your bonus is usually based on the success of your desk. Even further in that direction is how many law firms handle compensation: everyone is paid in strict lock-step. The end-result of these models is that nobody has an incentive, at least a purely monetary incentive, to jockey for credit. The way to make more money is to have the project be successful, and that means doing your best to cooperate with your teammates.

Sometimes you're forced to pay individualized bonuses. It might be the only way of attracting the superstar that would otherwise be able to make a lot more money elsewhere. But Microsoft has very high hiring standards and is rolling in cash. It should not have this problem.

reply

tytso 4 hours ago | link

"Stack ranking" as it has been reported to be used at Microsoft, is multiple things conflated together. Some of these things are, by themselves, not necessarily bad. The problem is that people hear the words "stack ranking", and immediately jump to "eeeeevil" and "that's what killed Microsoft", and "Google does stack ranking, it must be doomed / I'd never want to work there", which is sloppy thinking.

Let's taking what people are calling "stack ranking" apart. The first aspect of stack ranking, is simply forcing people to make decisions about what things/object/people are more important/better/etc. than others. This can be a valuable technique. For example, there is a very useful testing instrument I took a while back that took a list of twenty values, e.g., "justice", "loyalty", "honesty", "security", "family", etc., and asked me to force rank sets of five of these values in order of which I thought were most important to least important (i.e., DNI Clapper would rank "honesty" below that of "loyalty" and "security"; others might make different choices --- there were no right answers). By taking twenty or thirty of these different subsets, ranked in the order of which I thought were most valuable, a computer program would allow me to see which values I considered most important, and which I considered least important. This was a valuable thing, and so the technique of doing forced ranking is and of itself a useful thing.

The second technique is that of trying to normalize employee performance review ratings across departments --- whether using a bell curve, or some other technique. Again, in isolation, this isn't necessarily a bad thing. Some managers might grade their employees more harshly, and some might be soft touches. Within a departmental level, it may be easier for a manager to argue that his team were all stars, but how do you deal with the question of an entire department using a harsher or more lenient grading system? One of the simplest things to do is to use a bell curve --- which may or may not be fair, especially if the company says (and all companies will claim this) that they hire the "best and brightest".

The final component is what do you actually do with this normalized ranking number? If you really believe that everyone you've hired are the "best and the brightest", then firing

the lowest scoring 5% is insane. If however you don't have confidence in your hiring mechanisms, such that some duds make it past your hiring screens, then firing the lowest 5% may make a lot of sense; you want to get rid of them before they do (more) damage. (BTW, this is is why I believe a hiring system which tries extremely hard to avoid hiring duds, at the expense of sometimes failing to hire qualified individuals, is extremely important; it has its downsides, but it's very much a necessary evil, because the alternatives are far worse.)

What about using this number as an input to compensation? Here, using a normalized bell curve may make more sense. Certainly if you only have fixed pot of money to use for salary increases and equity refreshes, you want to make sure that your top performances get rewarded.

What about promotions? For junior engineers, if they are growing in their job, presumably they should get promoted as they demonstrate that they are getting better at programming and understanding the company's systems and development environment. Using the performance rating would certainly be one metric, but evaluating that person's proficiency and results should probably be just as important, if not more so.

The point is that just doing a "stack rank", whether as an input to the performance review mechanism (i.e., asking other employees to stack rank their peers, and then having some algorithm to merge those inputs together, and taking into account controversial rankings where multiple colleagues had differing opinions about whether person A was more or less effective than person B) or whether managers are forced to stack rank all of the employees in their department, is not necessarily a bad thing.

The problem comes from what do you _do_ with the stack ranking after you've generated it. It's that which can drive a company's culture, either positively or negatively. So my suggestion to Microsoft employees (other than to consider a career at Google :-), is to not rail against stack ranking per se, but to point out some of the negative effects of some of the things are done with the stack rank after it has been generated. Perhaps, if your HR people are at all competent, they might be more amenable to your suggestions. Or, maybe you'd be better off considering another company altogether, in which case my first suggestion still stands. :-)

reply

> lisper 1 hour ago | link

So many problems with this, but let's just start with the most obvious: there's a big BIG difference between firing the bottom 5% and firing the bottom 5% IN EACH GROUP (which is what MS did). When you do the latter, bad employees become a valuable resource because they provide protection against termination for the other members of the group. Ranking relative to group provides as much of an incentive to surround yourself with losers as it does to improve your own performance.

> the technique of doing forced ranking is and of itself a useful thing.

Maybe if you're taking a psychological self-evalation with no actual consequences. Things are very different when there are actual stakes on the table. When jobs are on the line there is a *very* strong incentive to game the system, and some people do. As soon as people see other people being rewarded for gaming the system, that provides a strong incentive for *them* to try to game the system too.

It really all boils down to game theory, and if the game is zero-sum, cooperation is not an evolutionarily stable strategy. (And if you don't know what that means, you need to read "The Evolution of Cooperation" by Robert Axelrod.)

reply

> hga 3 hours ago | link

"*If however you don't have confidence in your hiring mechanisms, such that some duds make it past your hiring screens, then firing the lowest 5% may make a lot of sense.*"

I'm not sure doing the above ever makes sense. We've heard of at least two severe

problems with it at Microsoft, the worst 5% *at gaming the system* get zapped, and a tremendous amount of effort is devoted to not being in that lowest 5%, or managing who gets that every 6 months. E.g. managers retaining "deadwood" so they've got people to sacrifice in the future, and ultimately, as dalek_cannes puts it (https://news.ycombinator.com/item?id=6267518), "Stack ranking causes employees to *compete with each other rather than the company's competitors*. It's all downhill from there."

Anything you do in this direction, including not trying at all, will strongly affect your corporate culture and productivity; perhaps the best one can do is to strive to have "least worst" systems.

reply

   ▲ tytso 3 hours ago | link

   You can avoid this by making it a deep dark secret that you are firing the lowest 5% --- or that the reason why certain people are put on a PIP, subject to a "resource action", or "has found new opportunities outside of XXX" was due to the the fact that they fell into the lowest 5% bucket. I've seen this work at a past company at least reasonably well. A few people knew about the policy, but it wasn't something which was top of mind by all of the engineers, to the point where it started adversely affecting the company culture.

   (BTW, I'm not saying it was a good thing; and I'm glad I'm no longer working there. But if you don't worry about silly things like ethics, and only worry about maximizing shareholder value, it's a strategy that might work for a while.)

   reply

▲ beloch 14 hours ago | link

The ideal employee is both brilliant and easy to get along with. Practically no employees are ideal. Sometimes the least productive people are the peace-makers that let the rest of the team tolerate the brilliant assholes. Cogs are great, but it's idiotic to treat oil as though it were mere deadweight. Both are needed in any company.

reply

   ▲ dctoedt 2 hours ago | link

   > *Cogs are great, but it's idiotic to treat oil as though it were mere deadweight. Both are needed in any company.*

   For an example from the sports world, see the NBA's Shane Battier, described in a NY Times article [1] by Michael Lewis (of *Liar's Poker* and *Moneyball* fame) as "The No-Stats All-Star."

   [1] http://www.nytimes.com/2009/02/15/magazine/15Battier-t.html?...

   reply

   ▲ ak39 9 hours ago | link

   I agree. Well said.

   There may be a positive correlation between brilliance and assholism (I'm not advocating that we tolerate this, btw), but I'd definitely not superimpose the *magnitude* of that relationship for the other side/pole of the spectrum: viz. lack of productivity to peace-making personalities.

   My experience in the last two massive enterprisey projects shows that trouble-makers, obfuscators and team members who show little regard for either the creative (innovative) aspects of the project or, aspects relating to structure (admin) are the ones not pulling their weights. They often create social issues to divert from their own lack of productivity. What a waste.

   These folks I'd definitely not team up with given a second chance. They are cancer, and the spread can be malignant.

(I am not saying let's be unsympathetic to the problems of the unproductive folks, but when lack of productivity or competence is deliberately masked by other fake reasons, it becomes difficult to engage with such folks honestly. The whole team then starts playing game theory and office gerrymandering becomes a career skill.)

reply

🔺 codeonfire 8 hours ago | link

that's fine as long as the oil is paid 10x less. oh, they want to be paid six figures to just sort of hang out a few hours a day, be everybody's friend, and leave by 3? The economics doesn't work because the productive people who are pulling 10-14 hour days will see that productivity is not necessary or valued and leave.

reply

🔺 skore 7 hours ago | link

If the oil makes the other six figure people deliver six figure work and if without them, they'd only deliver 5 figure work, then no. That money is invested reasonably.

People aren't idiots, they realize when somebody else enables a group of people to excel. If they don't realize that, it's managements job to make sure this is understood. And besides, if employees who are "productive" are pulling 10-14 hours a day, then there is again something going terribly wrong in management to begin with.

The real problem of the Microsoft system is setting a fixed value on the number of "cog" and "oil" employees. Different jobs need different people and different people again need different people. If a manager says: "I have 10 units of cog and 5 units of oil people" and is allowed to give out money accordingly, that's great. But if the company says: "Sorry, but you can only have 14 cog and 1 oil" - Suddenly you are forced tell 4 employees who are great workers that they're just lubrication.

reply

🔺 Joeri 5 hours ago | link

People pulling 14 hour days with regularity are not that productive.

reply

🔺 robin2 2 hours ago | link

There's a limit to the amount of serious, concentrated thinking that you can do in day, so it should be fairly obvious that pressurizing coders in to working long hours is counter-productive.

With other jobs it might be less of an issue. Although I've never done 14 hour days, I did once have a warehouse job assembling cardboard boxes for 12 hours a day, and I don't think the hours harmed my productivity. (My recollection is that I worked as hard as I could, just to make the day pass more quickly.)

reply

🔺 walshemj 2 hours ago | link

Depends where you on piece work or not :-)

reply

🔺 netcan 6 hours ago | link

I don't see what that has to do with this system. It doesn't say *how* employees are ranked, just that *are* ranked.

reply

🔺 keithpeter 10 hours ago | link

Belbin team roles as a way of recognising the oil?

http://www.belbin.com/

reply

▲ qq66 15 hours ago | link

Well, one more blog post about the "ONE THING THAT KILLED MICROSOFT."

Nothing killed Microsoft. It just exhibited mean regression, as everything eventually does. It found itself on the very top of a mountain in an industry where you have to keep climbing to stay still.

The same thing happened to Apple -- it had an unprecendented string of hits with iPod/iPhone/iPad and it took competitors a few years to catch up.

Sometimes, a basketball player will make ten straight baskets. He'll seem invincible, then he'll make another and the crowd will go wild. But if he's a 60% shooter, at some point he'll miss a basket, and another, and another, and descend back into reality.

That's just how the world is.

reply

▲ kabdib 14 hours ago | link

Ex Microsoftie here.

There are a few things I'd fix with MS, but I would definitely start with the forced curve system. It's basically evil.

Sort of balled-up in this is the sense of fear that forces people to make bad decisions just to get promoted (my favorite example of this: The "Metroization" of the Visual Studio 2012 interface, with nearly unusable color schemes and all-caps menus. I have to assume that somebody got promoted because making VS 2012 look like the flavor of the day looked good on a review).

I was in Xbox, which had a /lot/ of very, very good people in the same review band that I was in. It's hard to shine when you're sitting next to those folks; it's also hard to imagine not working with them, because one of the reasons I go to work is to study at the feet of masters.

So I was looking at an "okay" review, maybe even "sub-okay", while doing work that would probably have brought the company a few hundred million dollars over the next ten years. And I couldn't stand it. And that's one of the reasons I left.

Seriously, fuck the Microsoft review system. It's broken. Most everyone with a brain /knows/ that it costs MS really good people. But Ballmer and Brummel (the head of HR) seem to love it; maybe it makes it easy for them to remove threats? I honestly don't know why they think it's good.

reply

▲ keithnoizu 12 hours ago | link

The review system is really insane. I remember working in the SBT division on the AAPT group as an SDET and constantly being taken back by how archaic most of the practices were there. Which I can only imagine were in place because everyone was afraid to rock the boat too much or take a chance on something and come up short for their annual performance review.

On a similar vein there is just a mountain of half ass'd internal tools that only exist because someone had to mark off a checklist item on their review commitments but never bothered to maintain. Which would be fine except whenever you have to tackle a project if there's an internal solution it will always be favored over the open source or license-able alternatives.

I'd constantly get flak for asking questions of senior management like why don't we have unit test coverage, why doesn't our system allow for any sort

of dependency injection, why don't we have continuous integration, why are we using this shitty internal browser test bed instead of selenium and selenium grid, etc. I spent a lot of time working on pushing modern standards around testing test code, designing reusable testing frameworks, leveraging continuous delivery etc. and to be honest it hurt my career trajectory quite a bit over what just following marching orders and writing crap code and commitment items would have done.

You should consider yourself lucky for being in the entertainment division however. That group seems a lot more progressive than most of the other divisions. The developer quality seems to be better as well. I was really horrified at the low level of competency of about 60% of my coworkers.

reply

🔺 jblow 14 hours ago | link

I think it just plugs into the Ayn Randian / objectivist mindset. "Some people are hard workers, and others are parasites, let's identify the parasites and axe them and we will have a utopia."

Yes, nobody thinks of it in such an outright simplistic way, but I do think this is the basic appeal.

reply

🔺 aidenn0 13 hours ago | link

There is nothing inherently poisonous about doing company-wide ranking (though it is infeasible to do precisely since objective measures of "goodness" are non-existent and you can't do subjective ranking of everyone in all but the smallest environments; whether or not good-enough approximations exist is debatable).

However, doing it on a per-team basis is stupid. It guarantees that some teams will have bottom-performers, since a team without bottom-performers will fire or scare away the lowest in the team. Furthermore you incentivize sabotaging your teammates and--even if nobody does it--that makes everyone suspicious of their teammates.

If there were a magical wand I could wave to nearly perfectly rank all the employees at a company I were running, I would do it and base compensation off of it. Doing so on a per-team basis is stupid.

reply

🔺 keithnoizu 12 hours ago | link

You still run into problems if you do an org wise stack rank and manager popularity and pull is going to impact which groups are magically determined to have only top performers.

A better approach really I think is to just do 360s and if there are clear problems with key employees that are holding back other employees let them go. If you have everyone working on complex code and are pushing for excellence over time it will become clear who is making the grade and who isn't.

Even if some of the employees that work well on the team could be replaced by other slightly more efficient or intelligent employees the benefit of doing so is greatly offset by ramp up and recruiting time that takes away from team productivity.

reply

🔺 einhverfr 11 hours ago | link

But to do that you need to be able to trust managers to make competent hiring and firing decisions. I have watched firing decisions happen at Microsoft, as well as

been hired. I can tell you that managers are definitely not trusted to make these decisions or at least weren't when I was there.

So once you establish that you don't trust managers, you pick managers who excel at politics rather than anything else and the problem continues.

reply

    keithnoizu 11 hours ago | link

Well I think that is a major underlying reason for why they used the forced curve. It's a problem. I can't say I have an answer for avoiding it other than flattening the business hierarchy and taking the first step of trusting managers to make those decisions.

reply

    einhverfr 10 hours ago | link

If you aren't trusting your managers to make these decisions, why do you have managers in the first place?

Those are two things that Microsoft needs to do, namely use IT to replace depth in business hierarchy, and to empower team managers to make these decisions.

reply

    jcheng 12 hours ago | link

It doesn't happen on a per-team basis, at least the curve isn't strictly enforced at that level. That really would be insane. As you go up and up the org chart to bigger and bigger collection sizes, the curve is more strictly enforced.

(At least according to the 2 stack ranking reviews I took part in before I left.)

reply

  mtdewcmu 12 hours ago | link

People at the tip top of success like Ballmer tend to be ardent defenders of competition and pure meritocracy, because viewing the world this way frames their own success as heroic. Perhaps a zero-sum mentality also helps to provide the motivation to claw your way relentlessly to the top of the pile in the first place.

reply

  einhverfr 12 hours ago | link

Well, formerly from the ground level of Product Support Services, I will point out one key thing.

The review system is one of the surest ways to ensure that the hard workers stay on the work floor and are never promoted. The people who find the problems, and fight to get them fixed, are the people who make their bosses eventually look bad just a little, and they get barely ok reviews. Those who work to rule get good reviews and advance.

What this effectively means is that middle management ends up killing the organization.

reply

javert 13 hours ago | link

Ayn Rand considered collectivist *intellectuals* and *politicians* to be the parasites.

She particularly lamented big businesses that harness government to gain advantages over the "regular guy," who she actually stood up for.

Regarding people who work productively, all she did was heap praise on them---whether they were at the top of the company, or the bottom.

For Rand, being moral was never about how much you actually accomplish *compared to other people*.

So, the parent comment is an uninformed and (possibly unintentional) smear.

There was a very strong backlash against Rand from the intellectual left the second she was published (in the 40s), and the reverberations from that are still very prevalent in the culture, but they are secondhanded and mistaken.

reply

> **mtdewcmu** 11 hours ago | link
>
> I read the Fountainhead, and it was hard to square the views expressed in that book with her extreme enthusiasm for capitalism and business that she expressed in other writings (I didn't read the other books). In the Fountainhead, capitalism comes off as looking rather corrupt and dishonest, a system that was exploited by Peter Keatings at the expense of Howard Roarks. I couldn't really discern a clear and consistent philosophy from that book, so I interpret it as basically a romance, set in an ideal fantasy world, between a heroic uber-mensch, Howard Roark, and a beautiful woman whose high standards admit only uber-mensches, Dominique Francon. The Dominique character I interpret as an idealized Ayn Rand.
>
> reply
>
> > **alipang** 8 hours ago | link
> >
> > Rand rejected the Nietzchian ubermensch, favoring free and voluntary association. Fountainhead specifically references this with the downfall of Gail Wynand. The characters are idealized though, yeah.
> >
> > reply
> >
> > **javert** 1 hour ago | link
> >
> > > In the Fountainhead, capitalism comes off as looking rather corrupt and dishonest
> >
> > There is a lot of corruption and dishonesty in the Fountainhead. Ayn Rand was trying to show the difference between firsthanded and secondhanded people (i.e., people who try to let others think for them or dictate their values). That can happen in any society, whether it's a capitalist one or not.
> >
> > Ayn Rand does not simply equate "capitalism" with "business." By "capitalism" she means "pure capitalism" (as opposed to a mixed economy or something else), which is a system where all people are completely free from having force used against them unless they first initiate it. (In other words, a system purely based on

trade, never on coersion.) This whole issue was not really a topic in The Fountainhead.

> exploited by Peter Keatings at the expense of Howard Roarks

Was it? Peater Keating's life was completely miserable.

> I couldn't really discern a clear and consistent philosophy from that book

The point is that Howard Roark lives for his own happiness and his own values and actually achieves them, while all the other characters live in some secondhanded way and are miserable.

> a heroic uber-mensch, Howard Roark

Gail Wynand, the newspaper baron, was the Nietzschean uber-mensch in the book. He achieves complete domination over New York (he controls what people read enough to control public sentiment, has all the politicians in his pocket, and is wealthy enough to buy anything he wants). Yet he ultimately hates himself and is miserable. Because dominating other people is not a means to happiness; it is empty and ultimately miserable. Gail Wynand did not achieve _his own_ values. That was the point of that character, and it was also Ayn Rand's response to Neitzche, who she rejected.

> The Dominique character I interpret as an idealized Ayn Rand.

There is a character that can be interpreted that way, but it's Dagny from Atlas Shrugged. Dominique was psychologically perverted because she didn't believe that values were possible in a world full of second-handers; that's why she goes around smashing artwork in the beginning. This is definitely not an idealized version of Ayn Rand.

reply

🔺 chris_wot 8 hours ago | link

Romance? Doesn't Roark rape Francon at one point?

reply

  🔺 mtdewcmu 8 hours ago | link

  Yes. And she still likes him. It's not an unknown fantasy.

  reply

      🔺 javert 1 hour ago | link

      If I remember correctly, Dominique intentionally hit Roark in the face with a huge stick while she was riding a horse through the woods. That was before the rape scene.

      I think she had to "bring him down" because she loved him, and she always destroyed that which she loved (e.g. a statue), because she didn't believe that such things belong in a corrupt world.

The point of all this was not to condone such a sequence of actions, but to tell a psychological story about two people.

reply

▲ kabdib 13 hours ago | link

It's a nice theory. But it doesn't work.

reply

▲ narrator 12 hours ago | link

I think the stack ranking thing comes from quotas for sales people. The thing about salesman is that you can more or less rate their performance objectively by how much they sell. Trying to bring this over to knowledge workers is a recipe for disaster though.

reply

▲ enraged_camel 13 hours ago | link

Looks like the objectivists downvoted you. Such is the nature of Hacker News!

reply

▲ grumps 12 hours ago | link

I also worked with a Big 4 accounting firm and they used this method exclusively.

It was nothing but politics...I managed for a year but left when I felt mentally unchallenged...so I left.

reply

▲ einhverfr 14 hours ago | link

As I have put it, the problem with Microsoft is that they have this huge HR bureaucracy which seems intent primarily on ensuring that people do not advance their careers too fast. The review process is one part of it, but also consider that when I worked at Product Support Services, I worked with people who should have been coding Microsoft software but weren't due to the tyranny of the levels system. Those who were A- eventually were hired to do this. Those who were FTE's either left to pursue technical work or ended up left to rot as things were moved overseas. I knew very talented people who never got a chance because to get a chance they would have had to quit first.

I think the fundamental problem has always been bureaucracy and a mentality of loyalty to one's department over loyalty to the users. I could tell you stories about rules I broke in order to take care of users in line with what I saw as the interests of the company as a whole.

reply

▲ chris_wot 8 hours ago | link

I would be interested in hearing those stories!

reply

▲ einhverfr 8 hours ago | link

Ok, so here was one. There was a point where the Microsoft Office XP (or was it 2003?) advertised different qualifying products than it actually required. I felt that if we advertised it on the box, we needed to honor that. Our managers said, no, offer a refund. So I went ahead and I generated bypass keys allowing people to install the software without a qualifying product. I did so openly. My bosses were not

happy. They said they were trying to solve the problem and we needed to do things their way.

So finally after a few weeks of this frustration I broke the chain of command and talked with the general manager of my department instead. He agreed that this was totally unacceptable and got the manufacturing stopped, packaging re-done, and the like. My bosses were horrified that I would break the chain of command like this and I got reprimanded by them.

Of course the word came down from the top not to generate bypass keys anymore but to offer the customers a free full version we would send to them at our cost. I looked at this, and offered it to the customers, but offered as an alternative a bypass key so they could just install the software they purchased, saving our company time and money.

Honestly, I was surprised we weren't sued over the problem, but I was going to be darned sure it was not over someone calling in to my line.

There were plenty of other things I did:

For example, I actually delivered Linux tech support a few times (always very careful to set expectations that this could not be expected in the future).

Needless to say, since my loyalties were to the company and the customers over my bosses, these never came out as positives in review.

reply

   exmicrosoldier 9 hours ago | link

In my opinion, maximizing a new business model is what made it HUGELY successful, and not finding a new business model is what is keeping it flat.

I believe that it will have a very hard time transitioning to the "device and services" model with it's current corporate culture, as I understand it, which includes stack ranking.

Regarding business models: MSFT had a variety of web services before Google; it had mobile before apple. It popularized the term "smartphone".

Sure Google search was better, but the fundamental thing that made google fly as a business was adwords, a different business model than banner ads and paid placement on top.

Apple did have a better device than anyone expected, but it made that device price competitive with a huge subsidy from AT&T.

XBox choked out Sony Playstation's profit margin by imitating it's business model (lose money on hardware, make it back selling quality games via licenses per cd/hdrom/dvd), and then innovating with XBox Live, which included a new software services you can charge for business model, just not one that scales to dozens of billions a year like Office.

If my experiences at Microsoft late 90s, half of the 2000's are still valid, then the currently proposed buisness model will fail.

In good software architecture the design choices you make need to match the forces you have affecting your architecture.

The business model: "a devices and services company." will require seamless co-operation across a whole company. I didn't see that in my time there. Exchange and SQL Server, two nearly billion dollar businesses, spent non trivial time trying to ally with other teams and kill each other "and take the mandate" rather than try to deliver great software. I had friends who worked in Exchange and SQL, and the ones in SQL were actively trying to make SQL Server do what Exchange does. I

don't know if both businesses are merged now or not, but that was one of MANY places I heard about "killing and eating another team", before it happened to two teams I was part of, twice in a 6 year career.

When a team is "killed and eaten" by another team, the eating team gets to distribute the dead team's 4.0's, and have more 4.0's for their team.

Also, at MSFT at the time, there was a tremendous amount of lack of respect for other teams. "Those VB programmers at MSN don't know how to write scalable software." "Those jokers in...X...aren't really technical". I was in a visual studio building in a meeting, and a windows server group had the chutzpah to convince us that they had reserved our room and kick us out of our own meeting. As we left, one of the people in the meeting to heckle us with a derogatory comment of "We're the people who make all the money around here, we're more important."

Stack ranking, plus the only Type A's filter, plus the seperate businesses with seperate P&L, and VPs that are stack ranked versus each other will not lead to seamless integration between diverse services and a great user experience.

The way you pay, the way you measure, the persistent theme of "us versus them", and the filter for people that came in the door all contribute to a poisonous work environment for maybe 60% of the people.

It wasn't poisonous everywhere, 2/3rds of my time there I wouldn't have traded for the world, but it was incredibly refreshing when I left to work for a place where the enemy was outside the building versus inside.

reply

🔺 ryanhuff 14 hours ago | link

Comparing Apple's smartphone business to Microsoft does not appreciate the position that Microsoft was in during the 1990's. They essentially owned personal computing. They could put you out of business with a single announcement. Apple (or Google) does not hold that power. Microsoft's diminishing consumer market leadership has more to do with a changing world, and their inability to react, then competitors catching up.

reply

🔺 keithpeter 9 hours ago | link

"There were many reasons for the decline of Microsoft under Steve Ballmer"

Yes, when I read the opening sentence of the OA, my first thought was 'perhaps the thing that needs explaining is Microsoft's amazing success in the 1990s'. The rest is the usual random walk of any publicly quoted megacorp, attempting to function under huge weight of the structure.

reply

🔺 InclinedPlane 14 hours ago | link

I spent several years at MS, 3 as an FTE, and Microsoft is definitely in decline, partly due to stack ranking, partly due to general cultural shifts from being a big, lumbering company.

One of the things you have to realize is that a lot of the dynamics of the company over the last decade have caused a mind boggling amount of talent to simply evaporate out of the company. Many of the "fuck you I'm fully vested" folks who were around in the earlier days of MS either checked out or peaced out whenever they hit their personal bullshit thresholds. More recent hires have generally found that other companies are often more exciting, more rewarding, and more lucrative to work at. MS today tends to punish caring about things (not always, but more often than not). If you try to make a difference and put forth the effort to make merely sensible changes then you'll spend years struggling against the system and if you're lucky you'll only have moderate success to show for it.

And the stack ranking system tends to reward people who are good at gaming the

system rather than those who are good at actually delivering anything of substantive value to end users.

Naturally, all of this tends to be very discouraging to engineers, especially those with a bit of maturity and experience who see that with their talent and skills they could go elsewhere and not get shit on all the time, work for a company they wouldn't be embarrassed about, and actually get stock options that are worth something. And, since techies tend to value working alongside other techies that they admire and look up to this sort of process tends to be a positive feedback loop.

It's simply unimaginable that this loss of talent hasn't had a huge impact on the company.

reply

⏶ dalek_cannes 13 hours ago | link

Stack ranking causes employees to *compete with each other rather than the company's competitors*. It's all downhill from there.

reply

⏶ walshemj 1 hour ago | link

Its all about gaming the system if you have these systems I had a college who was going for a promotion to senior software engineer in British telecom.

Every 18 months or so there was a round of promotions there would be maybe 18 - 25 roles available for the whole of the Systems engineering division (around 50k FTE)

But as my boss wryly remarked "he has not done any real work for 6 months)

I also saw a college going for pm (first proper management role) expend a million pounds and 15 man years of developer resource pointlessly redeveloping a system in oracle as managing a >1 million pound project was a tick box for promotion)

reply

⏶ reeses 10 hours ago | link

I'm not sure when you were at MSFT, but my time there was in the mid-90s.

"It's simply unimaginable that this loss of talent hasn't had a huge impact on the company."

I think it would have done if the rank-and-yank/up-or-out happened when we were a 6,000-ish person company. They had just opened RedWest while I was there and were working on the new buildings across from the main campus. I think they were talking about the Issaquah campus right around the time I left as well.

It was clear that the company was growing and things were changing. There was even talk about not granting stock to new hires anymore, which has obviously been reversed. However, this was heresy at the time. (Mind you, most of us were thinking we were past the guaranteed "millionaire" stage and thinking that a stock grant would cash out for a down payment on a nice house.)

Now it's most definitely a "big" company, and you don't need *that* many people who would earn 1s in their reviews and get promoted every year. A company like that needs a lot of consistent contributors. If you let some good people fall through the cracks, even if it's 10%, the company can continue for years.

reply

⏶ InclinedPlane 7 hours ago | link

> If you let some good people fall through the cracks, even if it's 10%,

the company can continue for years.

Continue, sure. Microsoft isn't going to go away for many years, no matter how much they fuck up. They have too many established customers that will find it hard to switch away from them and they have too much cash on hand.

Nevertheless, the degree to which Microsoft will be relevant to the industry at large and their revenue levels in the time frame of a decade to two decades from now are currently open questions. And not by a small amount either, by orders of magnitude. And the difference between being able to execute on projects that will keep the company relevant and highly profitable and not being able to do so will largely come down to the collective capabilities, passions, experience, and talent of the folks who are still at the company. And that pool of skills and capabilities has been substantially decapitated bit by bit over the past several years.

reply

▲ einhverfr 14 hours ago | link

That and the levels system ensures that a lot of people who do care and have the talent have no way to contribute.

reply

▲ vladimirralev 11 hours ago | link

Microsoft are giving stock options instead of actual stock? That can't be true. Are they looking for stupid employees or what?

reply

▲ marshray 10 hours ago | link

The current practice which I have observed is for stock grants which vest over a multi-year schedule.

reply

▲ InclinedPlane 8 hours ago | link

Stock options used to be the go to method for giving bonuses to employees because they're cheap and potentially very valuable. However, they don't work very well if the stock is stagnant, so in that case the fall back is usually to just give stock grants which are really no different than getting cash.

With options employees have an incentive to retain equity in the company, which has a lot of good side benefits, not least of which is that it gives employees more of a stake in the company's future. It's also a way to reward employees financially by making them rich if they stick around long enough to collect enough options, have them vest, and have them increase in value significantly over time. A lot of techies have become millionaires through stock options.

Since MSFT's stock has been stagnant since the late '90s stock options as a reward aren't an option, which removes all of those benefits mentioned above and creates a further encouragement for ambitious employees to seek other companies where they have a reason to hold stock in their employer and where they are significantly financially rewarded for sticking around and doing good work.

reply

▲ biafra 10 hours ago | link

What is the problem with stock options?

reply

▲ Patrick_Devine 9 hours ago | link

Options are great for a company where there is a lot of growth (ie. a startup). Options are horrible for a company which has no growth (ie. a fortune 500).

Options give you the ability to buy a share at the last strike price set by the board (FMV for a share). If FMV for your startup share is $0.01 and you exercise it for $20, you're walking away with $19.99 in your pocket having spent $0.01. Multiply that by 50,000 and you're almost a millionaire.

If you get an option for a share of MSFT at $35, unless the stock price goes up, you're not getting a dime. *IF* it went up by $20 a share, you'd be doing just as well. That's unlikely, however, given how infrequently the stock moves. If they gave you 5,000 shares instead, you'd be sitting on a (more or less) guaranteed $175,000 _even if the stock price didn't move_ instead of absolutely nothing.

reply

> ▲ biafra 5 hours ago | link
>
> Thank you for the explanation . I assumed options always have a symbolic price.
>
> reply
>
> ▲ rmserror 8 hours ago | link
>
> The number of shares in an option grant is not necessarily the number of shares in a stock grant. You're assuming the choice is "5,000 options [for a single share]" or "5,000 shares." That's ridiculous. Clearly the shares are worth strictly more. But that's (typically) not the comparison.
>
> reply

▲ sillysaurus2 15 hours ago | link

Well, if he's a 60% shooter, then he has a 60% chance of making each shot. If he makes 10 in a row, then he's still 60% likely to make each of the next 3.

Your argument seems to be that everything is doomed to fail, but there's no reason why that should be true within a single generation of people.

reply

> ▲ qq66 15 hours ago | link
>
> What I'm saying is that the ten consecutive baskets make the spectators in the bleachers temporarily forget that they are watching a 60% shooter. Each consecutive basket takes them further and further into the delusion that what they are seeing is not random. And when the eleventh shot misses the basket, the jarring reintroduction of reality sends them looking for a reason "Why?" when the only real answer is "because."
>
> reply
>
> > ▲ 6d0debc071 13 hours ago | link
> >
> > The more baskets he gets the more likely it is that it's not random. The chance of him shooting a single basket, if he's predicted to get them 60% of the time and you have evidence justifying that confidence level, is .6
> >
> > The chance of him shooting two such baskets in a row is 0.36
> >
> > The chance of him shooting 13 such baskets in a row is 0.0013

It seems unfair to suggest that crowd are behaving irrationally when dealing with such a distribution. In probability you compare against other probabilities to determine what's most rational to believe. So - what's more likely:

A cumulative probability that will occur very rarely?

or

That he's cheating?

The more shots he makes the more likely that explanation becomes by comparison.... If people cheat more commonly than the odds of that distribution of shots would happen by chance....

reply

▲ aidenn0 13 hours ago | link

They are behaving irrationally:

http://en.wikipedia.org/wiki/Clustering_illusion

reply

▲ brazzy 12 hours ago | link

If they don't *know* they're watching someone with an accuracy of 60% over hundreds of shots and instead have to judge on nothing but 10 consecutive hits, it's actually perfectly rational to overestimate his ability, though it should of course have a low confidence and be constrained to the known possible range.

reply

▲ 6d0debc071 13 hours ago | link

60% may be his predicted mean, that his scores - taken as measurements - will tend to regress towards over time. However, that does not mean that there isn't an answer for why that happens; why he's a 60% shooter rather than a 70% one. Even if it's just an unsatisfying answer, like he's genetically flawed and was getting tired or something like that.

reply

▲ netcan 6 hours ago | link

This sounds like one of those ideas that works well in a one off context but has side effects in a relatively big one.

Using a bell curve might be more technically correct, but the overall idea is too force the person making a judgement to make a judgment. The reality is that some employees are better than others. Getting a manager to rank them will give you better results than getting a manager to rate them. Neither are perfect. One is sensitive to the manager's biases, the other breaks when one team is better than another.

If you went to a one hundred person company with 10 managers and asked them to do this one day, you would probably end up with a fairly accurate view of who is worth what. Most one hundred person companies would be improved by replacing the bottom 5-20 people and damaged by replacing the top 5-20.

If this wasn't about employees, I don't think it would be controversial. Imagine a company with 100 clients ranked them and then decided to give special attention the 10 best while ignoring the 10 worst.

The problem with this (like most compensation schemes) is how they affect employees when they find out. People have strong reactions to being ranked and measured.

reply

▲ rodgerd 5 hours ago | link

> Using a bell curve might be more technically correct

But it's not. That's what's so maddeningly stupid about it. Who gives a fuck if your employees are better or worse than one another? The only question that matters is whether they're doing the job you need done to the standard you need it done to. Arbitarily punishing some percentage of your team *even though they're doing a great job* is madness.

reply

> netcan 4 hours ago | link

The bell curve suggests that in a group of 20 employees, #8 & #12 perform similarly. #1 probably performs a lot better than #4. Thats what I meant by more technically correct.

"the standard you need it done to" doesn't really fit the model of what MS do. *"great job"* is relative. Anyway, the whole thing probably carries some assumptions. Some employees are great. Some stink. It's unlikely that a team of 20 will have a couple of stinkers. Employees #19 & #20 are adding little (or negative) benefit.

It's dehumanising. I agree. So are all management practices at companies big enough. It may also be wrong considering how it affects morale and how it affects productivity when people try to game it (seeking out weak teams).

I just meant that I can see where it comes from. It would make just as much sense if you asked a restaurant owner to rank his mains. Out of 15 mains, 2-3 are probably stars that people come specifically to eat. 10 are OK. 2-3 suck, they make people not come back.

reply

> eitally 3 hours ago | link

The other problem is that in a 100,000 person company there are many nuanced roles and where one person fails or struggles in one context, they may well excel in ten others. It's a lot harder to accurately measure overall performance when the manager is biased and the employee may well have been strong-armed or pigeonholed into their current position.

reply

> walshemj 1 hour ago | link

This only works for large populations doing exactly the same job and even them it will only work once as after the first time as the population is no longer random.

reply

> rsweeney21 14 hours ago | link

This is exactly why I left Microsoft after 8 years. I worked really hard, had a great year and was expecting a great review. When I got my A-70 I told my manager I would be leaving. They offered me stock, a raise and even gave me a promotion, but I was done. I knew that I'd never be happy working under the Microsoft review system.

I saw many great developers over the years leave for the same reason. This system is poisonous. There is no way to tailor the rewards of the team to the actual performance of the team.

reply

> ryanhuff 14 hours ago | link

Sorry, what's an "A-70"?

reply

> kabdib 14 hours ago | link

A = "Achieved" -- you did what you said you would do, and it's in line with

your peers.

70 = You're an average Joe. You're not a bozo, and you're not a rock star, and you're not going to get a promotion soon.

reply

chetanahuja 13 hours ago | link

"70 = You're an average Joe. You're not a bozo, and you're not a rock star, and you're not going to get a promotion soon"

And then they offered you a promotion to stay when you threatened to leave ?

reply

hga 13 hours ago | link

That tells you how bogus his review was. They didn't *really* think he was an easily replaced average Joe cog, but they had to fill all their various slots and, I suppose in their view, he should have been happy not to have to been allocated to a worse one.

It's grading on an arbitrary curve, not on merit, "*There is no way to tailor the rewards of the team to the actual performance of the team.*"

reply

api 13 minutes ago | link

Ranking and selection systems -- fitness functions -- are *very very hard* to get right.

I did a lot of work with genetic algorithms and evolutionary computation / alife systems a while back, and thus did a lot of work with writing fitness or objective functions. It turns out that it's extremely difficult to write a fitness function that the evolving system will not "game."

To give a specific example: I once wrote an objective function to train an evolving system to classify images, a simple machine learning test. After running it for only an hour or so, the system's performance seemed *spectacular*, like way up in the 90'th percentile. This made me suspicious. The programs that had evolved did not seem complex enough, and past experiments had shown that it should take a lot longer to get something that showed reasonable performance.

After a lot of analysis I figured out what it was.

I was pulling test images from two different databases. One database had *higher latency* than the other. The bugs had evolved a timing loop to measure how long it took them to get their data (they were multi-threaded) and were basically executing a side-channel attack against the training supervisor.

In another very similar case, I found that the bugs were cooperating by communicating by way of the operating system's thread/task scheduler. They were using timing loops to kibitz.

Humans are smarter than little evolving computer programs. Subject them to any kind of fixed straightforward fitness function and they are going to game it, plain and simple.

It turns out that in writing machine learning objective functions, one must think very carefully about what the objective function is *actually rewarding*. If the objective function rewards more than one thing, the ML/EC/whatever system will find the *minimum effort* or *minimum complexity* solution and converge there.

In the human case under discussion here, apply this kind of reasoning and it becomes apparent that stack ranking as implemented in MS is rewarding *high relative performance vs. your peers in a group*, not actual performance and not performance as tied in any way to the company's performance.

There's all kinds of ways to game that: keep inferior people around on purpose to make yourself look good, sabotage your peers, avoid working with good people, intentionally produce inferior work up front in order to skew the curve in later iterations, etc. All those are much easier (less effort, less complexity) than actual performance. A lot of these things are also rather sociopathic in nature. It seems like most ranking systems in the real world end up selecting for sociopathy.

This is the central problem with the whole concept of meritocracy, and also with related ideas like eugenics. It turns out that defining merit and achieving it are of roughly equivalent difficulty. They might actually be the same problem.

reply

🔺 ChristianMarks 15 hours ago | link

I think everybody wants to work in a high-performance culture where we reward people who are doing fantastic work...

This is typical superficial business talk about "culture." Dig what the humanists have to say about it: http://www.fastcolabs.com/3016238/why-your-startups-culture-...

reply

🔺 jcheng 15 hours ago | link

I only worked there for about 3.5 years starting in 2006, but from my perspective, dead wood was a bigger problem than the stack rank, and the stack rank was the main force keeping dead wood from being an even bigger problem.

Are there better mechanisms to systematically force managers to make the tough calls to let people go or counsel them out?

reply

    🔺 progn 15 hours ago | link

    The stack rank is the _reason_ there's so much dead wood: managers have to keep mediocre performers on the payroll so that star performers don't get bad reviews and leave. You need star performance to get anything done, since Microsoft is not somehow exempt from the power-law distribution of programmer productivity. The accumulation of mediocre performers makes the organization "trust sparse" (the average employee is a low-net-value robot who exists only to absorb the bad reviews in place of the few who get stuff done), which seriously damages long-distance collaboration, since you can't tell in advance which employees are the bozos. The review system also creates a culture of extreme risk avoidance, as you can't trust the bozos you have on your team to actually code features properly, but you still have to give them work.

    reply

        🔺 keithpeter 9 hours ago | link

        End user comment: I interact with the products of this system every day. I shall never look at Microsoft Office or Outlook in the same way again!

        reply

    🔺 kqr2 15 hours ago | link

    There is the Cravath Sytem's "Up or Out" policy:

    http://en.wikipedia.org/wiki/Up_or_out

```
In a hierarchical organization, "up or out" is the
requirement that each member of the organization must
achieve a certain rank within a certain period of time.
If they fail to do so, they must leave the organization.
```

    reply

        🔺 HarryHirsch 15 hours ago | link

It's one of those things that work well only in certain circumstances. Most especially a continuous stream of applicants, some of them above average, is needed.

At my not-particularly-good university they keep hiring faculty at assistant professor rank. Since the graduate school isn't impressive the applicant quality and publication record isn't great, and someone getting a grant is a rarity. After five years they won't get tenure, the position is re-advertised, more startup money is spent, wash, rinse, repeat. Under these circumstances it would be wiser for them not to shoot for the star performers they won't ever get. The research quality will be just as mediocre, but they can spare themselves the hiring process and save on startup funds.

reply

🔺 sitharus 15 hours ago | link

That would be very difficult in a software development role. You'd either end up out of dev and in management or you'd have to leave.

Everywhere I've worked there's only a few levels where you actually code - right now we have graduate, dev, and senior dev. You'd end up moving your best people to a level where you can't use their skills any more.

reply

🔺 jcheng 1 hour ago | link

Microsoft does have an up-or-out policy, but they take pains to try to avoid the problem you point out. Management is not considered "up" from dev, but a parallel track (whose bottom rung is a little higher than the bottom rung of dev). The top rung of the dev ladder is "Distinguished Engineer" and these people are spoken of in much more hushed and awed tones than any VP.

Also the up-or-out policy has exceptions: there are "stable" levels where you are allowed to stay for the rest of your career. IIRC the lowest stable level is Senior Dev (level 63) so if you are hired at level 59, the expectation is that you have the potential to make it to 63; if you earn promotions too slowly or not at all, you'll eventually be let go. This is true even if you do a perfectly adequate job at levels 59-62.

It's not a model that would work for every company, obviously...

reply

🔺 RyanMcGreal 15 hours ago | link

Sounds awful. I work as a programmer, but the only way up at my employer is into management, where I would necessarily have to stop working as a programmer. That would be a step *away* from what I enjoy doing.

reply

🔺 rictic 14 hours ago | link

A healthy engineering company should have high level positions that are still engineering positions.

reply

🔺 eitally 1 hour ago | link

The challenge for corporations is to figure out how to keep senior technical staff in technical roles when they legitimately have worked their way into a product ownership role (this is for non-consumer-product companies with dev teams of only a few people) and there may not be a personal with people-manager skills who has the business knowledge to do that part for them.

reply

🔺 RougeFemme 15 hours ago | link

I can see how it would be a good way to rid the company of dead wood, but depending on the employees are grouped, it can work very poorly. When it was first implemented in an organization I used to work for, group A already had almost all dead wood (when compared with the overall company) and group B had almost all stellar employees (when compared with the overall company). Some of group A will ended up "at or above the curve" for their group, while some of group B ended up "below the curve" for their. So some of group B got bonuses while some in group A ended up on "performance improvement plans". Poor implementation? I assume so. But it was painful and infuriating to watch. I was in group A and did not end up on a performance improvement plan, thankfully. But my blood still boiled - for myself AND my co-workers.

reply

> 🔺 eterm 14 hours ago | link
>
> You may wish to edit your group A and B descriptions unless you meant you were dead-wood!
>
> This sounds terrible either way, but why did one group end up significantly worse?
>
> reply

🔺 semisight 15 hours ago | link

I can't imagine working in an environment like this. If the core idea is that all employees fall on a bell curve in their overall value, what about small sample sizes? In what dimension do you measure them--what is "performance" even? And to do this every six months?

Is there something I'm not seeing here? How is this still considered a viable management strategy?

reply

> 🔺 mgkimsal 15 hours ago | link
>
> Nobody ever got fired for aping Jack Welch...
>
> reply

> > 🔺 hga 14 hours ago | link
> >
> > To the extent this was responsible for his early departure from Microsoft, it didn't work out in the end. The article also says GE dropped this after Welch left.
> >
> > reply

🔺 sytelus 9 hours ago | link

This is not a problem inherent in stack ranking. *Any* performance review system that (1) allow unbalanced pay and (2) makes this fact visible to employee, will cause exact same issues. Here unbalanced pay means you want to divide available reward such that higher performing employee gets lions share while those at the tail gets peanuts. Whether you do this through peer reviews or through manager reviews or stack ranking or team level performance or by throwing dice, you will always find some portion of employees feel the system is unjust and they deserve better ratings. Only way to avoid this is by equal bonus pays OR not assigning any ratings at all. For most technology companies at least the option of paying every one equal bonus won't be acceptable. It is known fact that highest performing employees perform 5X-20X than lowest performing employees and it would be hard to retain them if they were paid same bonuses as everyone else.

However not disclosing ratings could certainly be option. Or you can only disclose binary ratings "Stay/Fire" or trinary rating "Green/Yellow/Red" where they don't disclose amount/range of bonus but whether employee performance was sufficient for continuity of employment. People who thought that disclosing bonus indicating ratings was a good idea probably bought on an argument that this will motivate employees to improve themselves

to get higher ratings. In reality many aggressive employees actually do work even harder to get back to better ratings however people who have feel lack of opportunity or are rusted eventually settle down with being labeled "average" and pull back on their effort level just to keep employment going.

reply

    simonh 9 hours ago | link

The problem is that if you have an A team where all the members are performing well and deserve good compensation compared to the rest of the company, stack ranking forces you to penalise some of them anyway, even if its for minor petty reasons that in other teams would not be a factor.

Nobody is arguing that good people shouldn't be rewarded compared to poor performers. The problem is that stack ranking actively works against the formation of stable teams of high performers anywhere in your company.

reply

    tytso 4 hours ago | link

You are assuming that monetary compensation is the only motivator for employees. And that's simply not true. Once people have enough that they can feed their family and put their kids through college, money isn't as important a motivator. So while you do want to reward your superstars, it follows that (a) the fact that lower performing employees get paid less may not be so much of a problem, so long as they are adequately paid (i.e., not "peanuts"), and (b) money may not necessarily be the best way to do this --- you need to make sure that their good work is recognized, and you need to take into account what they want to work on.

At the end of the day, it's going to be the other things; a fun/pleasant workplace, development tools that don't suck, a collegial environment, which are going to be more important for most employees once their basic needs are met.

Perhaps in a startup environment, where hours are long and the pressure to ship trumps everything else, people forget about these things and think only about the compensation which will hopefully be coming over the horizen in case the startup makes a successful exit. But in a more mature company, I'll suggest that an attitude like that is extremely short-sighted.

reply

  plinkplonk 14 hours ago | link

Interesting that Google also has stack ranking. If stack ranking were such a major factor of MS's decline why isn't it affecting Google the same way?

reply

    potatolicious 13 hours ago | link

What cromwellian said, but I'd also add that, as an outsider at least, the zeitgeist amongst people I've spoken to is that stack ranking *is* hurting Google.

The poisonous effects of stack ranking may take time to manifest in a notable way at Google. Maybe if Google's products stopped being as cool as they are now, or their compensation is no longer as generous as it is now (see: becoming Microsoft), this would be accelerated.

reply

      DannyBee 12 hours ago | link

Hurting how? Google doesn't fire the bottom 10% or whatever. They also don't completely screw the bottom 50%.

The only curve that is enforced is really a calibration to ensure equal pay for equal performance across orgs

reply

▲ dsymonds 13 hours ago | link

Google uses stack ranking only for calibration across the company. There's nothing like "bottom 10% get fired", and in a team of high performers it's perfectly okay for everyone to get a great performance review, so there's no politics involved in that way.

reply

▲ cromwellian 14 hours ago | link

Google doesn't solely use stack ranking. Most of the grading is done on the OKR system with peer feedback.

reply

▲ reeses 10 hours ago | link

Because they're not yanking yet and the equity growth is still attractive enough to keep unvested "low performers" from leaving. Google don't have to cut costs to make Wall Street happy. They need to grow and increase the top-line, and for that, they need people.

Once they reach the point of "maturity" where they need to minimize operating costs to increase net margins and continue to justify their P/E, they'll be like Cisco, Microsoft, Intel, and others, disgorging 5-30% of their workforce in a single massive push.

reply

▲ ballard 15 hours ago | link

The most obvious question: Does Microsoft annually fire the X% lowest "performing" as some other shops do?

But more importantly, there are much bigger problems at Microsoft than gaming performance reviews: product strategy, how people are treated and relations between divisions.

MSFT may need to let go of some legacy in order to move forward faster. (Risk enterprise customer hate, but whatevs.)

reply

▲ smm2000 15 hours ago | link

Nope, it's very difficult to get fired from Microsoft unless you try really hard. Answering emails and doing minimum amount of coding (1 hour/day) is enough in most groups to get average reviews.

reply

▲ einhverfr 11 hours ago | link

I had a friend at Microsoft when I was there who tried to get a URL spoofing vulnerability fixed by the IE team and when that failed used it to hack their hotmail accounts. He almost got fired over that one.

I knew one person who did get fired. The thing though was that the firing occurred at a time when they were trying to push for higher attrition during a move of a unit overseas so not sure how much I can read into it.

reply

▲ city41 11 hours ago | link

Hmm, I had a different experience during my 3 years at MS. On my team, people definitely got fired. Having worked at companies where getting fired is unheard of, I really appreciated that the deadwood got shown the door.

Although I must admit my experience at MS really does not match up with a lot of what I'm reading in this thread. I suspect my team was quite an outlier.

reply

▲ akurilin 7 hours ago | link

Knew an SDE II with 10 years of experience at MS who didn't know how to grep through a file to find out which log lines started with a certain word. Guy seemed have been holding pretty well onto his job, probably senior by now. Plenty of deadwood.

reply

▲ gametheoretic 15 hours ago | link

Uhhh...decline? Gates stepped down in 2000, when Google was Goofy and the iPod was just an idea. Ballmer could've done worse for himself, to say the least. The very least. XP, Xbox, yes, Vista, but also the extremely impressive *full swing, timely as a motherfuck recovery* from Vista to launch Win7. (And while we're here, Win8 gets way more trash than deserved. The Start Menu was overloaded. People had like 200 goddamn folders in there. Don't shit on MS for trying something new at a time when something new was needed.) --and I'm not even an MS fanboy *at all*. This is just bullshit writing.

reply

▲ colmvp 14 hours ago | link

I don't understand why hardcore techies wanted the start menu bad so badly.

I used Windows for a long time before migrating to OSX and the usage of a 3rd party app called Alfred. Now I just type what program I want to open, which is significantly faster and easier than having to navigate through an OS. I'm sure Windows probably has an equivalent.

reply

▲ MichaelGG 11 hours ago | link

The new system has two major issues. First, it forces a full screen context shift - everything disappears, which is just annoying. The icons are small, so a lot of results have a goofy looking scaled icon with only the first word or so if their title. On a server, it's even more ridiculous, and even MS's own TechNet admits as much (try to shut down).

Second, typing at the start screen is not the same as the start menu. It only searches some items, and you have to click or arrow down several times to select the kind of search you want. It's the opposite of unified search. It's annoying.

So, MS forced an annoying thing on everyone (even on servers!), with no way around, except to install 3rd party hacks. Of course they're going to get pushback on it.

reply

▲ dalek_cannes 13 hours ago | link

And Office ribbons. I used to work almost entirely with keyboard shortcuts in the menu/toolbar days for word processing (I used vi for coding). *I actually liked the riboons*.

reply

▲ gfodor 7 hours ago | link

I was around in 1995, and in 1995 they hated the start menu. So it goes.

reply

▲ cbhl 12 hours ago | link

If you just start typing from the new start screen...

reply

▲ hornetblack 12 hours ago | link

In windows Vista and up. Opening the start menu and typing would achieve this. In windows 8 opening the start screen and typing also does this. (Both can be done by pushing Super/Windows Key). This is the same in some Linux desktops, (At least GNOME 3, Unity and KDE)

reply

   unknownian 13 hours ago | link

>Win8 gets way more trash than deserved

I just switched to Windows 8 and actually like Microsoft a bit. The hate that 8 got was somewhat warranted. There are very strange design decisions in 8. The idea that an installed program and an app store app are two totally different things to the OS is completely baffling and limits functionality. If you use Launchy (like Alfred) like I do, searching for "Twitter" does nothing. This is just one issue among a few that I've found.

reply

  api 42 minutes ago | link

Hasn't Google implemented stack ranking?

reply

  asenna 15 hours ago | link

I just can't believe how or why they are continuing with the system when it is clear this is counter-productive and is hurting the company in many ways. What possible reason can there be? There is no way I would ever want to work in that kind of an environment.

Is there another side of the story? Can someone from Microsoft shed more light on this?

reply

   nc4n8gh2k 14 hours ago | link

Before I agreed to work at Microsoft I asked the HR people about it. They felt this was a great system because a company with ~100K employees was bound to fit a bell curve regardless of its ability to hire and retain "the best". They told me the five buckets only had to meet their expected quotas at the level of Steve Ballmer, so it absolutely was not a zero-sum game as some had alleged.

I haven't seen a full year cycle applied to myself, but the one period I did participate in didn't quite work that way in practice. In reality, the zero-sum gets enforced much lower in the company than Ballmer himself. Exactly where probably depends a lot on what division and team it is.

Neither have I seen evidence of the claimed worst effects of this type of system. Instead I saw great people take a hit for the team, rather than retaining underperformers for this purpose. Who knows, maybe in some ways this is just as bad.

Every big organization needs some kind of system and there are certainly worse ones. This system is effective in allowing the company to promote some people, keep some where they are, and move some out.

But it would be nice if the current shuffling at the top became an opportunity to bring in something better.

reply

    kabdib 13 hours ago | link

The recruiters did indeed lie to you about the size of the buckets and how far up they went. They say they try to keep things statistically significant, but the number of people in my band was pretty low, and it was clear that some good people were going to get screwed.

Something is wrong when you are shafting great people in one part of the

company while promoting knuckle-draggers in another. Part of Ballmer/Brummel's trouble is that they couldn't seem to recognize who was honestly contributing versus who was parasite, or an under-performer, or someone toxic who was pushing out good people to serve their personal gain.

reply

    🔺 thaumasiotes 12 hours ago | link

> They felt this was a great system because a company with ~100K employees was bound to fit a bell curve regardless of its ability to hire and retain "the best".

This isn't true at all. If you have the ability to hire and retain the best, then the company curve will look like the rightmost extremity of a bell curve, which has rather different properties compared to the entire curve. As I understand it, this is why baseball statistics value players in terms of "wins above replacement" instead of "relative to the average player" -- the average player is so much better than the majority of professional baseball players that it's not useful to assume in your tooling that you could hire one. (Whereas, if you have the entire bell curve, then the average person is both median and modal, and is therefore easier to find than a person at any other level.)

Disclaimers -- I don't know statistics, corrections very welcome.

reply

    🔺 LordHumungous 11 hours ago | link

That would only make sense if all 100,000 employees were compared in the same distribution. Among a smaller team the fit might not be so good.

reply

🔺 fatjokes 16 hours ago | link

Does Google do this as well?

reply

    🔺 pmb 15 hours ago | link

It does put people in buckets, but places no restrictions on the quantities that must reside in each bucket.

reply

🔺 kdsudac 9 hours ago | link

The most frustrating thing about these kinds of systems is how they never seem to apply at the top. Was Balmer a top CEO? The market doesn't seem to think so.

reply

    🔺 psbp 9 hours ago | link

Apparently the board didn't either. I guess they just get a much longer review cycle.

reply

🔺 michaelwww 10 hours ago | link

This reminds me of mandatory minimum sentencing that takes the jail time given away from the discretion of the judge. It seems that Microsoft doesn't trust it's managers to make objective reviews, especially to call out poor performers who are otherwise liked by their coworkers. There must be a middle way.

reply

    🔺 threeseed 10 hours ago | link

Exactly. And we have a tried and true way of identifying great managers. Can you deliver a great result, on time and on budget.

Why MS never focused on output is beyond me.

reply

Patrick_Devine 12 hours ago | link

I worked at a rather largish virtualisation company which uses the "Nine Box" performance review process. The idea is that you get two scores, your _public_ score which is told to you about your performance, and then a _private_ score which is surreptitiously given by your manager about your potential to get promotions.

Managers are then given a quota of how many people should be put in which box, and get hammered if they give too many people good reviews. The "secret" score is directly tied to your compensation, so basically your manager could be completely screwing you and you would have absolutely no indication.

reply

Domenic_S 12 hours ago | link

> _and you would have absolutely no indication._

Except for your paycheck?

reply

Patrick_Devine 12 hours ago | link

My suspicion would be they use plausible deniability. "We're not giving out great raises this year". Which is technically not a lie, I suppose. They're not giving out a great raise _to you_.

reply

sprague 15 hours ago | link

Note that at Microsoft, a good manager (i.e. somebody who takes care of his/her people) will spend far more on the stack rank process than on, say, product strategy.

reply

kabdib 14 hours ago | link

Well, you have managers who are good at both. You want that kind.

But in the absence of any kind of ability to produce something, yeah, you want a manager who is politically savvy, and who can protect you, and can promote you well in the stack rankings. (I had a couple managers who were /terrible/ at this, and my "performance" suffered. In reality it was all presentation and horse-trading).

reply

r00fus 11 hours ago | link

Great for the manager, and the employees, but what about the company?

What sane business do you want managers being better at "stacked ranking" than product strategy?

This to me, is indicative of why Microsoft has failed - when your daily job is to prove that the team next to you - not your team is the one that should take all the bad reviews, that's pitting employee vs. employee, when it should be employee vs. external competitors

reply

dkhenry 14 hours ago | link

This isn't a Microsoft thing. If I remember correctly its used at IBM as well as a bunch of other big name companies.

http://en.wikipedia.org/wiki/Vitality_curve

reply

CountHackulus 31 minutes ago | link

From experience at IBM, it was just as terrible there.

reply

chris_wot 9 hours ago | link

The end sentence is absolutely damning of the man:

"It will be interesting to see whether Microsoft's next CEO takes more personal responsibility for the company's corporate culture—or leaves it for Lisa Brummel to take up."

reply

dotmanish 7 hours ago | link

Adobe used to have the Stack Ranking System until a couple of years, which they eventually ditched: http://www.hreonline.com/HRE/view/story.jhtml?id=534355695

reply

yuhong 14 hours ago | link

Personally on stack ranking at MS I'd probably settle for ending some of the worst practices. Even Google's stack ranking don't have some of the problems of the one used by MS.

reply

pkj 11 hours ago | link

Most companies use a variant of stack ranking. If you agree with the core philosophy that more productivity => better pay, then you need to implement some sort of a differential pay algorithm. Having said that the implementation really sucks. It is not natural and continuous, rather people get pigeonholed into discontinuous buckets.

Let me take a concrete example closely mirroring my experience. There are 4 fixed performance buckets. Top 5%, Next 20%, Next 65%, Bottom 10%. They get hikes of 20%, 8%, 4%, 0% respectively. Again, these are fixed numbers. Let us assume there are 4 people A,B,C,D and out of a hypothetical score of 100, score 95, 90, 87, 85 respectively based on various parameters. You would assume that since D differs in ability with A by 10%, he would get 90% of A's hike. But sorry, due to the stack implementation he gets 0%, while A gets 20% ! Let's say if the scores of A, B, C, D were instead 100, 50, 25, 5, the hikes would have make much more sense.

Summary: Discrete curve of benefits works well only when it closely matches the curve of people productivity. This is rare. So it just ends up being unfair and creates an unhealthy rat race.

reply

njr123 7 hours ago | link

I disagree with the whole premise of 'productivity => better pay'. I think it is much better and easier just to pay everyone in the same role the same (maybe with some company wide profit share) and then fire all the bad people as quickly as possible. You avoid all the politics of performance reviews, and the problems of how to rank the relative value of different skillsets. Incidentally, I believe this is the system that netflix uses?

Identifying the bad people usually pretty easy. The problem I find is that most people in software a pretty non-confrontational, so it is hard to get them to fire the bad people, even when they are obviously bad for productivity.

reply

phantomb 9 hours ago | link

I understand Enron tried the same thing. These people are idiots.

http://postbiota.org/pipermail/tt/2007-June/000884.html

reply

‍ epynonymous 3 hours ago | link

this is just the dumbest article i have ever read. there are very few top performers, a types with an appetite for challenges, who would work in a meaningless project just to compete with mediocre talent, that's absurd! number one motivation issue is a bad manager, closely followed are lack of career development where in i mean interesting technical challenges andncompeting against the best and project interest. a types or top performers who take initiative and want to work on the biggest challenges do not shy from challenges, in fact, they want them! the types that shynfrom challenges and curl into meaningless projects are those that seek work life balance and are really your low performers.

reply

‍ danbmil99 10 hours ago | link

What I love about the last decade of the Microsoft saga is how Bill left Stevie holding the bag, just when he knew it was going sour.

reply

‍ hatchoo 11 hours ago | link

I used to work with Andersen Consulting/Accenture. We had this ranking thing as well. Had lots of peers who were of the kiss ass type. Fortunately was very technical and stood out while still at the programmer/analyst level. Would have fared poorly at the managerial level though.

Many other companies probably have this too.

reply

‍ chatman 10 hours ago | link

Haha, Yahoo does it every 3 months since Mayer came on board! Soon, even Yahoo will crumble like this.

reply

‍ lzman 7 hours ago | link

I was a programmer a UK banks for 5 years where they used (and still do use) the bell curve performance rating system. High performing teams match the bell curve distribution, therefore match the employees to the curve and you have high performing teams. It, and a load of shit directly related to it, is why I left.

reply

‍ afhof 14 hours ago | link

It would be a lot more convincing if they could say Microsoft Stack Ranks And No One Else Does. Google, for example is a strictly stack ranked company and hasn't folded (at least in my opinion) into a caustic environment as described in this article.

reply

 ‍ nostrademons 14 hours ago | link

Google uses stack-ranking in a very different way. At Google the stack ranks of all your *peers* are merged and then used as a sanity-check on the promotion process, to catch cases where a manager may be artificially inflating the reviews of his favorite reports or where he may be overlooking a star employee who everyone else in the organization agrees is worthy of promotion.

reply

  ‍ jvert 10 hours ago | link

So Google has a different algorithm for computing the stank rank, but still stack ranks? Microsoft also incorporates peer feedback into the review process, but treats it as just another input into the manager's decision

process.

reply

rictic 13 hours ago | link

At Google, each team is not required to have some percentage of their people on the shit list. I don't know if I can elaborate further, but I've been here for a few years, all on healthy teams, and being the lowest performer on a team doesn't mean that you're doing poorly. From personal experience it seems totally safe to be moderately awesome on a team full of super awesome people.

reply

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