Winning the war for talent isn't just about recruiting and retaining people. You've got to invest in A performers, raise the game of B performers, and – perhaps most difficult of all – deal decisively with C performers.

ILLUSTRATION: DICK KREPEL

# A New Game Plan for C Players

by Beth Axelrod, Helen Handfield-Jones, and Ed Michaels

ANY SEASONED EXECUTIVE WOULD AGREE: The quality of a business's pool of managerial talent is a critical driver of its ongoing success. Yet very few organizations have a rigorous and consistent approach for managing that talent. Most companies struggle with even the fundamental task of assessing the relative performance of their people. And they are worse still at taking appropriate actions based on such assessments.

The shortcomings are particularly acute when it comes to managing underperformers. After all, a company's executives can experience real joy in recruiting, developing, and retaining "A" and "B" players. But dealing with "C" players is painful, and most avoid it.

Especially in these challenging economic times, companies need to have in place a strong cadre of leaders, and they need to make tough decisions about performance. Downsizing poses a particular challenge for many companies, because if it's not done well, the decisions about who stays and who goes can seem capricious. Indeed, it is difficult for employees to have confidence that decisions made in hard times are fully informed if the company does not

systematically and rigorously assess its managers' performance in fertile times. Regularly removing the low-performing managers from an organization helps ensure its vitality – in good times and bad.

Over the past five years, we've been researching what it takes to build a pool of great managerial talent. We've surveyed 13,000 senior managers at 112 companies, studied 27 companies with reputations for top-tier talent, and consulted with more than 100 companies working to upgrade their talent pools. And we've observed that, as much as an organization's success depends on the careful management of A and B performers, it also depends on the pruning of C performers. Indeed, we have found that high-performing companies are 33% more likely to take deliberate action on C performers than average-performing companies are.

How do the high-performing businesses do it? What follows is an approach distilled from their most-effective practices – an approach we liken to an "iron hand in a velvet glove." That is, companies need to establish a rigorous, disciplined process for dealing with low-performing managers *and* they need to treat these people with great respect.

## Barriers to Action

Before we discuss why dealing with C performers is so difficult, let's clarify what we mean by the term. We are not talking here about grossly incompetent or unethical managers; companies remove those individuals without hesitation. A company's C managers deliver acceptable results – just barely. They scrape by, and perhaps even progress incrementally, but they rarely create anything bold or innovative, and they don't inspire others. Note that the "C" refers not to the person but to the individual's performance in a given job. Some low-performing managers were A or B performers earlier in their careers – and may attain that level of performance again.

This begins to hint at why many companies undermanage C performers – at why, in fact, tolerating them has become an unspoken code of conduct. Even though managers would love to make room for more talented people, the act of confronting low performers is fraught with emotional, ideological, and practical barriers. According to our research, the primary reason executives don't act on C performers is understandably an emotional one: They are unwilling to move on people with whom they have worked for many years or people who have contributed to the company for so long. In many cases, a C performer has formed a friendship with his or her manager over time, and that emotional attachment can cloud the manager's objectivity. Even when there is little personal connection, the very human tendency to empathize with others comes into play. All of us have felt humiliation and loss, and few of us would wish it on others. Disciplining or firing someone is a painful and difficult process for everyone involved.

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There are also ideological barriers to doing the hard work of managing C players. Some managers erroneously believe that all C performers can be developed into B or even A performers – and that the organization should invest in people indefinitely for this to happen. Other managers believe loyalty should be reciprocated, even when an individual's performance is lacking, or that it should be enough for someone to be trying his or her best. Les Wexner, CEO of clothing retailer the Limited, struggled with this issue of fairness. He asked himself, "Do I really want to identify a top, middle, and bottom tier of people reporting to me? Decisions around people's careers and responsibility to their families – those are the toughest." In the end, though, he found the other side of the equation more compelling: "If I don't make the tough decisions about the people who are preventing the enterprise from being successful, then I am putting at risk 175,000 people who are depending on that leadership."

Finally, practical barriers often prevent executives from taking action. Chief among them is the fear of litigation, fanned by the recent high-profile examples of companies being sued for racial, age, or gender discrimination after they implemented systems to identify low performers. Other practical barriers are the often onerous process of documenting underperformance and the fear that resentment and negativity will spread throughout the organization.

For all these reasons, most companies fail to deal with C performers. Indeed, just 19% of the thousands of senior managers we polled believe their companies remove low performers quickly and effectively. And while the managers surveyed surely sympathize with the plight of the

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C player, 96% of them said they would be delighted if their companies moved more aggressively on low performers. They can see that their organizations would prosper by doing so.

## The True Cost of the C Player

The benefits of improving or removing low-performing managers are enormous, because their continued presence weakens the company in myriad ways. Obviously, they don't produce the results that A and B players do. In two companies we studied, the A managers grew profits, on average, 80% in one company and 130% in the other, while the C managers achieved no profit growth. This analysis points out what executives know intuitively: Holding on to underperforming managers pulls down a company's performance.

The economic argument for upgrading a company's leadership talent pool can be seen in several recent stories of dramatic improvement in corporate performance: The Limited reversed a plunge in its stock price to sustain a 23% annual total return to shareholders over a 20-year period. SunTrust Banks increased its growth rate from 4% to 10% within a year. And the high-tech company PerkinElmer tripled its market capitalization in three years. All three companies had adopted new business strategies and performance-improvement initiatives, but all three credit their successes in large part to their aggressive efforts to replace C performers with A and B performers.

Consider that every C performer fills a role and therefore blocks the advancement and development of other more talented people in an organization. At the same time, C performers usually aren't good role models, coaches, or mentors for others. Eighty percent of respondents in our survey said working for a low performer prevented them from learning, kept them from making greater contributions to the organization, and made them want to leave the company. Imagine, then, the collective impact on the talent pool and morale of a company if just 20 of its managers are underperformers and if each of them manages ten people.

In fact, keeping C performers in leadership positions lowers the bar for everyone–a clear danger for any company that wants to create a performance-focused culture. C performers hire other C performers, and their continued presence discourages the people around them, makes the company a less attractive place for highly talented people, and calls into question the judgment of senior leaders. As an executive at Arrow Electronics told us: "It's incredibly demoralizing for the rest of the team if you don't move poor performers out–and the leader looks blind and out of touch."

Clearly, tolerating the C performers in a company negatively affects the better performers in that company. But it also has a dispiriting and stressful effect on the C player, who is being kept in a position where he or she is incapable of performing well. Debra L. Dunn, vice president of strategy and corporate operations at Hewlett-Packard, put it this way: "I feel there is no greater disrespect you can do to a person than to let them hang out in a job where they are not respected by their peers, not viewed as successful, and probably losing their self-esteem. To do that under the guise of respect for people is, to me, ridiculous."

### Talent Management Must-Haves

The approach to managing C players that we're discussing in this article is just one piece of an overall program for managing talent effectively. In order to cultivate managerial talent at all levels of the company, leaders should adhere to the following five imperatives, which distinguish high-performing companies from average ones. The imperatives are the subject of our book, *The War for Talent.*

1. Embrace a talent mind-set, and make talent management a critical part of every manager's job.
2. Create a winning "employee value proposition" that provides a compelling reason for a highly talented person to join and stay with your company.
3. Rebuild your recruiting strategies to inject talent at all levels, from many sources, and to respond to the ebbs and flows in the talent market.
4. Weave development into the organization by deliberately using stretch jobs, candid feedback, coaching, and mentoring to grow every manager's talents.
5. Differentiate the performance of your people, and affirm their unique contributions to the organization.

The fifth imperative includes and goes beyond dealing explicitly with low performers. It addresses the broader need to differentiate the strong players from the weak players in a company's entire talent pool, and it implies the need to invest in and grow A and B performers.

## An Iron Hand in a Velvet Glove

To build a strong talent pool, senior executives must regularly remove low performers from leadership positions. They may want to take a different approach when it comes to low performers in other positions, such as frontline or unionized workers. But the imperative to do so in the senior managerial ranks is compelling.

To make this happen, companies need to apply an iron hand in a velvet glove. The phrase was coined by Napoleon Bonaparte to advocate firmness made more palatable and effective through courtesy and manners. We use it to mean a rigorous, disciplined process for dealing with low performers that also treats each individual with fairness and respect. Such an approach can counter the emotional, ideological, and practical barriers we cited earlier. Let's examine the application of the iron hand when it comes to dealing with C performers.

The iron hand is needed to overcome the procrastination, rationalization, and inaction that naturally occur around low performers. Companies need to establish a disciplined process that will *make* managers confront this difficult talent-management issue head-on. A disciplined approach will also bolster the integrity and credibility of the company's human resource processes in the eyes of *all* its employees. The discipline of managing C performers requires three steps: Executives must identify C players, they must agree on action plans for each, and they must hold managers accountable for carrying out the action plans.

## The Argument for Disciplined Talent Review

We surveyed thousands of managers in a broad range of companies about their approaches to talent review and succession planning. Consistently, we found that managers from high-performing companies applied more attention, discipline, and energy to identifying and taking action on A, B, and C players than their lower-performing counterparts did. The charts below show the percentage of corporate officers who strongly agree that their companies' review processes demonstrate the following characteristics:

**Unfortunately, the traditional approach to succession planning often falls short...**

In too many companies, the standard for leadership is vague. Without clearly articulated assessment criteria, the caliber of managerial talent begins to erode and is inconsistent from one unit to another.

In a typical talent review meeting, one manager presents each assessment while the rest listen with polite, senatorial courtesy. A half day of presentations occurs at corporate centers. Instead, a full day of intense discussions should take place at each division.

Most companies focus on identifying successors, not on assessing incumbents. They don't calibrate their assessments of managers. And everyone is rated in shades of gray.

Most companies don't articulate what actions will be taken regarding an individual's performance. They don't decide what will be done in the coming year to advance, develop, reward, demote, or replace each person.

Most companies have no disciplined process for ensuring that managers implement the plans discussed during the talent review. Nor are most managers measured on how well they have upgraded their talent pools.

**IDENTIFY THE C PERFORMERS.** In our survey of managers, only 16% of them strongly agreed that their companies knew who the high and low performers were in the senior ranks. To identify its low performers, a company needs clearly defined performance objectives and assessment criteria. Senior management must set distinct goals for all positions and measure individuals' performance against those goals. It must also articulate a set of leadership competencies – the skills and behaviors expected of all managers in the company. The CEO and division presidents have critical roles to play in setting these performance expectations, ensuring that the bar is set high enough and that it is consistent with the company's overall performance goals.

Executives then need to decide on a simple rating system to delineate performance levels – we've been talking about As, Bs, and Cs in this article, but many categorization schemes are possible. Some companies use a grid that plots performance on one axis and potential on the other to arrive at the ratings. SunTrust divides its 200 market managers into four categories: large-market growers, small-market growers, market maintainers, and strugglers.

The biggest challenge is getting managers to distribute people across these ratings buckets. Without a rigorous assessment process, the outcome of such a rating system is fairly predictable: Managers will rate most of their people as "outstanding" or "good." Thus, a company's senior leaders need to drive the organization toward an appropriate distribution of ratings. They should engage in robust discussions, even debates, about the performance improvements required by the company and the magnitude of the company's talent gap. With that information, they should set targets for the percentage of managers they expect to be designated as low performers.

There is no question that bell curves can be controversial, and they can be problematic – people often react negatively to the idea of strict adherence to performance quotas. But in organizations where identifying the highest and lowest performers is a widely accepted philosophy, the distribution approach needn't be so strict – managers understand the overall goal and can be trusted to come close enough to the distribution targets. In organizations where there is a great deal of resistance, the distribution might have to be more rigidly applied. Either way, the groups or units being reviewed must be large enough (at least 30 people) so that they reflect the typical range of performance levels in the company.

When pushing for clear differentiation between the highest performers and the lowest, a relative distribution of assessments is easier to accomplish than absolute assessments. That is, managers can usually assess whether Mary's performance is better than Peter's and worse than Nancy's even if they find it difficult to assess Mary's performance against the standard definition of a world-class manager. This relative approach also makes it clear that the objective of the process is to continuously upgrade the talent pool by improving or replacing the lowest performers, bringing in and growing more top performers, and raising everyone's game.

Assessing people and gaining insight into their strengths and weaknesses requires a rich base of information and multiple points of view. At the very least, three or more senior leaders should be included in the discussions about each person's performance. The best companies also use 360-degree feedback and self-assessments from individuals. Some leaders make a point of talking occasionally with the subordinates of the managers they will be assessing, asking them what's going well in the business and what isn't. Those informal conversations can reveal a lot about a manager's effectiveness.

> Companies need to establish a disciplined process that will *make* managers confront this difficult talent-management issue head-on.

**AGREE ON EXPLICIT ACTION PLANS FOR EACH C PERFORMER.** Once leaders have identified the lowest performers, they must articulate the specific actions that will be taken with each person in the coming six to 12 months. The action plan will depend on several considerations: Does the person want to improve? Does this person have some strong skills that are valuable to the company? Is this person in a job that is not suited to his or her skills? Has the person been in this job for too short a time to be able to judge his or her performance? Is there something in the individual's personal life that is sapping his or her energy at the moment? How much warning, help, and time has this person already been given? Then, one of three types of actions needs to be taken: Improve the C player's performance in this job to at least a B level, move the C player to a job that better matches his or her skills, or ask the C performer to leave the company.

Certainly, some C players can improve their performance substantially if given the direction and the developmental support to do so. For these people, the action plan should include the specific skills and results that must be demonstrated, clear timelines for accomplishing these improvements, and a description of the coaching support that will be provided. The message to the C performer should be unambiguous and encouraging. Leaders

should be aware that some C players will improve, but others won't, and they should take care not to overinvest in the latter.

When development efforts are not successful, the company must either move C performers to more suitable jobs or ask them to leave the company. The Home Depot, SunTrust, and Intel are three companies that first try to find their C performers roles in which they can contribute more successfully. The Home Depot, for instance, will even consider demotions: If a high-performing store manager is promoted to district manager and then fails in that new role, the company sometimes offers to move that person back into a store manager role. Some people accept the move; others prefer to leave. This approach allows the person to stay with Home Depot and allows the company to leverage the talent it already has. But the company also runs the risk of placing people who have plateaued into important managerial roles or of transferring problems from one unit to another.

Companies that are unwilling to take that kind of risk, such as GE, Arrow Electronics, and PerkinElmer, ask those who have failed to improve in their job to leave the company–except, of course, if there was an obvious mismatch between the individual and the position. Bill Conaty, senior vice president of human resources at GE, explained the company's philosophy: "We are continually raising the performance bar for all our employees, so the sooner in one's career that performance issues are candidly addressed, the better for all concerned."

**HOLD MANAGERS ACCOUNTABLE.** Even the most explicit action plans will fail if managers are not compelled to carry them out. Senior leaders should hold their managers accountable for building strong talent pools; carrying out the actions to improve or remove C performers should be an explicit part of that.

First, in a very formal sense, the CEO and a senior human resources executive should regularly follow up with each of the unit leaders to check on implementation of any action plans and to help them overcome any barriers. At SunTrust, for instance, this follow-up process includes a tracking system that reports on performance management at each of its 30 banks, allowing the CEO and division heads to see at a glance which banks are progressing well and which are not. The report shows the number of people who were identified in the last review process as C performers. It outlines the percentage of people who are in explicit improvement programs; who have adequately raised their performance; who were moved to more suitable positions; who have left the company; or who are still in place with no progress. Other companies formally check the progress of any talent action plans during their quarterly operational reviews.

SunTrust's leaders have instituted another practice that many more companies should imitate: They base a portion of their managers' compensation on how well they strengthen the talent pool. Up to 20% of the bank heads' bonuses depend on meeting the talent-building goals agreed to in their annual talent reviews, which often include specific objectives for

## What About A and B Performers?

Acting on C performers is only part of managing a talent pool effectively; companies need to be just as deliberate in managing A and B performers.

The A performers create significant value for their companies directly and through their leadership of others. The objectives with A performers are to accelerate their development and to do everything you can to retain them.

The B performers are the solidly contributing majority of a company's managerial force. Collectively, they are critical to the success of the business. They should be developed and affirmed so they realize more of their potential and feel valued for their unique contributions.

Ultimately, A and B performers require the same types of developmental actions, including the following:

- Accelerate their professional development through a steady stream of challenging job assignments.
- Encourage their involvement in tasks outside their jobs so they are connected to a broader network and build a stronger sense of belonging.
- Assign mentors to nurture their development and to help retain them.
- Offer candid feedback about their weaknesses, and praise them for their distinctive strengths.
- Recognize and reward their contributions.

One challenge for executives is determining how to allocate a company's scarce resources among the A and B performers. High-quality coaching, seasoned mentors, generous compensation, promotions, and highly visible roles are often in short supply, so they need to be invested in those people with the highest performance and potential.

managing low performers. This kind of formal accountability should be reinforced informally as well. In fact, frequent casual inquiries, advice, and encouragement from CEOs and division presidents may go furthest to signal the importance placed on effective talent management.

Of course, managers who are being asked to do something about their C performers should receive full support from their human resources and legal departments. But those groups sometimes hinder managers' efforts by advocating protection of employees and avoidance of all legal risk. Significant effort may be required to reorient these professionals toward teaching, counseling, and prodding line managers to exercise their talent-management responsibilities.

Companies can take steps to reduce the risk that their termination decisions will be challenged in court. Examples include early identification of performance issues in writing, with an opportunity for employees to address them; monitoring to assess whether certain groups inadvertently represent a disproportionate share of the proposed terminations; and offering severance in exchange for a release of legal claims.

All of these iron-hand steps–identifying C performers, developing action plans for them, and holding managers accountable for implementing the action plans–are best carried out through a talent review process, which the CEO and other senior leaders conduct at least once a year in each division.

## Ensuring Fairness and Respect

So far, we've been discussing the iron hand of discipline that companies need in order to identify and deal with C performers. But doing so in an insensitive way would be inhumane and could cause tremendous ill will between the organization and its employees. Companies must be very deliberate in ensuring that low performers–like all employees – are treated with dignity, respect, and care. That's where the "velvet glove" side of this directive comes into play. Senior management should note that candid feedback along the way, instructive coaching, and generous severance packages can help to ease the burden for underperformers, reduce managers' reluctance to identify low performers, and enhance trust in the way the company deals with its people generally.

**DELIVER CANDID FEEDBACK ALONG THE WAY.** Sugarcoating the truth about subpar performance is disrespectful and unfair; people need regular and candid feedback on how well they are doing and what they need to do to improve. Not telling people where they stand deprives them of the information they need to take responsibility for their development and to make informed decisions about their careers. Fully 89% percent of managers we surveyed said that candid, insightful feedback is very important to their development–yet only 39% said their companies do a good job of providing it.

All managers, no matter the level of their performance, have some distinctive strengths and some significant weaknesses that have been the basis for their past successes and failures. Telling C managers about their strengths affirms them and helps them find their way. Likewise, C performers benefit from unambiguous feedback about their weaknesses so they can overcome them. Most managers need to get a lot better at delivering both kinds of honest, constructive feedback. This feedback should be delivered in writing as part of an annual performance review and informally throughout the year. Termination for low performance should never come as a surprise.

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**OFFER INSTRUCTIVE COACHING TO HELP C PLAYERS IMPROVE.** Telling people to improve without providing the requisite coaching and support is unhelpful; the individual may feel like he or she is being set up to be fired. C performers need specific guidance on how to do things differently in order to make a significant change in their performance.

One effective practice uncovered by our research was the formal "corrective action plan" used at Arrow Electronics. This program is more constructive than punitive; it specifies what the individual must do to improve within a defined period of time (up to six months), and it requires the supervisor to provide frequent coaching to help the person achieve these new behaviors. If performance has not sufficiently improved at the end of that period, the person is asked to leave – but Arrow reports that about half the people who go through the corrective-action process succeed and sustain an acceptable level of performance consistently thereafter.

**GIVE THE C PERFORMER GENEROUS SEPARATION SUPPORT.** When it finally comes down to firing someone for subpar performance, providing the individual with generous support goes a long way toward lessening any hardships, anger, and legal risks. Every company should have regular policies and procedures for severance payments. They should also have the flexibility to go beyond standard compensation packages when confronted by particularly difficult cases. Some companies deliberately provide very generous severance as a way to make the whole experience more palatable. But the support should

go well beyond money. It should include outplacement services to help the person find a new job, as well as counsel and job leads from managers in the company. An office and secretarial support can also make the search process more manageable.

Leaders may also need to help the C performer through the emotional turmoil of being terminated. Chuck Okosky, formerly vice president of executive development at GE, recalls one senior manager he helped through the exit process: "I spent several hours with him immediately after his boss fired him. He shouted, cried, and talked about his family. It was a way for him to off-load his anger and get through the negative emotion as quickly as possible." Over the next few months, Okosky introduced the manager to outplacement consultants and counseled him on the types of jobs he might consider pursuing.

All too often, the leader avoids contact with the C performer after firing him or her. But the leader and HR executives have a responsibility to help this person exit the company with dignity. They have to transcend their own discomfort and support the individual through this difficult transition.

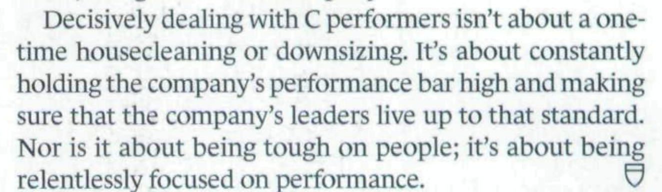
## Start at the Top

Recently, a *BusinessWeek* columnist asked GE's Jack Welch to sum up why he was so successful. "My main job was developing talent," he explained. "I was a gardener providing water and other nourishment to our top 750 people." But Welch also hastened to add, "Of course, I had to pull out some weeds, too."

This comment underscores the importance of dealing with low performers. It also emphasizes that upgrading the talent pool must start with commitment from the top. A recent study of unsuccessful CEOs underscores this point: It suggested that the most common reason for the CEOs' failure was that they didn't remove the low performers from among their own direct reports. As the authors of the study, Geoffrey Colvin and Ram Charan, reported in *Fortune:* "The failure is one of emotional strength."

Any company embarking on a talent upgrade would do well to address its senior-most management ranks first – its top 50 to 150 managers. With such a small group, the CEO and other senior leaders can be directly involved and can ensure the integrity of the process. It also means that when the process is subsequently pushed down to the next 200 to 350 managers, the executives conducting the talent review will have experienced the process and will be better equipped to implement it. Companies should not push the talent review process beyond the top few hundred people until it's working very well at that level; the required skills and values take time to build, and legal and morale risks grow with the size of the group affected.

Overcoming the natural tendency to turn a blind eye to underperforming managers starts with the dual recognition that building a strong talent pool is critical to driving the company's performance and that effectively managing low performers is essential to doing that. Indeed, regularly improving or removing C performers is good for the individuals involved, good for the people around them, and good for the company.



Decisively dealing with C performers isn't about a one-time housecleaning or downsizing. It's about constantly holding the company's performance bar high and making sure that the company's leaders live up to that standard. Nor is it about being tough on people; it's about being relentlessly focused on performance.

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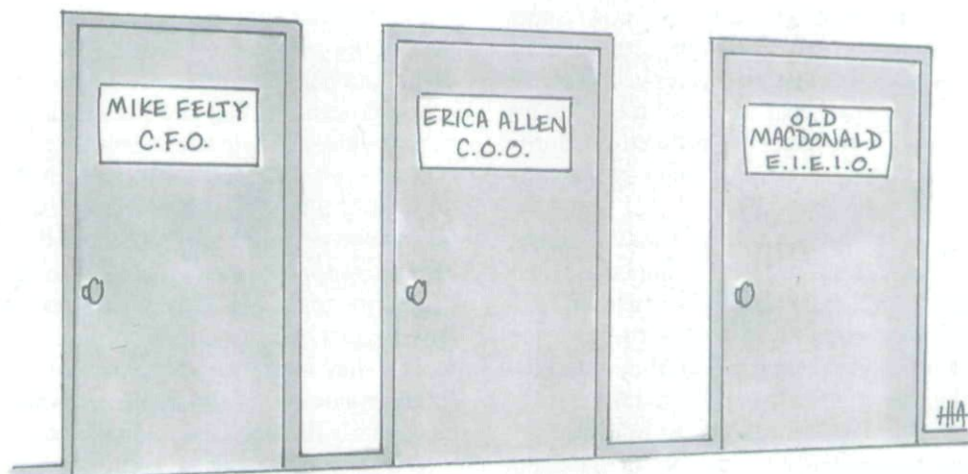


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