

Excerpt #1

Deming, W.E (1982), *Out of the crisis*. Cambridge, MA: MIT

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Many companies in America have systems by which everyone in management or in research receives from his superiors a rating every year. Some government agencies have a similar system. Management by objective leads to the same evil. Management by the numbers likewise. Management by fear would be a better name, someone in Germany suggested. The effect is devastating:

It nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, nourishes rivalry and politics.

It leaves people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after receipt of rating, unable to comprehend why they are inferior. It is unfair, as it ascribes to the people in a group, differences that may be caused totally by the system that they work in.

Basically, what is wrong is that the performance appraisal or merit rating focuses on the end product, at the end of the stream, not on leadership to help people. This is a way to avoid the problems of people. A manager becomes, in effect, a manager of defects.

The idea of a merit rating is alluring. The sound of the words captivates the imagination: pay for what you get; get what you pay for; motivate people to do their best, for their own good.

The effect is exactly the opposite of what the words promise. Everyone propels himself forward, or tries to, for his own good, on his own life preserver. The organization is the loser.

Merit rating rewards people that do well in the system. It does not reward attempts to improve the system. Don't rock the boat.

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A common fallacy is the supposition that it is possible to rate people; to put them in rank order of their performance for next year, based on performance last year.

The performance of anybody is the result of a combination of many forces—the person himself, the people that he works with, the job, the material that he works on, his equipment, his customer, his management, his supervision, environmental conditions (noise, confusion, poor food in the company's cafeteria). These forces will produce unbelievably large differences between people. In fact, as we shall see, apparent differences between people arise almost entirely from the system that they work in, not from the people themselves. A man not promoted is unable to understand why his performance is lower than someone else's. No wonder: his rating was the result of a lottery. Unfortunately, he takes his rating seriously.

The following numerical examples will illustrate the unbelievable differences between people that must be attributed to action of the system, not to the people. Outstanding performance may be attributed only to someone that by appropriate calculations falls beyond the limits of variation of the system, or creates a pattern.