Perils of Stack Ranking Appraisal Method

When it comes to desk computing, Microsoft has been the brand which ruled the market during 90's.However, the problems started unfolding for the company at the onset of 2000 when the market share of this corporate giant started observing a dwindling trend .The brand started losing its substantial market share to Apple and Google. The management was struggling hard to identify the reasons for continuous deterioration in the quality of innovation in comparison to its competitors.

An investigation was initiated to establish the reasons for the same for which series of employee surveys were conducted throughout the organization. All the surveys revealed that employees at Microsoft were reluctant to work together in teams. A further investigation into the matter revealed that it was the performance review system of Microsoft that was the root cause of all the problems. At Microsoft, the performance of the engineers used to be reviewed using Stack ranking method. That means every manager was forced to rank his/her employees from top performers to poor performers. The employees were allotted Management Business Objectives (MBO) which represented the management expectations from them. However, the stack ranking method of performance appraisal did not warranty them a high ranking even if they were able to achieve these MBO's satisfactorily. So every employee was forced to ensure that while their MBO's are achieved successfully , their colleague's MBO should not, leading to the emergence of culture of sabotaging in the company.

Moreover, the performance review at the company happened   biannually which shifted the focus of the employees towards managing their short term performance rather than on long term innovations .The sure and shot way to get a favorable rating, as considered by Microsoft employees was to come in the good books of the supervisors. So the entire employee focus was

towards impressing the supervisors by any means. This diversion in employee focus was ultimately getting reflected in the declining performance of the company and thereby falling market share.

Source: https://www.impraise.com/blog/microsoft-throws-stack-ranking-out-the-window

Question:

1. In the light of the facts stated in case, bring out the pros and cons of adopting stack ranking system of performance appraisal.

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