

Deming's Alternative to Performance Appraisal*

1. Institute education in leadership: obligations, principles and methods.
2. Adopt more careful selection of people in the first place.
3. Provide better training after selection
4. Counsel and lead people on a day-to-day basis. Learn from them and with them how to improve quality.
5. Discover who, if anyone, is outside the system on the good side, outside the system on the poor side, or belonging to the system.
 - a. If numbers are used for performance measures, the calculations are fairly simple.
 - b. In the absence of numerical measures, spend hours with the people. They will know what kind of help they need. [And if you drive out fear – Point 8 of Deming's 14 Points for Management – they just might tell you what kind of help they need!]
6. Apply the company's standard formula for pay raises for all people in a group that form a system.
 - a. The formula may include, for example, seniority.
 - b. In bad times, there may be no raise for anyone.

[Suggested procedure for handling reductions in force in really bad times:
Step 1: All in management take a ten percent pay cut.
Step 2: All employees work shorter hours.
Step 3: Reduce workforce by seniority.]
7. Hold a three- to four-hour interview with each employee at least once a year – not for criticism, but for help and better understanding on the part of everybody.
8. Use figures on performance not to rank people in a group who fall within a system – but to assist the leader to accomplish improvement in the system.

* W. E. Deming, *Out of the Crisis*, MIT Center for Advanced Educational Services, Cambridge, MA (1986), pp. 88, 114, 117-118, 309-370.