

Eliminate Toxic Employees to Keep Your Innovative Edge

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In a middle-market company, one of the primary challenges is to retain that innovative startup feel within a larger company context. The key to preserving this is your people. If any of those people are toxic, then they're your No. 1 threat to innovation.

Toxic employees hinder innovation — period. They don't want the company to be successful and will impede innovative efforts. By their very nature, toxic employees are negative thinkers, so they cannot fathom the possibilities of innovation.

Toxic people destroy businesses slowly and insidiously. They drive away customers, and they drive away good employees. When one member of the team can get away with murder, other employees resent it. This double standard leads the best workers to rightfully ask, "Why should I work that hard if another employee doesn't have to?"

Uncover your toxic employees.

A toxic employee is a person who dislikes his job, his co-workers, and the customers. This person can undo everything that many good employees accomplish.

Consider a restaurant that has great food and a lovely atmosphere — none of that matters if the customers encounter a rude server. Even if only one customer per night becomes so displeased that he never returns, that adds up to 365 customers a year!

That is a significant loss in revenue when you contemplate the average lifetime expenditure of a customer. Even if plenty of other terrific team members exist, one toxic waiter can ruin the whole dining experience and potentially devastate your company.

Your customers have lots of options in the world: They don't need your company. Don't ever forget that. That's why business leaders need to be decisive by identifying toxic employees and dumping them.

Don't try to rehab toxic employees.

Attempting to rehabilitate toxic employees is a mistake I've made many times; I've always failed to pull it off. Why? Because by the time employees become toxic, their attitudes and behaviors are so entrenched that they cannot (and will not) change.

This is an issue I encountered at my own company. I had a union shop chairman who had been treated badly by the company since day one. By the time I got to him, it was too late.

I took him under my wing and treated him very well (brought him in on decision-making, took him out on road trips to customers), but at the end of the day, he stayed toxic. He had formed a view of himself and of the company that couldn't be changed. He couldn't face other employees and tell them the company really was OK after years of telling them it wasn't.

It is unlikely that after decades of telling their co-workers and neighbors what a crummy place your company is, they would turn around and start saying the company is a great one.

This means you need to eliminate toxic employees and replace them with superstars. Even though it's not an easy process — and may take several years to fully accomplish — it can be accomplished if done in this order:

Replace toxic senior leadership. It's vital you begin with your executive team and proceed in stages until the toxic senior-level leaders are eliminated. If this is not undertaken first, then nothing else you do will matter. Take it one step at a time; identify those who have to go, start working on their replacements, and remove them.

If you have more than one toxic senior leader, don't try to change them all at once. After all, you still have to run the business in the meantime — even while you are cleaning house.

Remove toxic employees. Once the senior leadership team consists of superstars, task each of them with developing a list of toxic employees one level under them. Then, have them start making a plan to root them out.

Repeat on all levels. If the company has more than three levels, repeat each step at each level until all the toxic employees have been dumped.

When dealing with a toxic situation, you need to meet it head-on with a company-wide declaration. One way to do that is to say, "In the past, certain attitudes have been condoned, but as of today, they will not be tolerated. If you cannot get on board with the new direction of our company, then you need to leave." You must clearly and decisively express the new way you expect your employees to conduct themselves.

If you are running a company, assume it's toxic until you have evidence to prove otherwise. Being innovative as a middle-market company can be a challenging enough as it is. You don't need toxic employees stunting your growth and stifling innovation. By dumping toxic employees, you can keep your business on the leading edge.

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