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THE WALL STREET JOURNAL.
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MANAGEMENT | Updated June 21, 2012, 7:53 p.m. ET
HUMAN RESOURCES

Get Rid of the Performance Review!

It destroys morale, kills teamwork and hurts the bottom line. And that's just for starters.

By SAMUEL A. CULBERT

You can call me "dense," you can call me "iconoclastic," but I see nothing constructive about an annual pay and performance review. It's a mainstream practice that has baffled me for years.

To my way of thinking, a one-side-accountable, boss-administered review is little more than a dysfunctional pretense. It's a negative to corporate performance, an obstacle to straight-talk relationships, and a prime cause of low morale at work. Even the mere *knowledge* that such an event will take place damages daily communications and teamwork.

The alleged primary purpose of performance reviews is to enlighten subordinates about what they should be doing better or differently. But I see the primary purpose quite differently. I see it as intimidation aimed at preserving the boss's authority and power advantage. Such intimidation is unnecessary, though: The boss has the power with or without the performance review.

And yes, I have an alternative in mind that will get people and corporations a great deal more of what they actually need.

To make my case, I offer seven reasons why I find performance reviews ill-advised and bogus.

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JOIN THE DISCUSSION: Do you agree that performance reviews do more harm than good? What effects have you seen in your company? What would you suggest that reviews be replaced with? Share your thoughts in an online forum with Samuel Culbert.

The Journal Report

TWO PEOPLE, TWO MIND-SETS

Let's start with an obvious reason: The mind-sets held by the two participants in a performance review work at cross-purposes. The boss wants to discuss where performance needs to be improved, while the subordinate is focused on such small issues as compensation, job progression and career advancement. The boss is thinking about missed opportunities, skill limitations and relationships that could use enhancing, while the subordinate wants to put a best foot forward believing he or she is negotiating pay. All of this puts the participants at odds, talking past each other. At best, the discussion accomplishes nothing. More likely, it creates tensions that carry over



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to their everyday relationships.

Then there are second-order problems. A subordinate who objects to a characterization of faults runs the risk of adding another to the boss's list: "defensiveness and resistance to critique." And the boss who gets her mind turned around by a subordinate's convincing argument runs the risk of having a bigger boss think she failed to hold the line on what had been decided and budgeted. Good luck to her when she next gets evaluated.

PERFORMANCE DOESN'T DETERMINE PAY

Another bogus element is the idea that pay is a function of performance, and that the words being spoken in a performance review will affect pay. But usually they don't. I believe pay is primarily determined by market forces, with most jobs placed in a pay range prior to an employee's hiring.

Raises are then determined by the boss, and the boss's boss, largely as a result of the marketplace or the budget. The performance review is simply the place where the boss comes up with a story to justify the predetermined pay. If the raise is lower than the subordinate expects, the boss has to say, "We can work to get it higher in the future, and here are the things you need to do to get to that level." Or the boss can say, "I think you walk on water, but I got push-back from H.R. and next year we'll try again."



Ross MacDonald

In other words, too many lines spoken in a performance review are a cover story for the truth and have little to do with performance. Even when it's a positive review, the words spoken are likely to be aimed more at winning the subordinate's gratitude than at providing a candidly accurate description.

OBJECTIVITY IS SUBJECTIVE

Most performance reviews are staged as "objective" commentary, as if any two supervisors would reach the same conclusions about the merits and faults of the subordinate. But consider the well-observed fact that when people switch bosses, they often receive sharply different evaluations from the new bosses to whom they now report.

To me, this is just further proof that claiming an evaluation can be "objective" is preposterous, as if any assessment is independent of that evaluator's motives in the moment. Missing are answers to questions like, "As seen by whom?" and "Spun for what?" Implying that an evaluation is objective disregards what everyone knows: Where you stand determines what you see.

The absurdity is even more obvious when bosses -- as they so often do -- base their reviews on anonymous feedback received from others. This illogic is highlighted in the contemporary performance-reviewing fad called "360-degree feedback." Hate mail, I suppose, is similarly

"objective." People are told, "I can't tell you who said this," as if the alleged truth-teller has no ax to grind and the allegation is unrelated to a specific motive or a disagreement in a relationship. Come on! Isn't "anonymous" just a slicker way for people to push what's in their political interests to establish, without having their biases and motives questioned?

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What will it take for people to really understand that any critique is as much an expression of the evaluator's self-interests as it is a subordinate's attributes or imperfections? To my way of thinking, the closest one can get to "objective" feedback is making an evaluator's personal preferences, emotional biases, personal agendas and situational motives for giving feedback sufficiently explicit, so that recipients can determine what to take to heart for themselves.

ONE SIZE DOES NOT FIT ALL

Employees all come with their own characteristics, strong suits and imperfections that they orchestrate in every attempt to perform their best. Because no two people come similarly equipped, they draw upon the unique pluses and minuses they were endowed with at birth along with compensatory assets they subsequently developed.

Failing Grade

The Promise: Performance reviews are supposed to provide an objective evaluation that helps determine pay and lets employees know where they can do better.

The Problems: That's not most people's experience with performance reviews. Inevitably reviews are political and subjective, and create schisms in boss-employee relationships. The link between pay and performance is tenuous at best. And the notion of objectivity is absurd; people who switch jobs often get much different evaluations from their new bosses.

The Solution: Performance previews instead of reviews. In contrast to one-side-accountable reviews, performance previews are reciprocally accountable discussions about how boss and employee are going to work together even more effectively than they did in the past. Previews weld fates together. The boss's skin is now in the game.

And yet in a performance review, employees are supposed to be measured along some predetermined checklist. In almost every instance what's being "measured" has less to do with what an individual was focusing on in attempting to perform competently and more to do with a checklist expert's assumptions about what competent people do. This is why pleasing the boss so often becomes more important than doing a good job. Create a positive impression and the boss will score you high on any dimension presented.

Worse, bosses apply the same rating scale to people with different functions. They don't redo the checklist for every different activity. As a result, bosses reduce their global sentiments to a set of metrics that captures the unique qualities of neither the person nor the job.

Maybe, for instance, there's a guy who doesn't voice his viewpoint when he disagrees with something said. Does that mean he should be graded down for being a conflict-avoider -- as if the boss's in-your-face way of communicating is superior? He may be seen as doing a bad job based solely on an incompatibility of styles that may have little to do with actual performance.

PERSONAL DEVELOPMENT IS IMPEDED

The drive for improvement goes on in big and little ways at work. You would think that the person in the best position to help somebody improve would be his or her boss.

Yet, thanks to the performance review, the boss is often the last person an employee would turn to.

Why is that?

The No. 1 reason for that reluctance is that employees want to turn to somebody who understands their distinctive talents and way of thinking, or knows them sufficiently well to appreciate the reasons behind the unique ways they are driven to operate. By contrast, people resist help from those who they believe can't get them in proper focus, especially when they have tried on many occasions to tell them.

What's more, people don't want to pay a high price for acknowledging their need for improvement -- which is exactly what they would do if they arm the boss with the kind of personal information he or she would need to help them develop. It could all come back to haunt them in the performance review. No wonder the developmental discussions the boss wants to inject at the time of a performance review so often get categorized by subordinates as gun-to-the-head intimidation requiring false acquiescence, lip-service agreement and insincere, appearance-correcting actions.

DISRUPTION TO TEAMWORK

Managers can talk until they are blue in the face about the importance of positive team play at every level of the organization, but the team play that's most critical to ensuring that an organization runs effectively is the one-on-one relationship between a boss and each of his or her subordinates.

The performance review undermines that relationship.

That's because the performance review is so one-sided, giving the boss all the power. The boss in the performance review thinks of himself or herself as the evaluator, and doesn't engage in teamwork with the subordinate. It isn't, "How are we going to work together as a team?" It's, "How are you performing for me?" It's not our joint performance that's at issue. It's the employee's performance that's a problem.

All of which leads to inauthentic behavior, daily deception and a ubiquitous need for subordinates to spin all facts and viewpoints in directions they believe the boss will find pleasing. It defeats any chance that the boss will hear what subordinates actually think.

Here's a simple example: In a performance review, the boss cites a subordinate's missing a high-profile meeting as cause for a reduced rating. What if the reason was something personal -- perhaps a son picked up by the police -- that the employee doesn't want to reveal? Why not reveal it? Because one-way accountability inevitably creates distrust. Does the boss self-reflect and ask, "What did I do, or should I be doing, to build up the trust?" No, the boss faults the guy for secretiveness. It's a vicious cycle.

For Further Reading

See these related articles from MIT Sloan Management Review.

Building Competitive Advantage Through People

By Christopher A. Bartlett and Sumantra Ghoshal (Winter 2002)
Today's scarce, sought-after strategic resource is expertise, which comes in the form of employees.
http://sloanreview.mit.edu/smr/issue/2002/winter/3/

Rethinking the 'War for Talent'

IMMORALITY OF JUSTIFYING CORPORATE IMPROVEMENT

I believe it's immoral to maintain the facade that annual pay and performance reviews lead to corporate improvement, when it's clear they lead to more bogus activities than valid ones. Instead of energizing individuals, they are dispiriting and create cynicism. Instead of stimulating corporate effectiveness, they lead to just-in-case and cover-your-behind activities that reduce the amount of time that could be put to

By Deepak Somaya and Ian O. Williamson (Summer 2008)
An implicit assumption of the "war for talent" perspective is that departing workers are lost to competitors. Yet employees also leave to join "cooperators."
http://sloanreview.mit.edu/smr/issue/2008/summer/02/

How Consistent Are Performance Review Criteria?

By Peter Gwynne (Summer 2002)
Managers in the same company frequently use different criteria to review their employees' work -- unless the organization has trained them to do otherwise.
http://sloanreview.mit.edu/smr/issue/2002/summer/1f/

Why Leadership-Development Efforts Fail

By Douglas A. Ready and Jay A. Conger (Spring 2003)
Investments in developing leaders have often failed the companies seeking to create a pipeline of leaders.
http://sloanreview.mit.edu/smr/issue/2003/spring/11/

Strategies for Preventing a Knowledge-Loss Crisis

By Salvatore Parise, Rob Cross and Thomas H. Davenport (Summer 2006)
When employees leave an organization, they depart with more than what they know; they also leave with critical knowledge about who they know.
http://sloanreview.mit.edu/smr/issue/2006/summer/09/

productive use. Instead of promoting directness, honesty and candor, they stimulate inauthentic conversations in which people cast self-interested pursuits as essential company activities.

The net result is a resource violation, and I think citations should be issued. If it's a publicly held company, shareholder value gets decreased. If it's a governmental organization, time is lost that could be spent in pursuit of the public good. And what participants learn in the process has more to do with how to survive than with meaningful self-development.

I've often thought that every organization should be considered partially a public entity since they exist, in part, to provide meaningful activities for the people who work in them. Skills and mind-sets acquired at work go home with people to affect family, community, culture and even the world. The more positive an atmosphere we can create at work, the more positive an impact it has at home. In short, what goes around comes around.

SO, WHAT'S THE ALTERNATIVE?

The alternative to one-side-accountable, boss-administered/subordinate-received performance *reviews* is two-side, reciprocally accountable, performance *previews*.

Let me explain.

The boss's assignment is to guide, coach, tutor, provide oversight and generally do whatever is required to assist a subordinate to perform successfully. That's why I claim that the boss-direct report team should be held jointly accountable for the quality of work the subordinate performs. I'm sick and tired of hearing about subordinates who fail and get fired, while bosses, whose job it was to ensure subordinate effectiveness, get promoted and receive raises in pay.

Holding performance previews eliminates the need for the boss to spout self-serving interpretations about what already has taken place and can't be fixed. Previews are problem-solving, not problem-creating, discussions about how we, as teammates, are going to work together even more effectively and efficiently than we've done in the past. They feature descriptive conversations about how each person is inclined to operate, using past events for illustrative purposes, and how we worked well or did not work well individually and together.

The preview structure keeps the focus on the future and what "I" need from you as "teammate and partner" in getting accomplished what we both want to see happen. It doesn't happen only annually; it takes place each time either the boss or the subordinate has the feeling that they aren't working well together.

Realistic assessment of someone's positive qualities requires replacing scores on standardized checklists with inquiry. As a result, step No. 1 in giving effective feedback almost always involves

"active questioning" inquiry. Inquiry contrasts with most performance reviews, which begin with how the evaluator sees the individual and what that boss has already decided most needs enhancing. Both participants need an answer to the most significant issue at hand: "Given who I am and what I'm learning about this other individual, what's the best way for us to complement one another in getting work accomplished with excellence?" If in the process the other person decides to change and develop, so much the better.

Bosses should be asking all the questions that occur to them in inquiring about how a subordinate thinks he or she can best perform the job. Then, after they have exhausted their questions, they should ask the subordinate for what else they need to know. At a minimum, they should be asking "How will you be going about it?" and "Specifically, what help do you need from me?" Why not get it all when, at the end of the day, the boss still has the authority to play ultimate decider?

Some of you may also ask if the performance review goes away, how do we prepare the groundwork if we want to fire somebody? For the better, I'd argue: Take away the performance review, and people will find more direct ways of accomplishing that task.

Substituting performance previews for performance reviews promotes straight-talk relationships for people who are up to it. It welds fates together because the discussion will be about what the boss-subordinate team accomplishes together, which I believe is the valid unit to hold accountable. It's the boss's responsibility to find a way to work well with an imperfect individual, not to convince the individual there are critical flaws that need immediate correcting, which is all but guaranteed to lead to unproductive game playing and politically inspired back-stabbing.

There are many bosses who would like to change that game, but they feel handcuffed by the rules already in play. I'd like to believe that if given the chance, they would embrace a system that allows them just as much authority -- but in a way that promotes trust, not intimidation.

Keep in mind, of course, that improvement is each individual's own responsibility. You can only make yourself better. The best you can do for others is to develop a trusting relationship where they can ask for feedback and help when they see the need and feel sufficiently valued to take it. Getting rid of the performance review is a necessary, and affirming, step in that direction.

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