

What's So Bad About the Annual Performance Review?

In my 25 years as an employment litigator, it struck me how often performance reviews were used against the employers that created them. Indeed, in all of the cases I handled as a management-side attorney, I can't recall a **single instance** when a performance review helped defeat an employee's claim.

In [my other blog](#), I share a personal story about [why performance reviews so frequently misfire](#). Here, I make a few overall observations about what's wrong with performance reviews.

Surprise Surprise!

Performance reviews feed a pernicious tendency: Don't address today what you can put off 'til tomorrow. Unfortunately, surprises are stressful, sometimes even when they're good. When they're bad, such as delayed performance criticism, the combination of surprise, delay and formality often proves toxic.

White lies are *lies*.

When managers avoid giving real-time feedback, they can save it up, wait for performance review time and dump it over the employee's head. Or they can rationalize that since they failed to give timely feedback, the best thing to do is to avoid the truth altogether. Just check the box "Meets expectations," "Exceeds expectations" or even "Outstanding." As an executive coach, trainer and consultant, I've never seen these lies add workplace value. As a former litigator, however, I've seen them add value ... settlement value ... for the plaintiff's case.

What really matters?

My eyes roll when I see performance reviews with a plethora of categories and subcategories calling for a multitude of numerical ratings. This mishmash of numbers is theoretically calculated to tell employees exactly how they're doing. Really? Really?? What gets lost in this maze of complexity? How about what the employee actually needs to know: "How am I doing in relation to what really matters?"

Show me the money!

In my experience, the problems get worse when you attach money to the performance review, e.g., "meets" = cost of living increase, "exceeds" means something more, and "below" means \$ nada. As many research studies attest (Google Daniel Pink, Dan Ariely, Daniel Kahneman and behavioral economics), motivating performance is much more nuanced than most performance review systems comprehend. Pay-for-ratings systems cut against team-centered behavior in favor of I-centered behavior—"How do I game the system to put more dollars in my pocket?" Moreover, pay-for-ratings encourages the white lies described earlier. It's one thing to surprise an employee with negative feedback. It's another to add economic injury to that insult. It's simply easier to rate something as fine when it really isn't.

Therefore eliminate performance reviews?

Given my experience with performance reviews, do I say eliminate them altogether? Make this performance management dinosaur extinct?

Not necessarily. Mercifully, a few organizations have figured out a way to make the performance review work for them (as opposed to their employees' lawyers). [Here's an example](#).

In subsequent posts, I'll share more on best practices. Hang in there. There's hope ...