

The popular business press is full of misinformation about business management, and many managers (and employees) have pre-conceived notions that just ain't right. Here are a few of my favorite delusions, as religiously practiced by today's organizations as they struggle to deal with an intense global economy.

1. **People leave for more money.** While 9 out of 10 managers believe that "more money" is the primary reason why employees leave an organization, the reality is that only 1 out of 10 leave for more money. Instead, employees leave because of mismatches between the job and the person, between expectations and reality, between what they're led to believe and what actually happens. They leave because of lost trust, lack of growth opportunities, inadequate coaching, recognition and feedback, and due to stress, overwork and work-life imbalance<sup>i</sup>. This is well documented, proven. Money has to be adequate, but if you want to retain and thrill your employees, focus on the rest instead.



2. **Performance appraisals work.** There is no valid research that proves that your organization is better off with a performance management system than without it<sup>ii</sup>. In fact, the evidence shows that performance appraisal is at best neutral, but most likely to be damaging – damaging to organizational success, damaging to management and employee satisfaction and relationships, and ineffective at giving us what we ask of it. There are far better ways to identify and respond to outstanding and inadequate performers. There are far better ways to provide feedback, career direction, communication and motivation. There are far better ways to manage pay systems, training needs, promotions, discipline and layoffs. If you don't already use performance appraisal, just say no, don't start. If you already do, investigate the alternatives.<sup>iii</sup>



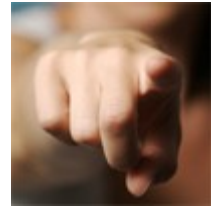
3. **Competition is inherently good.** While most business initiatives state, as their goal, to increase competitiveness, the reality is that most effective business improvement methods actually involve increasing our level of cooperation. Teamwork, cross-functional and inter-disciplinary work groups, supply-chain management, systems thinking, life-cycle management, communication, international standards, globalization, public-private partnerships – all of these basic and advanced business approaches focus totally on cooperation amongst all the players. Start learning the language of cooperation, and look a little cynically at those who praise competition, for the secrets of advancing organizational success all involve the enhancement and expansion of working together with, rather than against, the other players in the game.<sup>iv</sup>

4. **You can choose to be great.** The feel-good messages from *In Search of Excellence*<sup>v</sup>, *Built to Last*<sup>vi</sup>, *Good to Great*<sup>vii</sup>, and other similar storybooks all come up with a few simple steps that should guarantee your business success. Unfortunately, they're all based on seriously flawed research – looking back through the distorted eyes of success and assuming that these businesses must have done everything right, since they produced good results. They ignore the realities of chance, calculated risk, complexity, and outside factors and none of these books have successfully predicted the future performance of the companies they call "great". If you'd like to think you can predict next week's



winning lottery numbers by looking at last week's winner, you'll love these books. If you want to manage an organization for success, you'd be better off not taking these fairy tales seriously<sup>viii</sup>.

5. **People must be held accountable.** Our society is obsessed with accountability, with finding the person responsible for every failure and with rewarding someone for every success. Despite the fact that the bulk of errors are produced by the systems and structures in which we work (which are management's responsibility<sup>ix</sup>), we still blame problems on individuals. Despite the fact that business successes and failures are the product of extremely complex interactions which can never be fully measured, we still confidently and naively say that "this was John's fault", whether John is an equipment operator or the company president. For example, while research shows that managerial style contributes at most, about 4% to the overall results of an organization<sup>x</sup>, organizations frequently replace the CEO based on poor performance in the previous year. Naively holding individual people accountable for failures or successes of our systems blinds us to the real causes of most of our problems, and prevents us from seeing what truly produces our results. Stop trying to hold people accountable for what your system produces; work on improving the system instead.



These delusions are extremely common, and their popularity gives the impression that they must be correct. But, just as we're now pretty sure that the world ain't flat, we can now be pretty sure that there's more wisdom in the contrary views presented above, than in the popular delusions they contradict. If you're looking for ways to be effective in your organization, research the alternatives. Just say no to delusions!

Take care.

- <sup>i</sup> Branham, Leigh, *The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act Before It's Too Late*, New York: AMACOM Books, 2005
- <sup>ii</sup> Scholtes, Peter R., *The Leader's Handbook: A Guide to Inspiring Your People and Managing the Daily Workflow*, New York: McGraw-Hill, 1998
- <sup>iii</sup> Deming, W. Edwards, *Out of the Crisis*, Cambridge: MIT Center for Advanced Engineering Study, 1986
- <sup>iv</sup> Kohn, Alfie, *No Contest: The Case Against Competition*, New York: Houghton Mifflin, 1992
- <sup>v</sup> Peters, Thomas J., and Robert H Waterman Jr. *In Search of Excellence: Lessons from America's Best-Run Companies*, New York: Warner Books, 1982
- <sup>vi</sup> Collins, James C., and Jerry I. Porras. *Built to Last: Successful Habits of Visionary Companies*. New York: HarperBusiness 1994
- <sup>vii</sup> Collins, Jim. *Good to Great: Why Some Companies Make the Leap...and Others Don't*. New York:Random House Business Books, 2001
- <sup>viii</sup> Rosenzweig, Phil. *The Halo Effect...and the Eight Other Business Delusions That Deceive Managers*, New York: Free Press, Simon and Schuster, 2007
- <sup>ix</sup> Juran, J.M. *Juran on Quality by Design: The New Steps for Planning Quality into Goods and Services*, New York: Free Press, Simon and Schuster, 1992
- <sup>x</sup> Bertrand, Marianne, and Antoinette Schoar. "Managing with Style: The Effect of Managers on Firm Policies," *Quarterly Journal of Economics* 118, no. 4 (November 2003): 1169-1208