

The Crowd-Scorched Performance Review

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Recognition is a problem that needs to be fixed, not a “crowdsourced” cure for performance evaluation problems.

Mixing recognition and evaluations can contaminate both. And it could land you in court.

Two facts emerge anytime a solid research study is done on recognition.

First, it's exceptionally important.

Second, companies aren't very good at it.

These two well-established facts define what should be done about recognition patterns in a company and what should **not** be done with that information.

Over the past year, the HR community has kicked around ideas for incorporating recognition statistics into performance reviews as part of the larger “big data,” “crowdsourcing,” or social media movements.

It's a powerfully bad idea.

The chief proponent of feeding recognition data into job evaluations is Eric Mosley, author of a book entitled *The Crowdsourced Performance Review: How to Use the Power of Social Recognition to Transform Employee Performance*.¹ The short version of his argument is that performance appraisals suffer from “serious and structural” problems that frustrate company performance; that too much responsibility for the evaluation falls on managers, who “lack the insight into employee performance” that's needed; and that part of the answer lies in harnessing information from peer-to-peer recognition within the company.

“Enter the wisdom of crowds – or crowdsourcing,” writes Mosley. “A group of independently deciding individuals is more likely to make better decisions and more accurate observations than those of an individual. Crowdsourcing, by leveraging social recognition data, is a better way for managers to collect, evaluate and share information on employee performance.”²

Leaving aside the fact that Mosley's position is intended to sell his company's recognition platform (“In other news: Dairy farmers say people should drink more milk,” one person commented on one of Mosley's online articles) his proposal violates the second fact about recognition. Recognition is a problem that needs to be fixed, not a “crowdsourced” cure for performance evaluation problems. Using recognition statistics in performance evaluations risks contaminating both recognition and appraisal systems.



Under this plan, thanking someone for a job well done doesn't just recognize him – it goes into his personnel file. It might even land the company in court.

Bastardizing information is a common issue in business. Someone realizes there's a trove of statistics somewhere in the computers and siphons it off to make decisions for which the data were not designed. Whenever large amounts of data are gathered, there is a temptation to believe that by its sheer "bigness" it must contain diagnostic patterns. Sometimes the opposite is true; biases in the data may have it pointing in the wrong direction.

"With the majority of big data sources, you need to assume that you are working with data that is not clean," warns the book *Big Data for Dummies*. "As you begin to incorporate the outcomes of your big data analysis into your business process, recognize that high-quality data is essential for a company to make sound business decisions."

Once recognition goes from being output to input, gaming begins. Something important changes when the low-key, social nicety of acknowledging the success of a coworker (or failing to do so) becomes a logged in, *de facto* element of that person's performance evaluation. Now one has to keep score. If I recognize my peer, will I look worse by comparison? Am I raising his pay at the cost of my own? Will he reciprocate? How can I get more applause before my next evaluation?

One commentator to Mosley's guest posting on a *Harvard Business Review* blog properly cautioned that turning recognition into evaluation criteria "can quickly devolve into a popularity contest, and as your staff learns you are doing this, it can be gamed, just like any politician: 'Hey, I'll give you kudos for your thing if you give me public props for mine. We both win!'"

The purported usefulness of the "crowdsourced performance review" depends entirely on recognition data being a reliable proxy for performance at the individual level. In other words, a manager, the HR department and the company itself must be confident that the recognition each person receives corresponds to his or her contribution to the firm. An evaluation is usually central to an employee's future at the firm – his likelihood for being promoted, pay level, raises, disciplinary action, or sometimes termination. Social recognition does not meet that test.

Recognition is a crucial aspect in creating employees' commitment to their organization and in motivating high levels of performance. It's part of the unwritten social contract. You may pay people, perhaps even pay them generously, for their commitment and hard work. But when employees give their best, they expect to be thanked and recognized. It's part of the way people are wired. Employees who feel well recognized are more likely to stay, focus better on customers, be more productive and otherwise look out for the company.

The most effective recognition is a social exchange rather than a financial transaction.³ It's usually not a calculated debt – "I did X so you owe me Y recognition" – but rather an expectation that someone somehow



will take notice. Being social rather than transactional, recognition is imprecise. Sometimes big thanks come for relatively modest efforts. And as every grown-up employee understands, sometimes large efforts are met with little or no acclaim.

The connection between recognition and performance is further muddled by the fact that people differ dramatically in their level of interaction with colleagues, the frequency of recognition they give and the type and amount of recognition they want to receive. Many employees produce, invent, spot hazards, please customers and reduce waste working in relative isolation. Should they be recognized more often? Of course. But through no fault of their own, they will not show up as strongly on the crowdsourced radar.

Anyone inclined to assume comparability in social recognition among colleagues should spend some time reading Susan Cain's *New York Times* bestseller *Quiet: The Power of Introverts in a World That Can't Stop Talking*. "Today we make room for a remarkably narrow range of personality styles," she wrote. "We're told to be great is to be bold, to be happy is to be sociable. . . . We live with a value system that I call the Extrovert Ideal – the omnipresent belief that the ideal self is gregarious, alpha, and comfortable in the spotlight. The archetypal extrovert prefers action to contemplation, risk-taking to heed-taking, certainty to doubt. He favors quick decisions, even at the risk of being wrong. She works well in teams and socializes in groups. We like to think that we value individuality, but all too often we admire one type of individual – the kind who is comfortable 'putting himself out there.'"

As commentators to the HBR blog pointed out, social recognition statistics are more likely to be reflective of an employee's extroversion than his performance. "I must strongly disagree with the article's thesis," wrote one reader. "While formal evaluations have some disadvantages, the crowdsourcing has a huge one. Crowds will not evaluate performance. Crowds will evaluate how popular a person is, and that's a huge difference."

Mosley asserts that "recognition is something that comes naturally to employees – they want to recognize their peers for great work." "This stream of recognition, which often appears in internal social newsfeeds, provides timely, measurable insights into your talent, top influencers and performers," he maintains. But the evidence from research casts serious doubt on the reliability of recognition statistics.

Companies, managers and peers often fail to recognize the best work of the firm's employees. In the United States, only two-thirds of employees are "confident that if I do good work, it will be recognized." Only seven in ten agree "my coworkers tell me when I do a good job." Sixteen percent say it with greater force: "No one notices when I do a good job."⁴

There are many reasons why companies fail to recognize strong performance. An employee who had to stay up late four nights in a row to get a project completed knows how excruciating it was; her peer who only saw the end product may think it all came together smoothly between 9 and 5. Some people crave external reinforcement more than others. Some recognition fails to hit the mark. When people get busy, they tend to hunker down on their own projects and fail to thank those around them.



Perhaps most important, people have a built-in negativity bias. “Over and over,” psychologist Jonathan Haidt told *The New York Times*, “the mind reacts to bad things more quickly, strongly and persistently than to equivalent good things.”⁵ What’s done well is much more likely to be ignored than what gets fouled up. In many cases, recognition data tell more about the culture of the organization and the personality and diligence of its managers than they do about the performance levels of those being – or not being – recognized.

Given the importance of being acknowledged for a job well done, a company should be constantly seeking to improve the connection between performance and recognition. The prescription in such a situation is to, by all means, continuously analyze whether the firm – through its leaders, managers or a person’s peers – is reinforcing the hard work that advances the company’s interests. A solid recognition strategy prods the culture forward and makes it more likely that recognition will occur between people who have different working styles, that praise will more often find its way to the productive introvert and that today’s emergency will not cloud out recognizing yesterday’s success.

At a healthy enterprise, far more than two out of three ought to be able to say, “I am confident that if I do good work, it will be recognized.” But to turn the analysis upside down and assume that those who are most often recognized are those who are performing best simply does not follow. As much as performance reviews need fixing, so does recognition, so the latter is no cure for the former.

Employees themselves have quite mixed feelings about incorporating recognition or the lack thereof into their performance appraisals. Twenty-one percent say they would be uncomfortable having their evaluations based on recognition they do or don’t receive from peers. Another three in ten are neutral. The percentage of those squeamish about being “crowdsourced” increases, understandably, among the sizable proportions who say their coworkers aren’t very good at recognition or who lack confidence that if they do a good job it will be recognized.

“Crowdsourcing” performance evaluations is a new idea. It’s novel, if misinformed. And therefore, it’s taken some time for companies to think it all the way through and bump into some of the issues outlined above. As the pitfalls of using misleading recognition statistics in so serious a document as a performance evaluation become clear, it’s little wonder that companies are having second thoughts.

The legal counsel of at least one large corporation has forbidden the practice. Crowdsourcing “makes labor lawyers cringe,” reported *Fortune* in October, 2013. For the reasons outlined here, BI WORLDWIDE won’t touch it. Failing to get a thank you is not grounds for a legal claim. Having that lack of recognition plugged into a performance evaluation could be.

“The biggest problem with crowdsourcing performance appraisals,” *Fortune* warned, “is that the practice can muddy the legal waters if an employee sues the company.”⁶ To the degree that the performance appraisal was “crowdsourced,” an employee would easily be able to argue that the data were incomplete, unfair or gamed. The issue is already at play in a pending lawsuit against Goldman Sachs alleging its crowdsourced review



system “permitted unacceptable levels of subjectivity and bias,” in which the men in the company disproportionately recognized and boosted the pay of other men. The more crowdsourced recognition data are used to make what are ultimately management decisions, the more the practice is likely to be formally contested.

But what about the broken performance review? If it can't be fixed with crowdsourced recognition statistics, how can it be improved? The answers have been around for years. First, done correctly, there is no reason not to ask directly for feedback from an individual's peers about his work. In that case, the peer understands the feedback will be used to help with the appraisal, rather than a communication given for one purpose being used for another. Second, regular performance feedback from a manager makes the review itself a non-event. There are no surprises. The review becomes more a matter of filling out the required forms than delivering any real news.

Mosley argues that relying on managers to create and deliver a good performance review subjects employees to a “single point of failure.” To the degree he means that employees depend heavily on the ability of their managers, he's correct. But nothing escapes that dependence; it's the nature of the relationship. Managers matter and they always will. Introducing into the performance review a set of misapplied and unreliable statistics does nothing more than compound the problem of a poor manager with a second “point of failure.” For this reason, a “crowdsourced performance review” would be worse than no review at all.

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