

The Power of the Crowdsourced Performance Review

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Abstract

Employee engagement and satisfaction are critical for any business. However, traditional performance reviews often decrease employee satisfaction rather than improve it. Fortunately, new advances in technology have made it possible to collect and review performance data from all of a given employee's coworkers, effectively crowdsourcing the performance review and giving managers a more detailed picture of their employees' productivity. Using a social recognition system, managers can increase the effectiveness of their periodic performance reviews with employees and generate new compensation structures that increase collaboration and employee satisfaction.

Keywords

performance review, social recognition system, crowdsource, crowdsourced review, performance management, employee engagement, employee satisfaction

Despite decades of research on the subject, maintaining employee engagement and satisfaction remains one of the most difficult parts of the management process. Although significant progress has been made, 47% of HR professionals cite employee engagement as one of the top three challenges for their organization.¹ This issue becomes more pressing as companies face increasing global competition, which can threaten their maintenance and retention of human capital. To counter this trend, companies have the opportunity to raise employee engagement, minimize turnover and maximize the potential of their human resources.

One of the most significant and contentious aspects of performance management, the performance review, has major implications on employee satisfaction. However, research conducted this year shows that 44% of employees do not enjoy their performance reviews, and a minority (43%) feel that their reviews are an accurate appraisal of their performance. Importantly, we also found that satisfaction with performance reviews correlates with overall employee satisfaction. Of the employees surveyed, 83% of those who were satisfied with their performance reviews were also satisfied with their job overall, compared to 55% for those who disliked their review process. Additionally, dissatisfaction with performance reviews makes employees more susceptible to job offers from other companies. Only 55% of employees satisfied with their review process would strongly consider an offer from a competitor, versus 72% of those who are dissatisfied.²

While these data are concerning, the good news is that modern advances in technology have created new

possibilities for the performance review. Similar to how social networking sites and big data analytics firms have decentralized and catalogued personal communications within society (and provided valuable information on consumer behavior in the process), we now have the tools to decentralize and catalogue the evaluation of employee performance within a company. By leveraging these technologies, companies can create a culture of recognition that addresses employee dissatisfaction with traditional performance reviews, thereby increasing employee engagement and productivity while simultaneously reducing turnover.

Crowdsourced Performance Reviews

Adopting a system similar to current social media platforms enables employees to provide meaningful feedback on their coworkers' performance in near real time. When the given review period comes, managers can then use this network of feedback to inform their overall evaluation of the employee's performance. This effectively crowdsources the performance review, giving manager more detail on the effectiveness of their direct reports than even 360-degree reviews and other forms of multi-source assessment.

Access to and use of this granular multisource data address the top four causes of employee dissatisfaction

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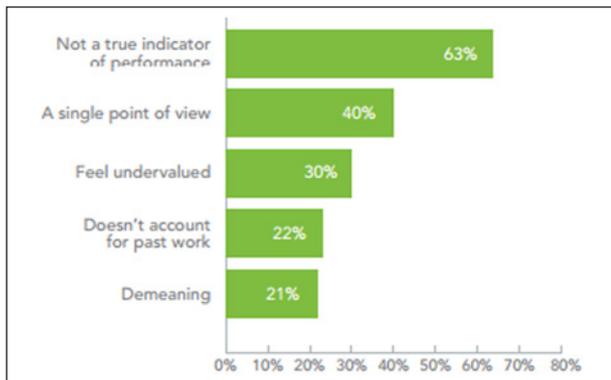


Figure 1. Top five reasons why people dislike reviews.

with single-source performance reviews: the sense that they are not true indicators of performance, the fact that they come from a single point of view, employee feelings of undervaluation and a lack of recognition for past work.³ The first two points, which stem from the inevitable subjectivity of the single-source performance review, are addressed by the very structure of the crowdsourced performance review; by necessity, it must be built on input from coworkers across the organization. This diversity of feedback can augment the feedback from an individual manager. With a crowdsourced performance review, the accuracy, volume and diversity of the performance data are far more comprehensive than if the data had come from one source and delivered in just one setting, once a year.

Social recognition programs help ensure that recognition of good work that occurred in the past (e.g., several quarters before the review date) can be referenced at any time. The benefits offered by social recognition programs are valuable because, as the data have shown, employee satisfaction with performance reviews is directly proportional to retention rates and overall job satisfaction.

Additional Benefits

Crowdsourcing of reviews has the additional benefit of providing a constant stream of positive feedback that managers can provide to employees. Unsurprisingly, 94% of managers and human resource professionals believe that positive feedback has a greater impact on their performance than negative. Targeted positive feedback can also serve to underline a company's key organizational objectives for employees; this increased understanding is often critical to aligning a team to the organization's greater goals.⁴

The detailed level of data provided by a social recognition program also allows managers to asynchronously search the entirety of an employee's performance record. Rather than making personal notes on the quality of an

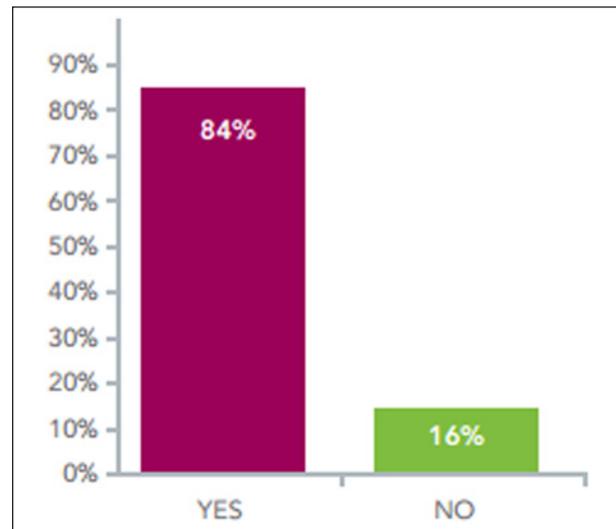


Figure 2. Does recognizing employees for their accomplishments provide a clearer understanding of a company's organizational objectives?

employee's work as it's done (a synchronous process), managers can search a huge database of feedback from across the entire company and find only the information relevant to the task at hand (an asynchronous process). For example, a manager could view all positive feedback within a given quarter, or only look at feedback provided by a certain coworker. This extra layer of data specificity creates better performance reviews by allowing managers to dig much deeper into the details of a given employee's performance.

Discussing Money, Perks, Benefits and Promotions

Most HR departments I know advise managers to make discussions of money, perks and benefits separate from the formal performance review. The reason is that most managers don't have a lot of leeway when it comes to distributing raises among staff members—typically just a few percentage points. HR departments are in charge of benefits, and equity among employees forms policies like how much vacation time an employee has earned.

The less obvious reason is that an effective performance review is focused on performance not just reward, and while the two are obviously linked, money can be a distraction crowding out other issues.

Compensation news can be confided to the employees separately in the context of overall company performance as well as individual merit. Bonuses that a manager might have more flexibility in awarding should be connected to performance, but in the context of budgets. (Some HR departments differ on this, and ultimately how you talk

about money is a cultural issue in companies, as it is in families and even countries.)

There are two obvious exceptions to this policy. Commissions, special incentives and other performance-based cash rewards, typically offered in sales, are so intimately tied to performance they can be discussed, but they follow a departmental formula, so the math dictates the amount, not the manager's opinion. Because recognition is given throughout the year, employees know what they've earned, and how they are performing, before the day of the review.

The second exception might be a performance review that concludes with the good news that the employee is being promoted. These are usually the times compensation takes a jump, and HR and managers understand that when you tell someone that he or she's being promoted or moving laterally to take on a new assignment, you have to address what it means to his or her compensation.

Conclusions and Ideas for the Future of Compensation

There is a mainstream system of performance evaluation today in which the crowd determines an employee's pay. These workplaces are called restaurants.

Consider restaurant servers who earn a huge part of their pay through tips. This is engrained in U.S. culture because we're trying to produce better experiences in a restaurant (in addition to the food). So we incentivize them to curry favor with the diners, deliver great service, have a positive attitude and basically take care of the customers. They get paid more by the appreciative consumers of those actions—the customers.

As you go up the restaurant value chain, to fancier and more expensive restaurants, tips (which you might think of as crowdsourced pay) become bigger as a percentage of total pay. The server in a diner might take home \$50 a day for excellent service, and the server in a three-star restaurant might take home \$500 for the same number of meals served—even though their official salaries (typically low) aren't very far apart.

Jobs in premier restaurants are highly desired, and restaurant owners reward the best servers with the best tables and the best shifts. The customers likewise reward great service. Unconsciously, they've established a pretty good performance management system. (In many good restaurants, even busboys and other near-invisible staff members get a share of the tips because they contribute to the experience. The wine glasses and silverware are spotless because the person who washes the dishes does a great job.)

What if, in addition to customers tipping, the hostess were to tip the waitresses, and the waitresses were to tip the hostesses and the cooks and the busboys, all drawing from a pool of money like a recognition bonus program?

You'd have more than just the positive mental energy coming from the waitress to the customer; you'd also have it between the waitress and the hostess because they're looking for it. They're acting in ways to get it, and they're encouraging each other.

Apply that to an office environment: Say that somebody comes into the company with a salary of \$40,000. Perhaps he or she begins with a base guarantee of \$30,000 with the expectation that he or she'll receive around \$10,000 in small incremental awards in a recognition program, a 75%/25% allocation of salary and bonus. It's a crowdsourced bonus, coming from the wider community, and he or she's going to get it in increments averaging \$100. That's a lot of awards.

Now let's get out of the conceptual comfort zone with a thought experiment: What if the split were 50/50? Now recognition awards are outside the realm of "bonus" and are part of the regular pay package but a variable figure. What would that create in terms of the atmosphere, the cultural temperature and the morale in that company? Everybody would be helping everybody because that's how they get most of their reward, and it's self-perpetuating because it becomes a much more enjoyable place to work. Everybody is happier, so performance improves.

Such employees will net the same amount of money from the company, but their attitude must fundamentally change. In order to accumulate awards, they will continuously find opportunities to help others, to improve performance and to feed the narrative of continuous improvement. Their personalities and the way they interact with people improve. They meet and greet people in a more energetic and positive way. They're earning \$100 bonuses throughout their daily behaviors and actions, and they're going to be helping everybody. Because they have the power to reward others, they help weave a stronger social fabric in the company. As they nominate others for awards, they will become more conscious of company goals, values and teamwork. And they won't take these things for granted—they'll be active builders of culture.

The information on the value of recognition in the workplace speaks for itself: 79% of employees who quit their jobs cite a lack of recognition as a factor in their decision and 66% say that appreciation is a very significant motivator for their personal performance.⁵ Traditional performance reviews often contribute to employees' sense that they're not really appreciated rather than ameliorate it. Companies that decide to crowdsource their performance reviews through a social recognition system are able to significantly increase the value of their periodic manager/employee performance reviews. They are also able to generate a consistent stream of employee-generated feedback that improves employee engagement, encourages collaboration, reduces turnover and serves business goals.

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Author Biography

Eric Mosley is the cofounder and CEO of Globoforce, a leading provider of social management solutions. He is the author of *The Crowdsourced Performance Review* (2013) and a coauthor of *Winning With a Culture of Recognition* (2010). For more information, visit <http://www.globoforce.com/management-team/eric-mosley/>.