Feedback matters: when colleagues become competitors

Many companies rank employees when giving them feedback. But a new study suggests that this kind of feedback creates destructive competition among workers

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- **A study of feedback finds that relative performance assessments or rankings create destructive competition.**
- **In contrast, group and/or individual feedback work to foster cooperation.**

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- **These conclusions, drawn from a laboratory experiment with 112 students and 28 managers, may have direct relevance for managers.**

Competitive behavior among employees may be triggered by the type of feedback they receive. These are the findings of a new study conducted by Sebastian Hafenbrädl of IESE and Jan K. Woike of the Max Planck Institute for Human Development.

Feedback is regarded as a crucial component of a successful business culture. Used correctly, it can enhance performance and teamwork. But how do different types of feedback impact interactions among employees? This research, published in the *Journal of Behavioral Decision Making*, looks to an answer by inviting 112 students of different disciplines and 28 managers, all of whom had at least seven years of professional experience, to participate in a laboratory experiment. The goal was to discern which types of feedback tend to lead to cooperative behaviors and which to competitive behaviors.

The experiment

Groups of four participants played variants of a classic public goods game. Each player was given a fixed number of points to invest per round. Over 10 rounds, they were asked to decide how many points they wanted to invest in a group project and how many in their own individual project. The rewards for cooperative behavior differed across the two experimental scenarios, impacting participants' scores and ultimately how much money they were paid.

In the first scenario, cooperative behavior on average led to a better score for the group, but to a worse score on the personal level. In the second scenario, cooperation paid off for both the group and the individual. Uncooperative behavior reduced the overall score, but harmed the other players more than it did the individual participant.

After each round, the participants received feedback -- either just on their own performance (individual feedback) or additional feedback on how they ranked relative to the other players (ranking feedback) or on the performance of the group as a whole (group feedback).

The results

The study´s results showed that the type of feedback received had a significant impact on participants' perceptions of the scenario and on whether they behaved cooperatively or competitively:

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- Strikingly, participants given ranking feedback perceived the cooperative scenario as competitive. As a result, they turned down guaranteed financial gains to ensure themselves a higher ranking, even though that ranking was financially irrelevant. They became increasingly competitive over the rounds played, to their own detriment.
- In contrast, participants given individual feedback behaved cooperatively in the cooperative scenario and increasingly selfishly in the competitive scenario over the rounds played.
- Participants who were given feedback on the performance of the group as a whole were generally interested in maintaining cooperation, regardless of the scenario.
- Managers and students showed similar patterns of behavior in the games. This shows that extensive experience with feedback and with cooperative and competitive situations -- as experienced managers can be assumed to have accumulated -- does not enable them to deal more constructively with such situations.

The dangers of relative performance (ranking) feedback

Given ranking feedback, an above-average number of participants became competitive players. This group of players was unique in reporting that they wanted to have more than the other players and that they did not trust the others.

"Ranking feedback drives even experienced managers to act competitively, even in situations where cooperating would unquestionably be in their financial interest. When the focus is on comparison with others, both students and managers are willing to take financial losses for the sole purpose of inflicting even greater losses on others," says co-author Jan K. Woike. "Feedback can distort people's perceptions of a situation and turn them into competitive situations for no objective reason," he adds.

The study's findings can be applied to the question of how companies should provide feedback for their employees.

"Publicly comparing employee performance or even, in extreme cases, making bonus payments or contract renewals dependent on employee ranking is counterproductive," says co-author Sebastian Hafenbrädl.

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Although management practices that sort employees into performance groups along a ranking scale are controversial, they continue to be used, even by well-known international companies in the IT and internet industries. This practice makes internal disputes and uncooperative behavior inevitable. According to the researchers, providing feedback for the whole group--even in heterogeneous teams--may well be a better approach.

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