Workplace monitoring nullifies performance incentives

Many companies today use inexpensive and easy-to-install technology to monitor their employees. However, it is precisely this that makes nonmonetary incentive systems ineffective, intended, as they are, to motivate employees to perform better. This is the conclusion reached by researchers at the University of Bayreuth and the Justus Liebig University of Giessen in a new study published in the journal "Accounting, Organizations and Society".

Pursuing the goal of increasing motivation amongst their employees, companies do more than create financial incentives. Increasingly they resort to instruments that go beyond the remuneration of actual or expected work performance. In-house rankings or “employee of the month” competitions, for example, have long proven their worth. Such measures are designed to make it clear to employees how their individual work performance is to be assessed in comparison with other employees. In business administration, they are therefore grouped under the term “Relative Performance Information (RPI)”. In previous studies, RPI measures have proven to be a thoroughly effective incentive to improve performance. But does this effect persist if companies subject their employees to constant monitoring at the workplace? This is the question addressed in the new study.

Dr. Ivo Schedlinsky, an economist at the University of Bayreuth, together with Prof. Dr. Arnt Wöhrmann and Dr. Maximilian Schmidt from the Justus Liebig University of Giessen, come to the conclusion that companies nullify the effectiveness of nonmonetary incentive systems if they continuously and visibly monitor employees. “In recent years, it has become increasingly easy for companies to install and utilize modern monitoring technology. The main aim of management is to ensure that employees adhere to agreed rules during working hours. It is not uncommon for customers to expect similar checks – for example, when they wish to track the transport of goods they have ordered. But as soon as employees feel that they are under constant surveillance, they no longer allow themselves to be spurred on by internal rankings or ‘employee of the month’ competitions. RPI measures fail to achieve their goal, and we have even been able to show that they are experienced by employees as a means of surveillance,” says Schedlinsky, senior research associate in Management Accounting.

The researchers arrived at their results through experiments involving a total of 170 participants. Small groups were formed, in which participants competed against each other and solved arithmetical problems. After each round, half of the participants found out how well they performed compared to the other members of their group. The other half of the participants did not receive this information. In a working environment without monitoring, the performance comparison led to an average performance increase of around 20 percent, as has been observed in previous studies on RPI measures. In contrast, those participants who were monitored by a camera while performing their tasks presented a completely different picture. The performance comparison did not increase individual motivation, but was perceived as part of a demotivating surveillance system. “Company management should carefully consider how much surveillance of employees is useful and necessary. Otherwise, they run the risk of undermining the effectiveness of non-financial performance incentives,” explains Schedlinsky.

Research funding:
The research study was funded by the Association of International Certified Professional Accountants – the unified voice of Chartered Institute of Management Accountants (CIMA) and the AICPA.

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Originalpublikation:
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Photo: UBT.