Peer-to-peer bonuses may have unintended negative consequences, expert warns

May 10 2019

So-called peer-to-peer bonuses, where colleagues 'tip' or reward each other with points or money, may seem to offer short-term benefits but ultimately end up damaging performance and wellbeing, an HR expert has warned.

Dr. Monica Franco-Santos, Reader in Organisational Governance at Cranfield School of Management and an expert in the design and implementation of executive compensation systems and other HR initiatives, argues that advocates of peer-to-peer bonuses make a number of assumptions about their effectiveness that can often prove to be unfounded in the long term.

She said: "In theory, this type of bonus looks like a good idea but, in practice, it is unlikely to work for many organisations in the long term. This is because it is based on a set of assumptions that research tells us are not valid in most 'traditional companies'."

Peer-to-peer micro-bonuses are a system in which employees rather than managers reward the good performance of colleagues by awarding them either points or money from a personal allocation given to them each month or year.

Dr. Franco-Santos argues that they assume the following:

- Performance can be measured in an accurate and reliable way
- Employees are unbiased, disinterested and equitable

- Employees pay attention to the 'good' things their peers do
- Employees have the knowledge to be able to assess their peers' performance
- Employees appreciate points or money above anything else
- Employees are willing to collaborate

Two of the main providers of peer-to-peer bonus schemes told the BBC this week they had seen a sharp rise in the number of UK businesses signing up to give their staff power to hand out small cash rewards. US-based Bonusly reported a 75% increase in UK customers in the past 12 months, with 250 UK firms now using its scheme to reward more than 10,000 employees.

Raphael Crawford-Marks, one of the company's co-founders, told the BBC the aim of the scheme was "ensuring that employees receive timely and meaningful recognition."

But Dr. Franco-Santos argues: "In the short term, companies may experience a set of benefits, including reduced administrative costs from not having to undertake typical performance appraisal processes to decide payments, improved focus and motivation from employees towards things their peers will notice and appreciate, and transformed behaviours and values.

"However, in the long term, the negative unintended consequences of this type of bonus are likely to outweigh the benefits and could end up damaging performance and wellbeing. These include difficulty preserving fairness, the potential for increased conflict between colleagues due to perceived biases and unfairness, and the encouragement of materialistic values. This kind of system can also generate gaming behaviours, encourage interest-based alliances between colleagues, and create additional stress and anxiety in the workplace.

"The level to which the negatives will outweigh the positives will depend on factors including the culture and size of the company, and the overall purpose of introducing the scheme in that organisation in the first place."

If a company is thinking about adopting a peer-to-peer bonus system, Dr. Franco-Santos advises it should first consider to what extent the assumptions above are present in the workplace. "If there is evidence to suggest the six assumptions are mostly invalid, then I would suggest considering other means for improving performance," she said. "If the company still wants to proceed with the design and use of this type of bonus system regardless, then they should prepare for unintended consequences."

Provided by Cranfield University

Citation: Peer-to-peer bonuses may have unintended negative consequences, expert warns (2019, May 10) retrieved 23 June 2024 from https://phys.org/news/2019-05-peer-to-peer-bonuses-unintended-negative-consequences.html