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The contagious risks and rewards of remote working

Transparency about performance has mixed results, especially when colleagues are out of sight



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A study of Chinese workers showed that in high-transparency groups, the lower performers worked harder, but the ablest workers slacked off, meeting the laggards in the mediocre middle © Kevin Frayer/Getty

Netflix founder Reed Hastings was eight when he moved to a new school in Washington DC, where a bigger boy, called Calvin, used to organise fist-fights in the playground.

We probably all know, or have known, a Calvin: the work colleague whose bad attitude infects the behaviour of those around him or her.

Netflix applied this lesson when it laid off staff in 2001. In his new book *No Rules Rules*, Mr Hastings writes that the company realised it “had a handful of people who had created an undesirable work climate. Many weren’t great at their jobs in myriad little ways, which suggested to others that mediocre performance was acceptable, and brought down the performance of everyone in the office.”

Such workplace contagion can be hard to detect. It can also be obvious. Anyone who was once identified as the school swot has at some point heard the lazy bully’s muttered warning not to dazzle in class.

Netflix’s solution was to hire and keep the most talented team members, which encouraged laggards to raise their game. On to this “talent density”, the group layered radical candour — “only say about someone what you will say to their face” — and transparency, sharing even sensitive financial information with all staff.

It gradually extended these principles from traditional anonymous written 360-degree performance feedback, via signed feedback, to the frankly terrifying idea of “live 360s”. These are small, carefully moderated team sessions, lasting up to five hours, where staff are encouraged to air their frank assessments of each other.

The Netflix approach fits the growing consensus that transparency is bracingly positive. It helps discourage bad behaviour (“Sunlight is the best disinfectant”, in US Supreme Court judge Louis Brandeis’s famous dictum). It aligns people with the corporate culture. It encourages trust and responsibility.

But as academic Erin Meyer, Hastings’ co-author, points out, transparency “isn’t without its risks”. That is particularly true for staff who do not work at successful, high-octane, high-trust companies such as Netflix. When most of your staff are working remotely, deciding how much information to share, and with whom, becomes even harder.

Simply revealing the performance of members of a close-knit team could have an impact on their behaviour, according to peer-reviewed research by Ruidi Shang of Tilburg University and colleagues from the University of Melbourne, just published in **The Accounting Review**.

They studied three workgroups from a Chinese state-owned electrical power plant, two of which shared individual monthly performance data with all team members. The manager of the third group handed each employee his or her own performance score.

In the high-transparency groups, the lower performers worked harder, but the ablest workers slacked off, meeting the laggards in the mediocre middle. In the more secretive group, the top workers continued to improve their performance, while the least able members held steady. These Chinese workers were longtime employees, for whom

group identity was all-important and the prospect of bonuses or promotion low. In such teams, “the more transparent the information, the more likely you are to conform to it”, Prof Shang told me. In a group made up mostly of high performers, transparency should drag the lower-performers upwards, as Netflix’s Mr Hastings predicted.

For managers used to encouraging team spirit and raised on the virtues of openness, these findings add to the burdens of an already difficult job. The pandemic, rolling lockdowns and hybrid working, all beyond the remit of the latest study, complicate the management task still further.

The crisis may have reduced the risks of workplace contagion — but also its potential rewards. You no longer work next to Calvin so the temptation to mimic his bad behaviour is reduced. Yet with more virtuous colleagues out of sight, you are thrown back on self-motivation, which might lead to ennui or, at the other extreme, paranoid overwork.

Transparency looks like a solution. Some companies are using “open” video calls for colleagues who want to replicate virtually the experience of working quietly side by side. Sharing more performance data would be an easy next step for managers overseeing digitally connected teams. But “if someone works really hard because she doesn’t know what others are doing, and the manager releases information showing they aren’t working as hard, that might affect her behaviour”, warns Prof Shang.

Somewhere between bore-out and burnout lies a happy medium for remote workers. I don’t envy managers who have to try to help them find it.