

MARKETING COLLOQUIA

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SILENT OR SALIENT? PERKS AND PERILS OF PERFORMANCE POSTING

ABSTRACT: Firms incur high expenditures on sales force (\$800 billion each year in the U.S.), and so, improving sales force performance is imperative. A controversial way is to post performance (i.e., display everyone's performance) on social platforms, which can now be done with ease due to advances in information technology. But does performance posting improve a firm's profit? On one hand, posting performance encourages social comparison and healthy competition, though it also discourages low-end performers. On the other hand, not posting performance means employees may be unaware of how others were doing, and therefore, put in more effort to pull ahead or avoid falling behind. While this question is straightforward, the result of these opposing factors is unclear.

I use a blend of theory and empirics to understand when it is profitable for a firm to post performance. In my game-theoretic model of incomplete information, I disentangle social comparison – a key aspect of human nature – from the availability of information. In other words, I examine the effects of social comparison when a firm can control the precision of information about how others are performing. I obtain three main findings: (i) a firm should not post performance when employees' abilities are sufficiently homogenous, but when employees' abilities are sufficiently heterogeneous, a firm should post performance; (ii) there exists a non-monotonic effect of social comparison on the effectiveness of performance posting, i.e., some social comparison helps performance posting but too much hurts; and (iii) the impact of performance posting is moderated by the attractiveness of the financial compensation. Using ongoing experiments, I demonstrate the empirical validity of these propositions.

Based on these results, we now have guiding principles on when a firm can benefit from performance posting. Going one step further, the same guidelines can be applied to other domains (e.g., education, healthcare) which are also considering the use of performance posting.