

Multitasking and the Benefits of Objective Performance Measurement - Evidence from a Field Experiment*

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Abstract

We examine the benefits of objective performance measurement in a field experiment conducted in a retail bank. At the outset objective performance measures of profits in each branch were only available on the branch level and managers allocated bonuses to their employees based on subjective assessments. In a subset of the branches, managers then obtained access to individual performance measures. We find a significant positive impact of objective performance measurement on effort and financial performance. This productivity increase is mainly driven by larger branches and higher sales for non-core products which is well in line with a formal economic model on the optimal allocation of monitoring efforts under subjective evaluations in multitask environments.

Key Words: Incentives, Subjective Performance Evaluation, Multitasking, Field Experiment, Bank

JEL Classification: M52, J33, D23

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