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CENTER FOR HOSPITALITY RESEARCH

On the Frequency and Detail of Feedback

by Pablo Casas-Arce, Sofia Lourenço, and Asís Martínez-Jerez

Summary

An analysis of the effects of frequent and detailed feedback regarding customer satisfaction produced an unexpected outcome for a Spain-based firm. The firm created a bonus program that rewarded its contractors for favorable customer-satisfaction scores. To test the best way to offer feedback on the bonus program, the firm gave some contractors detailed reports on customer satisfaction, while others received only a summary report. Then, the contractors were further divided according to whether they received frequent reports or only occasional reports. All contractors improved their operations, but the standout firms were those that received occasional detailed reports. Although the firm expected frequent feedback to be the most effective approach, it appears that it's possible to pile on too much information too often, causing the recipient to make the wrong decision-making adjustments.

ABOUT THE AUTHORS

Pablo Casas-Arce is an associate professor at the W.P. Carey School of Business at Arizona State University, where he has been teaching Managerial Accounting and Control at the undergraduate and graduate levels (both in the Master of Accountancy and MBA programs). Pablo's research lies at the intersection of accounting, economics, and strategy, and focuses on the study of the economics of organizations. He works on the design of control, incentive, and information systems and their relationship to business performance. His research has been published in the *Journal of Political Economy, Management Science, The Accounting Review, Journal of Accounting Research*, and *Journal of Economics and Management Strategy*, among others.

Pablo holds a BA in conomics from Pompeu Fabra University and earned his PhD and MA in Economics from Harvard University. Prior to joining ASU, he was a postdoctoral researcher at the University of Oxford and Nuffield College, a member of the Department of Economics and Business at Pompeu Fabra University in Barcelona (Spain), and a research fellow at the Public-Private Sector Research Center at IESE Business School.

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Francisco de Asís Martínez-Jerez (Asís) joined the Cornell Nolan School in July 2020, after spending seven years at the University of Notre Dame and almost 20 years at Harvard Business School. In his

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At the Nolan School, Asís teaches courses on strategy implementation, performance measurement, and managerial accounting, and he is currently developing a course on casino strategy.

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In 2005, Asís received the HBS-MBA Class Award for Teaching Excellence, the Jim Bulloch Award for Innovation in Management Accounting Education in 2010, the top teaching awards at the Mendoza College of Business in 2016, 2017, and 2020, teaching awards at the Nolan School of Hotel Administration in 2023, and the Notable Contribution Award to the Management Accounting Literature in 2019. Asís enjoys the company of his lovely wife, María José, and often escapes to New York city to visit his daughters, Victoria and Aitana.

On the Frequency and Detail of Feedback

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Instant feedback is the hallmark of our connected society. Customers are frequently requested to give stars to the rideshare that just took them home, the restaurant where they just ate, or the phone app they just used. Likes, emoticons, and reforwarding rates immediately measure the success of both public personalities and private individuals. Further, the seemingly infinite storage capacity of the cloud and the unrelenting progress of computing power have given firms the means to process and synthesize huge information flows that can support decision-making and control processes. In this context, it is natural to think that providing detailed feedback as frequently as possible would improve decision-making. However, that may not always be the case, as we explain in this article.

There is rational merit to the intuition that frequent, detailed feedback improves decision-making. We all use feedback of various kinds every day to understand the consequences of our decisions and adjust our future actions. In theory, if we receive relatively frequent feedback, we can repeat this process of analysis and adjustment of decisions more often and thereby achieve higher levels of performance improvement. Further, if the feedback gives a detailed picture of our performance, one could argue that we can get a better idea of the consequences of our decisions on multiple dimensions so that we enact holistic improvement.

However, too much detail in feedback could be overwhelming, and those receiving it may feel buried under too much information so that they feel unable to act on it.[1] Additionally, if feedback is provided too frequently, the receiver may overreact, thus causing more damage than improvement to their performance. An example of this effect occurs when we drive backward. It is difficult to maintain a straight trajectory because we tend to overcorrect with the steering wheel.

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[1] For example, see: Barry Schwartz, *The Paradox of Choice—Why More Is Less*, Harper Perennial, 2004.

Formatting Feedback

Intrigued by this conflict, we decided to conduct a research project that could shed light on the characteristics of an effective feedback system. We asked the following two questions: **(1)** Is it better to give detailed feedback or a mere summary of the available information? and **(2)** How frequently should feedback be communicated? Given our interest in customer-centric organizations, we decided to focus our research on feedback about customer satisfaction, a performance metric of great interest to restaurateurs, hoteliers, and service operators.

We engineered a pilot project to test these questions by partnering with MultiAsistencia, which is the leading business process outsourcer for insurance companies in Spain, and which has operations throughout Europe and Latin America.[2]

MultiAsistencia performs repair work for multiple property insurance providers by managing a vast network of independent contractors. This process is transparent to the end consumers, who think they are working directly with the insurance company to recover from damage. Given this transparency, insurance companies are sensitive to the level of satisfaction displayed by the end consumers that interact with MultiAsistencia, and the insurance companies are constantly monitoring customer evaluations of the repairs performed. Either through price adjustments contemplated in the Service Level Agreements or through the allocation of business to the different providers of outsourced services, the contractors' customer satisfaction scores have an impact on MultiAsistencia's bottom line. Consequently, strong consumer satisfaction scores serve as added motivation for this company, which keeps the customer at the top of its corporate values.

Manipulating feedback frequency. To understand the effect of feedback on performance, MultiAsistencia created a new monthly bonus program that would reward contractors as a function of their performance along several indicators, including the average number of detractors.[3] Two process-compliance metrics, namely, on-time arrival and use of the tablet scheduler, completed the contractor scorecard for calculating a bonus. We sorted contractors into four groups, based on feedback along two dimensions, namely, frequency of feedback and detail regarding performance scores. On the frequency dimension, some contractors would receive an update on their customer satisfaction performance every week, while others would receive monthly updates. Along the performance-score dimension, some would receive a simple summary performance score, and others would receive a detailed accounting of the score achieved in each repair service. We should note that the company was convinced that frequent feedback was the way to go. Therefore, they insisted on having three times as many members in the weekly feedback groups as compared to the monthly feedback groups.

There is no such thing as a one-size-fits-all prescription for feedback frequency and detail.

We ran the pilot for three months, and we found that all contractors improved their performance across all three indicators during that time period. From this we inferred that the bonus was sufficiently attractive for the contractors to exert more effort in conducting the repairs. That said, not all groups displayed the same rate of improvement with respect to customer satisfaction. In fact, those receiving more frequent feedback performed no better than those receiving monthly summary feedback. These three groups reduced the

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2 The article describing the results of our research, "The Performance Effect of Feedback Frequency and Detail: Evidence from a Field Experiment in Customer Satisfaction," *Journal of Accounting Research* received the 2020 Notable Contribution to Accounting Literature Award. This award is given annually by the American Accounting Association based on certain criteria such as uniqueness and potential magnitude of contribution to accounting education, practice, and future research. See: Casas-Arce, Pablo, Lourenço, Sofia M., and Martínez-Jerez, Francisco de Asís, "The Performance Effect of Feedback Frequency and Detail: Evidence from a Field Experiment in Customer Satisfaction" *Journal of Accounting Research*, August 2, 2017; DOI:10.1111/1475-679X.12184.

3 In the Net Promoter Score framework popularized by Fred Reichheld, detractors are respondents that give a 6 or lower response to the question, "On a scale 0-10, where 0 is very unlikely and 10 is very likely, how likely is it that you would recommend [Organization X] to a friend or colleague?"

Detailed but relatively infrequent feedback to employees contributed to customer satisfaction.

number of detractors at similar rates. The only group that achieved a higher level of improvement on that metric was the fourth group, namely, the one that received monthly detailed information regarding the satisfaction scores of each repair service.

Although the results contradicted both conventional wisdom and the firm's expectations, our field interviews and statistical analyses shed light on the causes of this apparent anomaly regarding frequency of feedback. We learned that frequent feedback recipients focused on the most recent report received, extrapolating the information in it without considering the context found in the results of previous reports. This underweighting of prior information results in overreaction to the most recent report and invites decisions that do not necessarily improve performance. Just as the driver's reactions may result in an increasingly erratic trajectory when backing up a car, the feedback recipient's reaction may result in actions that deteriorate customer satisfaction.

Objective analysis. In contrast, those receiving monthly detailed customer satisfaction feedback had the time to analyze and reflect on all the pieces of information to design their path of action to improve the customer experience. Perhaps more important, as the feedback is about events more distant in time, recipients are better equipped to separate their emotions from the sentiment elicited by the specific situation. As a result, they have the opportunity to analyze objectively the impact of various factors on the satisfaction of the typical customer.

It is hardly surprising that using more information and being less personally invested in that information results in superior performance improvement. For example, consider a hotel front-desk agent who receives a weekly feedback report in which a single detractor commented that they did not like the agent to comment on the weather. Based only on that information, the agent may decide never to discuss the weather with any future customers. That tactic, however, might diminish the experience of those who appreciate small talk with the agent. In contrast, say that the same front-desk agent receives their feedback in a monthly report. The agent may observe that some customers like the weather talk while others do not. Rather than stop that behavior altogether, the agent may initiate a deeper inquiry to decipher which customers like to chat and which ones do not, possibly reaching higher levels of customer satisfaction.

Our pilot study uncovered further insights regarding feedback. While detailed but relatively infrequent feedback led to a stronger improvement in customer satisfaction, the performance improvement in the more process-oriented metrics (i.e., on-time arrival and use of the tablet scheduler) was no different among the four pilot groups. As we noted above, all contractors improved their performance in response to the bonus incentives. However, the varying levels of detail and frequency of the feedback had no differential impact on performance. This is because the process-oriented feedback was not providing any new information to the contractors. They already knew, for instance, whether they had arrived on time or not and whether they had used the tablet scheduler or not. Thus, there was no new information to analyze when they received the feedback on those items.

The chief managerial implication of this pilot study is that there is no such thing as a one-size-fits-all prescription for feedback frequency and detail. The nature of the information provided in the feedback and the kind of decisions the recipients may take in response to that information should determine the characteristics of the feedback provided.

For illustrative purposes, let's consider customer satisfaction, which was the focus of our study. This is a performance metric that provides new information to the service provider. A front-desk agent or a server does not know with certainty whether a customer has enjoyed the way they have been served until a satisfaction survey is filled out. With those surveys in hand, the feedback recipient can learn from recurrent themes appearing in the reports. In this case, a detailed report that combines feedback from a critical mass of recent customers over a relatively long-time window (in our study, monthly) gives the decision maker enough distance from the interactions to feel less personally involved with the feedback and enough quantity of information to infer meaningful paths to improve future service. On the other hand, an unsatisfied customer is a potential liability for the firm and can cause future financial damage through a lack of loyalty and negative word of mouth. For that reason, it is essential to have a feedback system that sets an early warning and allows for a recovery action. If a guest had a bad stay experience because room service was too slow, the hotel front-desk team might want to intercept the customer and show them appreciation in the form of a complimentary meal or a future stay upgrade to regain their loyalty to the brand and to contain the potential financial damage.

This duality of purpose in the customer-satisfaction information suggests that a single system may not satisfy all of a firm's decision control needs. A hotel, or any service company, needs to have early warning mechanisms that allow them to detect guest-service issues. Developing customer-facing employees' ability identify the cues of customer dissatisfaction and empower them to enable an early recovery intervention is a trait found in firms that consistently excel in service scores. That said, constant firefighting to recover service failures is not conducive to sustained learning nor to continuous improvement. For that purpose, a more formal feedback system with periodic (but not too frequent) detailed reports is necessary.

As a final point, we note that feedback reports include objective metrics for which there is no new information, such as sales or process compliance metrics. For these metrics, the objective of the feedback is motivation rather than learning, with a goal of maintaining the salience of these metrics and making feedback recipients aware of progress in performance or the distance to the target. Since these are long-term, objective metrics, we see limited risk that updated feedback would obscure recipients' learning about underlying fundamental performance trends.

In summary, the answers to our two questions are as follows: **(1)** Detailed feedback is generally of greater value than merely summarizing information. **(2)** As a caveat, however, the feedback needs to be delivered at an appropriate pace that allows the recipient to digest and respond to the feedback. ■

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