

360 Degree Feedback Method of Performance Appraisal in the Corporate Sector – Need and Impact

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Abstract: One tool of performance evaluation that has gained significant popularity in the corporate sector is the 360-degree feedback methodology because of its ability to provide a global feedback to the employees, which leads to increased organizational commitment, improved job performance and brings a behavioral change in the employees. The ratings are assigned not only by employee's superiors but also by his peers, subordinates, clients or outsiders such as customers, suppliers, vendors or other interested stakeholder with whom he interacts in the course of his job performance, thus providing a complete view of employee's job performance. This method highlights the strengths and weaknesses of the learner providing him with an opportunity to capitalize on his strengths and highlighting his training and developmental needs. This paper emphasizes on the superiority of 360-degree feedback method over the traditional methods of performance evaluation and the effect this method has on the employees in the organization simultaneously providing a list of companies following the 360-degree feedback methodology. The paper also provides a detailed framework required for the successful implementation of this technique.

Keywords: 360-degree feedback, Performance appraisal, Behavioral change, successful implementation

Introduction

In a continuously, ever-changing environment there has been a pragmatic shift in the functioning of the employers, employees and the organization at large. There have now emerged new forms of organizations with wider span of control, flatter organizational structure, emphasis on teamwork and empowerment. Today's employees are better educated with an expectation to be treated differently in an organization. They believe in the statement "work speaks for itself" rather than "please the boss".

With these changes, organizations have to evolve. The traditional top-down supervisor only evaluation method is no longer justified. The Human aspect of the organization has gained immense significance in the global environment. Employees are now regarded as the assets of the company rather than a tool. They have now become instrumental in the functioning and growth of the enterprise. It is beyond argument that competent people should handle the strategic and critical roles in an organization. What is required is not only the identification of such people but also various instruments that will help in the growth of such people. Since the cost of wrong promotions and information can be high not only for the company but also for the employees companies now view spending money on potential assessment as an investment rather than the cost.

There is always some difference in the quality and quantity of the same work done on the same job by different individuals. Performance appraisal is imperative to understand each employees capabilities and their relative worth for the organization. For potential assessment companies employ variety of methods ranging form annual performance assessment to 360 degree assessment which provides information about an employee from multiple sources on continuous basis.

Overview of 360-Degree Feedback

360-degree feedback also known as multi-level, multi-source feedback is a tool of performance appraisal and evaluation where the performance of an individual is evaluated by multiple sources. The ratings are given not only by employee's superiors but also by his peers, subordinates, clients or outsiders such as customers, suppliers, vendors or other interested stakeholder with whom he interacts in the course of his job performance thus providing a complete view of employee's job performance. The person whose performance is being evaluated is known as the learner. People who provide ratings are known as the raters. Learners own self-assessment completes the circle. Raters respond to a variety of standardized questions evaluating the learner's competencies, job performance, behavior and potential of the learner.

A mixture of about 10-12 people fill up an online/offline questionnaire. Those individuals with whom the learner interacts in the course of his job performance fill it. The questionnaire may be structured or unstructured. Several parameters covering a wide range of workplace competencies like job performance, behavior, attitude towards the job and the company are used in the questionnaires. The raters may also be asked to support their evaluations. Each source can provide a different insight into the individual's skills, job performance and other job related characteristics thus providing a richer, accurate picture than could be obtained from any other method of performance appraisal. The responses collected are analyzed and presented to the learner in the form of charts, graphs or any other comprehensible form. The information is usually communicated by the HR manager. The aim of the feedback is to enable an employee to gain deeper insight into their skills and developmental areas. It highlights the strengths and weaknesses of the learner providing him with an opportunity to capitalize on his strengths and highlighting his training and developmental needs. It contributes in developing great leaders for the future (Alexander, D.M 2006).

Of the various popular worldwide human resources practices, 360-degree appraisal is one of the most important best practices followed by companies across the globe to build, develop and retain talent. For potential assessment companies employ variety of methods. One tool of performance evaluation that has gained significant popularity is the 360-degree feedback methodology. According to a survey 40% of American companies used 360-degree feedback in 1995, by 2000 this number had increased to 65%. By 2002, estimated 25% of U.S. employers and more than 90% of Fortune 500 companies have implemented some form of 360 – degree feedback system in their organizations. In Australia, the use of multi rater feedback has significantly increased. In India companies like Reliance, TCS, Tata Motors, HCL, Wipro, Adani group, Gati couriers, Crompton Greaves, Maruti Udyog and Godrej are increasingly making use of this technique. Pepsi Co started using 360-degree feedback in 2008 and up to 88% of its executives reported that using 360-degree feedback is better than most previous experiences.

The 3D group conducted a survey to provide a complete description of the range of 360 degree feedback programs used by companies in the United States. Some of the key findings are

- 85% of the companies indicated that the budget for 360-degree feedback would be the same or bigger next year
- 52% of companies use the 360-degree feedback process on an enterprise – wide mechanism
- 89% of companies claimed strong support from senior management

Need for 360-Degree Feedback

The 360-degree feedback is allegedly superior to other methods and techniques of performance evaluation as it provides more complete and accurate assessment of employee's job performance and behavior. The traditional performance review methods are no longer seen as an effective means of obtaining feedback for employees. A single person, who may be

biased or have an incomplete view of their work rates employees. They have also been criticized for the variety of reasons such as biasness of the rater, subjectivity of the ratings, halo error, use of ratings for personal or political reasons, carelessness of the rater are some persistent problems associated with the traditional methods. Employees view performance information from multiple sources as fair, accurate, correct and reliable. The supervisor only performance appraisal is subjective and relies solely on supervisor's judgment.

360-degree feedback offers feedback from multiple sources as opposed to feedback from the only superior who may have incomplete or limited knowledge of the employees work. Feedback is more difficult to be written off as invalid when received from multiple sources. Multiple raters offering similar feedback will send a reinforced message to the rater about what is working well and what needs to be improved. It considers employees performance in areas, which often are ignored by other methods such as willingness to apply discretionary efforts like extra time, effort, referring potential customers and employees. The aim is to improve all round employees' performance by making them aware of their strengths and weaknesses.

The underlying assumption of 360-degree technique is that accuracy and scope of assessment of individual increases when consulting a full circle of daily business contacts as opposed to one supervisor. The view of the practitioners is that the use of more raters leads to more results that are accurate for the individual (Church & Braken 1997).

This technique provides a panoramic view of the employee's performance. It provides feedback on learners cooperation within the department, cooperation with people outside their department, concern with suppliers, customers, vendors and other stakeholders with whom he interact in the course of his job performance. This technique can provide a more balanced view. Employees find this methodology to be more thorough and unbiased

than traditional techniques of evaluation. When they consider this methodology as opposed to being evaluated by an individual supervisor who may have limited knowledge of what they do, they realize the potential worth of this technique. Feedback from 360 degree is considered the most powerful motivator for behavioral change. It minimizes bias problems that are inherited in other methods of performance evaluation.

Effects of 360-degree feedback

Empirical studies suggest that use of 360-degree feedback is an organization brings a behavioral change in the employees depending on the reactions to the feedback displayed by an employee. Reactions to the feedback is often characterized by withdrawal, display of mistrust, decreased level of commitment, unwillingness to communicate or interact with colleagues, general defensiveness, decreased productivity, sadness, anger, decreased job satisfaction and decreased desire to continue in the organization. To combat negative reactions, organizations must ensure that feedback is given to the concerned in the right environment by the right person.

Positive feedback reinforces employee's behavior and motivates the employee. It also increases employee's commitment, productivity, desire to stay in the organization, quality work, communication, application of new skills and knowledge, reduced absenteeism, referring potential customers and employees, increases discretionary efforts by employees such as willingness to devote extra time and effort for the organization. It brings a positive behavioral change in the employees. It enhances self-awareness and increases employees' engagement and commitment to the organization. Engaged employees are more committed to their work and feel connected to the success of their organization. In addition, they are more likely to believe in their organization's vision and mission.

In 360-degree feedback, negative feedback has been termed as corrective feedback. The aim of the feedback is to identify the training and developmental needs of an employee whereby the employee can work on his

shortcomings and become more effective leader for the organization. It enables employees to see themselves from other peoples perspective highlighting what is working well and what needs to be changed. Companies are now linking 360-degree feedback results to administrative decisions of pay, promotion and transfer to realize their full investment in this process.

Corporate Examples of 360-degree feedback

Over the years, the number of companies following 360-degree feedback has immensely increased. Many companies had initially conducted workshops for its implementation and the results were found to be effective.

The **Adani group** which has established itself as an infrastructure business giant in Gujarat and perhaps in the entire country implemented 360 degree feedback for top level managers in the year 2005. **Gati Ltd.** Are a pioneer and a leader in Express distribution and supply chain solutions in India. The company has over 3500 employees and a turnover of over 576 crores. The company has been following 360-degree feedback process for the last twelve years and is immensely satisfied with its results.

The 360-degree feedback based Leadership development programme was initiated at **Bharat Electronics Limited (BEL)** with the primary intention of improving and enhancing the leadership styles of senior executives at BEL. It is a government company established in the year 1954. Because of the programme, behavioral changes were observed in the participants like more respect for each other, broad mindedness, some abrasive people have become charming. It was felt that 360-degree feedback had a positive impact on ones professional and personal life as well.

Maruti Suzuki India Limited introduced 360-degree feedback system in the year 2006. The feedback has been a revelation for many managers and there has been a significant transformation of leadership styles of many individuals. At **Philips**, it was observed that managers being exposed to 360-

degree assessment have improved their performance level in the organization.

At **SKF India** the tool is used for employees at all levels and is optional and purely used for self-development. The feedback is used for development and formulating plan for improvement. **Moserbaer** uses 360-degree feedback for general managers and above levels. It is perceived that such assessment helps them to be more self-aware and contributes to their future growth.

As part of the LEAD initiative at **NTPC**, the 360-degree feedback is done once in three years for senior grade employees and IT enabled software has been used for assessing the data and developing managers in the past.

Wipro first introduced click-360, its online 360-degree feedback application. Like Infosys and Wipro most of companies chiefly MNCs uses 360 degree to rate its employees performance because it consists feedback from all the side like immediate boss, subordinate, peer employee in same department, and customer to whom they deliver product or services.

IBM provides an interesting example highlighting a shift in use of assessments. Until recently, IBM used 360-degree feedback as part of their annual performance review. Since IBM appreciated the value of multiple perspectives, a new employee satisfaction survey was implemented to regain the benefits found in using the survey without the pitfalls.

AT&T, Mass Mutual Insurance, Bank of America, Digital, Tenneco, Exxon, General Electric, Daimler-Chrysler, Reliance Industries, Tata Group, Adyta Birla Group, HCL, Novell India Limited, Bizwiz (Canada), Career Lab (U.S.A), Godrej, Crompton Greaves are some of the major companies following the 360 – degree feedback method.

Some organizations do undertake a lot of silent work on 360-degree feedback and make numerous efforts for integrating them into the employee's life

without any huge investment. After all, it is an important milestone in an individual's, team and organization journey of leadership.

Guidelines for Implementing 360-Degree Feedback

- At its outset, 360-degree feedback instrument must be thoroughly tested for reliability and validity. It must measure what it claims to measure. It should be evaluated for consistency. If it claims to rate employee's commitment, it must clearly define what commitment is.
- It should be simple, easy to understand and straightforward. In today's technological world with the use of computers the information gathered through the 360-degree feedback instrument can be easily compiled; analysis and processing of information can be done at a faster pace.
- Companies must understand that 360-degree feedback is a continuous exercise and not a onetime phenomenon. The perceived benefits of 360-degree feedback will be realized only when implemented in the right organizational climate. For its success, it must be incorporated in the culture of the organization.
- A quality instrument must guarantee confidentiality. When anonymity is assured, the raters can give unbiased ratings. In the absence of anonymity, one will hesitate from providing his actual views about his superiors because of the fear of confrontation.
- The raters should be asked to support their ratings. It might encourage them to be more thoughtful in their ratings. This will minimize the chances of rating being used for personal or political reasons, halo error etc and will ensure that ratings are unbiased and fair.

- For the success of 360-degree feedback, it is imperative to have top management support and commitment. The active participation of top management is required. If organizational leaders support the programme, the employees will echo the same. They should be involved from designing the feedback criterion to evaluating the feedback reports.
- 360-degree feedback must be aligned with business strategy. It must be tailor made to the companies' requirement with inherent flexibility in the system. The system should be designed to be holistic in its reach.
- It is important to implement 360-degree feedback as a pilot project to allow the employees of the company to gain familiarity and experience from the process. To reap its complete benefit the process must initially be considered for developmental purposes and when the employees gain familiarity with the process it can be used for evaluative purposes.

Conclusion

360-degree feedback is a powerful tool of performance assessment and in identifying the developmental needs. Its implementation not only involves monetary costs but also some hidden cost for the organization. It should initially be introduced as a pilot project to eliminate uncertainties if any with the method and when the companies' employee become familiar with the process it can be introduced on a large scale. Regular workshops in this regard must be organized. Companies must not discount the importance of a feedback coach. The task of the feedback coach is not only to give feedback to the concern individual but also to help him in analyzing the feedback. For the programme to become a success, it must have support of the senior managers of the company. To ensure the credibility of the program the

anonymity of the rater must be assured. If the raters are assured of the confidentiality of the ratings, they are bound to be unbiased in their ratings.

Organizations can only benefit from the programme if the learner accepts the feedback and take appropriate action to remedy any friction points. If companies do not follow up on the feedback received the very purpose of 360-degree feedback is vitiated. Due considerations should be given to the strengths that are uncovered in the process. Companies often become pre occupied with the weaknesses identified and ignore the strengths uncovered. Nevertheless, the existence of 360-degree feedback process enhances the transparency and trusting climate in the organization. There has been a decline in office politics because of this. It must be used very strategically to reap its benefits. Its full potential can be utilized if its results are linked to administrative decisions of pay, promotion and transfer. It can be a powerful tool to help employees grow within an organization. Used successfully, it is a tool that enhances employee's engagement and commitment to the organization, identifies training needs and help employees develop their competencies and go on to succeed in a leadership role.

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