

Appendix 2: 360-Degree Feedback – the Basics

What is 360-degree feedback?

360-degree feedback, also referred to as multi-source multi-rater (MSMR) feedback, is where an employee receives feedback from a variety of stakeholders such as direct reports, colleagues, managers, team members and customers (Ward, 1997).

The rationale organisations typically use in providing this type of feedback is that it establishes a more comprehensive picture of individual performance. However, ratings may not always be sought from the full 360 degrees and some sources may not be relevant for certain employees. Therefore, although the term 'multi-source multi-rater feedback' is perhaps more appropriate to describe this process, the term '360-degree feedback' is more prevalent in practice. For this reason, the term 360-degree feedback is used throughout the report.

Perceived benefits

360-feedback has become one of the most popular HR practices of the past ten years (CIPD, 2003; Kearns, 2004). Indeed, a review of the literature highlights an abundance of reasons why organisations typically introduce 360-degree feedback (Hirsh and Carter, 2002; Alimo-Metcalf, 2003). These include:

- An increasing awareness of the limitations of 'traditional' downwards appraisal methods.
- The need for a cost-effective alternative to development centres. Because of the structured, in-depth information that 360-degree

feedback provides regarding performance, detailed and relevant development plans can be formulated.

- Managers' reluctance to provide feedback, particularly negative feedback.
- Managers' inability to observe all their direct reports' behaviour. As many organisations have become less hierarchical, multiple lines of reporting have emerged. This has meant that organisations are unable to rely upon the feedback from just a single manager.
- The perception that 360-degree feedback is more objective and less biased than traditional feedback mechanisms in that multiple raters may reduce the risk of individual bias which accompanies single-rater appraisal. Grint (1995) in his review of what he finds to be 'a long and fruitless search for objective appraisals' *argues* that the subjectivity of single-rater appraisals can be overcome by considering the views of a '*collective author*.'
- An increased availability of suitable software.
- The potential for more honest and accurate feedback where responses are anonymised.
- The need for more job-related feedback, particularly for those at a career plateau.
- The increased prevalence of team-based working.
- Closer working relationships with various stakeholders (*eg* clients, customers or suppliers) who may provide a different perspective.
- The need to maximise employee engagement. The underlying principles of 360-degree feedback are particularly fitting with those of employee empowerment. Many employees report feeling particularly empowered when given the opportunity to assess the performance of their manager.
- The increasing prevalence of use. That is, implementing 360-degree feedback because so many organisations have already done so.

From an organisational perspective, 360-degree feedback can also feed in to a number of other HR initiatives. For example, it may be used to facilitate culture change or comprise part of a leadership development programme. It can help to reinforce competency frameworks and business values or be applied to performance appraisal. Furthermore, it can contribute to the legal defensibility of assessments through being linked to competency

frameworks and having rigorous measures and feedback methodologies.

From an employee perspective, 360-degree feedback is essentially used to determine strengths and weaknesses in performance and behaviour, to determine others' perceptions (and where they may mismatch with the employee's) and as a controlled mechanism to provide negative feedback. As such, there is an assumption that 360-degree feedback will provide a superior quality of feedback and, in consequence, that enhanced performance and increased self-awareness will follow.

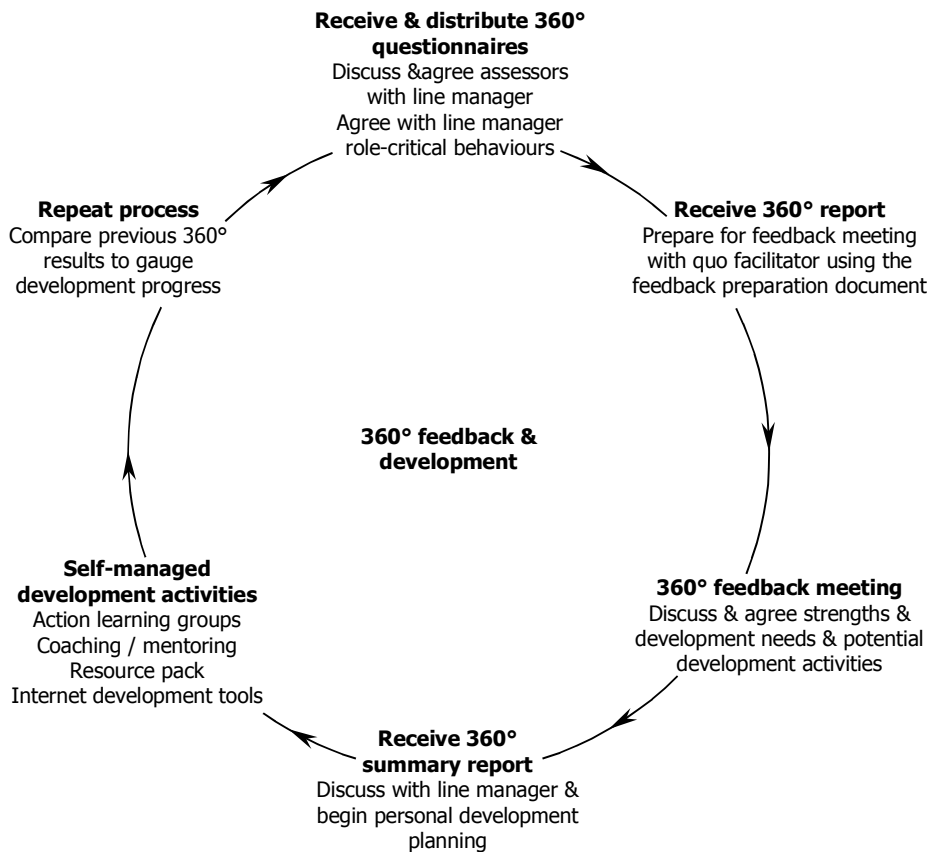
Moreover, 360-degree feedback can be an intensely influential and delicate process as it affords employees insight into how their own self-perceptions compare to how their performance is viewed by their colleagues, in that the process can focus on discrepancies as well as similarities between self and colleague assessments. Consider, for example, a report of a 360-degree feedback system implemented at 02 (the telecommunications company), where 0.6 per cent of senior managers saw their own management style as coercive, compared to 5.3 per cent of other employees. Similarly, 59.8 per cent of managers said they displayed authoritative behaviour, compared to 85.7 per cent in the 360-degree exercise (Crabb, 2002). Allowing individuals to see how others view them can act as a powerful motivator for both development and attitude/behaviour change.

Implementation issues in using 360-degree feedback

To put in context the emerging issues in using 360-degree feedback, it is useful to remind ourselves of the various stages in a typical 360-degree feedback system. Figure A1.1 illustrates this process.

This figure is useful in illustrating the processes involved at the micro level of delivering the feedback. However, there are other aspects that are not obvious from the diagram which also require consideration. These additional factors are important for organisations when either introducing 360-degree feedback for the first time, when reviewing what has been gained post-implementation, or when considering using the process within a different context, such as appraisal.

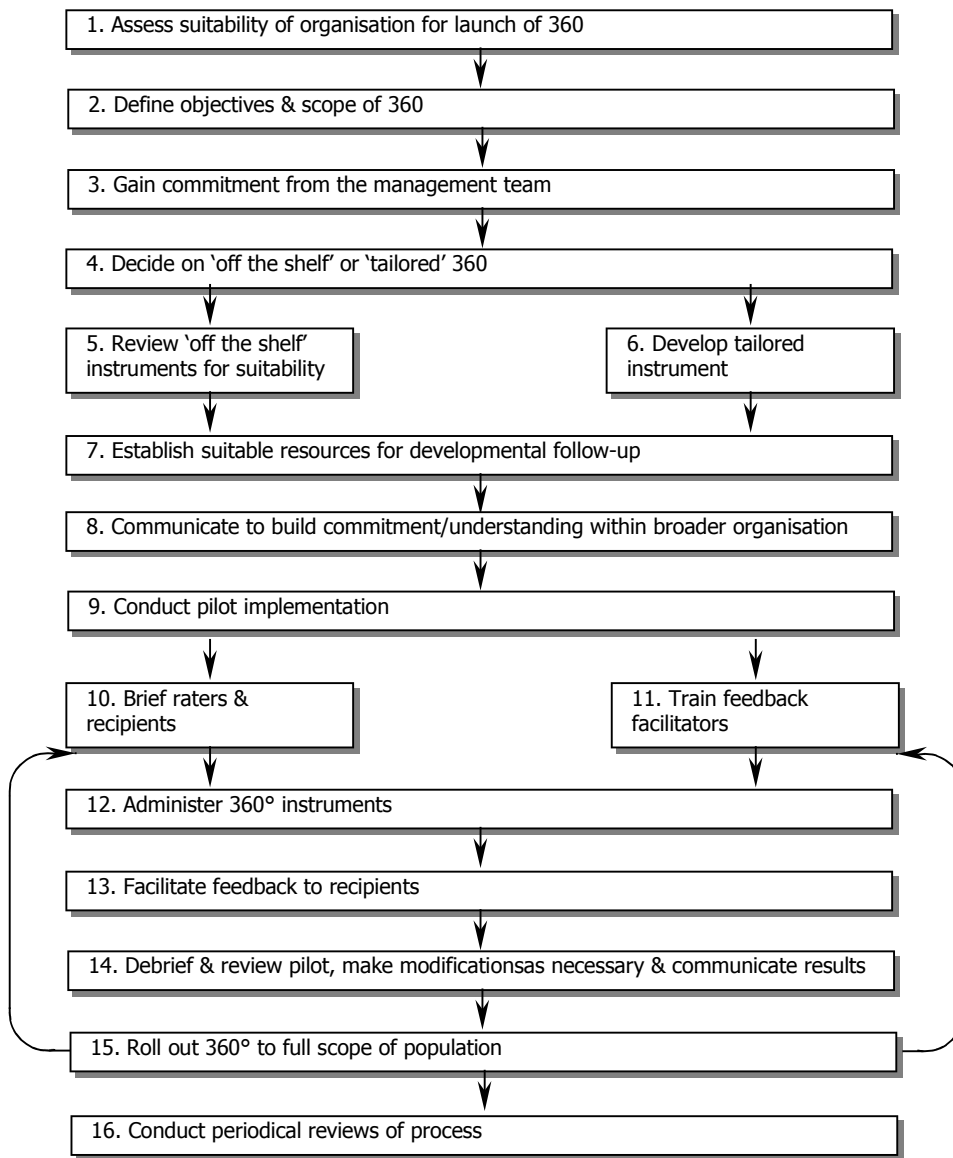
Figure A1.1: Overview of the 360-degree feedback and development process



Source: Edwards (2000)

Figure A1.2 outlines the various steps that many organisations have worked through in implementing a 360-degree feedback system. This 'step-by-step' figure is useful because we have been able to map our findings on to the figure in order to pinpoint the steps which our research shows are more problematic than others.

Figure A1.2: Classic steps in 360-degree feedback implementation



Source: *the Feedback Project (Spring 2001)*

Definitions of the parties involved

As there are many different parties involved in a typical 360-degree feedback programme, it is sensible to define these parties to avoid confusion. The following terms have been used throughout the report:

- **Receiver:** This is the individual who is the subject of the feedback exercise. It is the person who is being rated. In cases where 360-degree feedback is being used in an appraisal context, the receiver may also be referred to as the 'appraisee'.
- **Rater:** This is an individual who provides feedback by rating the receiver on various dimensions. The number of raters providing feedback varies enormously, however, there are typically between five and ten raters.
- **Facilitator:** This is the individual who feeds back the information provided by the raters to the receiver. The facilitator can be either the receiver's line manager or an internal or external third party. Typically the information is fed back during the 'feedback session' and will virtually always involve the presentation of a written 'feedback report' from the facilitator to the receiver. In cases where 360-degree feedback is being used in an appraisal context, the facilitator may also be referred to as the 'appraiser'.

Appendix 3: Detailed Review — Implementation Difficulties

Organisational readiness

Research suggests that an organisation's culture can influence the acceptance of a newly introduced 360-degree feedback system (Fieldsend and Standing, 2004). Indeed, careful consideration of the organisational culture prior to implementation can reveal hidden values which may hinder the success of the process. A 360-degree feedback system is more likely to be implemented without serious problems in organisations which value openness, trust and honesty coupled with a sincere regard for improving both employee and organisational effectiveness (the Feedback Project, 2001). It is less likely that a 360-degree feedback system would be accepted where the organisation has not previously given systematic feedback on performance. For many employees, this may present too much of an extreme step which may be greeted with hostility and resentment. Implementation should ideally develop from a continuous progression of appraisal and development systems. The example below highlights the importance of this issue:

Lack of organisational readiness at BrewCo

An issue which became apparent to those involved in the 360-degree feedback process was that the organisation was not ready, at that time, to embark upon feedback of this nature. There was no history of giving feedback to individuals about performance and historically the organisation had a 'macho' culture where giving feedback, either positive or negative was not the norm. The general feeling was that there was a need to get the basics right in terms of broader changes to the organisational culture and process before they would be able to embark on an effective 360-degree feedback process.

In contrast to this, the following example illustrates the ease with which 360-degree feedback can be introduced where the process is allowed to evolve organically:

Evolving organisation readiness at MoneyCo

At this organisation, there was an informal and low key introduction of 360-degree feedback in that it was not part of a major initiative or launch. Employees began to request the process as a development tool because of the fact that they had heard about it elsewhere or read about it. Therefore, it was not a deliberate introduction but rather it grew organically. It was optional for development and was often used as part of career development workshops. The implementation was very much a 'bottom up' approach and so HR responded by growing their delivery of it as a tool.

Some research (eg the Feedback Report, 2001) argues that giving employees a realistic overview of the 360-degree degree feedback system and the type of feedback employees can expect to receive (perhaps by disseminating an example of a feedback report) can help to lessen the degree of threat which some employees may perceive.

Employee awareness at LeisureCo

For the majority of employees, the implementation of a 360-degree feedback system was the first time they had experienced such feedback. The degree of threat experienced by receivers was alleviated to a large extent because they were given a realistic overview of the type of feedback they could expect to receive. Indeed, the majority of the receivers were aware in advance that the new feedback system was being implemented. A variety of methods were used to inform employees including telephone, email, workshops and information relayed directly from line managers. Some of the employees themselves had already received training as feedback facilitators and were aware through the facilitation workshops they had attended. Although most employees were aware of the 360-feedback system, there were still a handful of receivers who were not aware that they would receive a written feedback report.

Empirical investigations (eg Tziner *et al.*, 2001) report that managers' approaches to appraisal and actual rating behaviour can be influenced by such factors as their attitudes towards the organisation, namely perceptions of the organisational climate and their level of organisational commitment. Also, there is

evidence to suggest that work settings that are seen as supportive are likely to foster more accurate ratings as compared to unsupportive climates. (Yammarino and Dubinsky, 1990). The wider cultural context can also impact on ratings, for example, Dalal (2001) notes how Indian society does not encourage criticism of authority figures. Therefore, it is very difficult to obtain accurate ratings from raters when they are rating their managers.

Purpose

A 360-degree feedback system can be implemented for a variety of reasons. The following are the principal domains to which it is commonly applied (Ward, 1997):

- **Self-development:** here, the focus is on personal development or performance improvement as the responsibility of the employee. When used for self-development, the organisation often adopts more of a supportive role, facilitating the feedback and providing resources for development activities.
- **Highlighting training needs:** relatedly, 360-degree feedback may help receivers to concentrate on their training requirements and direct attention to suitable training activities.
- **Team-building:** information emerging from the feedback can allow teams to better understand their internal processes, or how the team is perceived externally, for example, by customers.
- **Performance Appraisal:** information derived from 360-degree feedback can be used to augment the feedback from traditional top-down appraisal.
- **Strategic development:** information from 360-degree feedback can also be accumulated so that HR strategists can highlight various occupational groups or organisational areas that have particular training and development requirements.
- **Remuneration:** a minority of organisations have begun to use 360-degree feedback as a method of determining part of employees' pay.

Whatever the reason 360-degree feedback is implemented, the data will be the same. However, the implications of the various uses for employees and the organisation can be very different. The reason for this is that some uses of 360-degree feedback are

more risky than others, if one considers the 360-degree feedback data in terms of the future impact on the employee. For example, the impact of 360-degree feedback used solely for developmental purposes will be very different from when it is used to determine part of employees' pay packets. Before these issues are discussed in more detail, it is helpful to think about the various uses of 360-degree feedback and the level of controversy associated with each use.

Ward (1997) notes that some uses of 360-degree feedback are perceived as carrying more risk for the individual than others. The controversy associated with the various uses of 360-degree feedback increases as the outcomes of the process relate more to administrative decisions. Self-development is the least controversial use, then training courses, team building, performance appraisal or management, organisation development and evaluation/validation. Links to remuneration are typically considered the most controversial.

For this reason, organisations that are clear from the outset about why they are implementing such a system and the impact it will have on employees and the organisation are more likely to avoid some of the risks it may otherwise pose. Indeed, in one of the participating organisations, a lack of clarity surrounding the implementation of the process had led to a number of unforeseen problems:

Revising purpose after two years at BrewCo

A 360-degree feedback system was initially introduced in the headquarters of the organisation in 1999, primarily as a development tool. After a review of how the process was received and the value it was adding, the organisation recognised that the system had been implemented without any explicit link to the wider business or HR strategy. There was no particular rationale for its introduction other than the fact that other competitors and industries were doing it and it seemed a positive and constructive process to introduce. At the time it was felt that there could be little harm in introducing 360-degree feedback.

The case example above illustrates the need for clarity of purpose surrounding implementation. However, there is also a need to ensure that the clarity of purpose is effectively communicated downwards within the organisation in order that employees are informed about how the outcomes of the process will affect

them. The purpose also needs to be re-communicated regularly or it can be lost over time. The case example below highlights this issue:

Losing sense of purpose after seven years at LocalGov

After seven annual rounds of 360-degree feedback there was confusion among staff surrounding the purpose of the process, namely, whether it is conducted in relation to performance management or development. Some staff commented that the organisation was not good at communicating the purpose of the process, and because of this, many employees doubted whether the process made much difference.

Senior managers did not perceive that 360-degree feedback played any significant role in helping address performance improvements. Other tools or systems were considered to be more helpful, and these varied according to the particular performance issues in different parts of the organisation. If poor performance, sickness or absence were the big issues, then 360-degree feedback was thought inappropriate to help in managing these and therefore 360-degree feedback should not be mandatory for these staff. Conversely if levels of motivation and staff commitment were already high there was no great benefit for the time invested in the exercise. Indeed whilst appraisal was considered important, 360-degree at LocalGov seemed to have become little more than one way of getting other people's views about past performance into the appraisal discussion. 360-degree was said to have been more helpful in the early years but over time the value of it has been eroded.

The importance of trust in the use of 360-degree feedback should not be underestimated in relation to purpose. Evidence from the case studies suggests that it is imperative that the purpose is clear. If employees have even the slightest suspicion that the information derived from the feedback exercise will impact their pay or progression if they have been led to believe it would not, then the whole focus of the system in terms of choice of raters by receivers, and the ratings provided by raters will be different:

Importance of trust at LeisureCo

On more than one occasion, it emerged that participants were not entirely confident that the outcomes of the feedback would be used for solely developmental purposes:

'Another thing is that they say is that this is being used just as a development exercise, but the thing is that it has got to have some

impact in some way on other things. I mean, I know the feedback session is done with a third party and is supposed to be confidential, but I'm sure it must have some effect somewhere along the way. I wouldn't be surprised if someone in HR had a little black book that they mark down the names of those who got bad feedback.'

Receiver

Resourcing

An important issue to consider when planning 360-degree feedback concerns how the organisation intends to maximise development activity in response to the feedback. This involves ensuring that there are sufficient resources in place to cover the cost of any additional development/training that may be required. When planning the introduction of a 360-degree feedback system, it is important to have an accurate view of the time and resources required to implement it effectively. This includes the time and resources needed:

- To establish and manage the system
- For raters to complete feedback questionnaires
- To gather and collate the feedback into a report
- For the feedback session
- To support subsequent action, typically in the form of training and development.

Therefore, not only must receivers be motivated to act in response to the feedback they receive, they must also have adequate resources for subsequent development and genuine support for career development. It goes without saying that the developmental benefits of 360-degree feedback can easily be nullified if receivers have accurate feedback which they are motivated to act on, but do not have the opportunity to do so. For this reason, it is important for organisations to consider in advance the resources needed to support such development activity. Considering the resources for subsequent development activity early in the process can help maintain a focus on the overall objective of the system and is likely to avoid the 360-degree feedback system turning into a frustrating experience for those involved.