

360-Degree Feedback

for a Competitive Edge

By David Antonioni



Executive Summary

The author uses a real-life example to show how a company redesigned its 360-degree feedback process so that it serves both developmental and evaluative functions. He concludes that using the new feedback procedures could give the company a competitive edge.

As 360-degree feedback processes become more common, organizations adopting this practice are choosing to use feedback results in vastly different ways. In simple terms, the two main purposes for this kind of feedback are development and evaluation. When the objective is development, feedback tends to be confidential, and individuals are expected to make behavioral improvements based on the feedback they receive. When the objective is evaluative, the feedback is not confidential and is used in annual performance appraisals. It can be used, for example, to determine how merit raises will be given.

Both methods have proponents and critics, pros and cons. Those who want the 360-degree feedback to be used for making personnel decisions argue that 360-degree developmental feedback does not provide individuals with enough incentive for making improvements. Furthermore, they say, refusing to consider 360 ratings in annual performance appraisals means compromising the decisions made during annual reviews. However, when responses are used for evaluation, both raters and ratees tend to be resistant, especially if the feedback is tied to merit raises. For this reason, supporters of developmental feedback say that 360 ratings must be kept confidential.

The solution may be to develop a feedback procedure that combines the benefits of both approaches. Following is a real-life example of how a practical, 360-degree feedback model can address both developmental and evaluative objectives.



A developmental and evaluative feedback model BioTech (not the company's real name), a small Midwestern company, redesigned their 360-degree feedback process to include both developmental and evaluative objectives. BioTech had been using 360 leadership behavior assessment for developmental feedback for two years. However, the CEO and the human resources director had received complaints from team leaders and employees that some individuals were not improving their work behaviors. These employees questioned the value of completing surveys at all because not everyone was being held accountable for using the feedback to make changes. HR had difficulty addressing these problems because the 360 data were regarded as confidential and therefore could not be used in the annual performance appraisals.

The first challenge the company faced was to design a developmental 360-feedback process that would help the company hold employees accountable for making needed improvements. The second was to figure out how to use multisource assessments to evaluate each individual's productivity and results in a way that would make the data available for use in annual performance appraisals. To respond to these challenges, a 360 project team was created, consisting of the HR director, two team leaders, one manager, and one executive.

Solving problems like those at BioTech requires making a distinction between measures of behavior and measures of work results. Most 360 surveys are designed to assess core competencies through questions about an individual's work behaviors or traits. Examples of core competencies are leadership, communication, innovation, ability to manage, and ability to engage in teamwork. Surveys may emphasize particular competencies, depending on the manager's position in the company. For example, strategic formation is more relevant to senior management, whereas strategic implementation is more relevant for middle management. Usually, the survey items include specific behaviors related to core competencies. Examples are the ability to listen (in relationship to communication) and creativity (in relationship to innovation). Examples of traits include such items as courage, trust, and integrity.

Focusing entirely on individuals' behaviors or traits, however, means ignoring the work results they produce. In

theory, leadership behaviors should have a strong association with positive work results. For example, managers who score high on planning, communicating, delegating, motivating, and coaching should have higher productivity than managers who score low on these behaviors. However, the

presumed relationship between desired work behaviors and productivity has not been empirically tested. Thus, there is no evidence to show that desired leadership behaviors will produce more positive results than undesired leadership behaviors.

In order to improve the measurement of employee performance, BioTech made a clear distinction between behaviors and results. BioTech developed two separate rating procedures — one that clarified and assessed desired work behaviors and one that did the same for work results. Multisource raters were used at different times to evaluate employees' work behaviors and results. Then the 360 project team established links between behaviors and work results by looking at each leadership behavior on the 360 survey as an input that would gain an output.

The concept that every employee supplied work to an internal customer helped the team build relationships between input and output. An example of this is when supervisors delegate decision-making authority (a behavior) to their direct contributors so that internal customers are supplied with work outputs on time because the company wants external customers to receive products or services on time (a result). Quality of work output was measured, using markers such as accuracy, timeliness, and percentage of work completed. (In some other cases, depending on the organization and the employee's level in the organization, results are measured by looking at work or business processes such as new-product development and order intake fulfillment.)

BioTech also established a policy and a process for monitoring the development of individuals who did not improve their low-rated behaviors after two consecutive 360 ratings periods. This policy was established because BioTech wanted to make sure that the 360 process provided adequate documentation of employees' behaviors and results, defined clear corrective goals and action plans, and provided training and coaching.

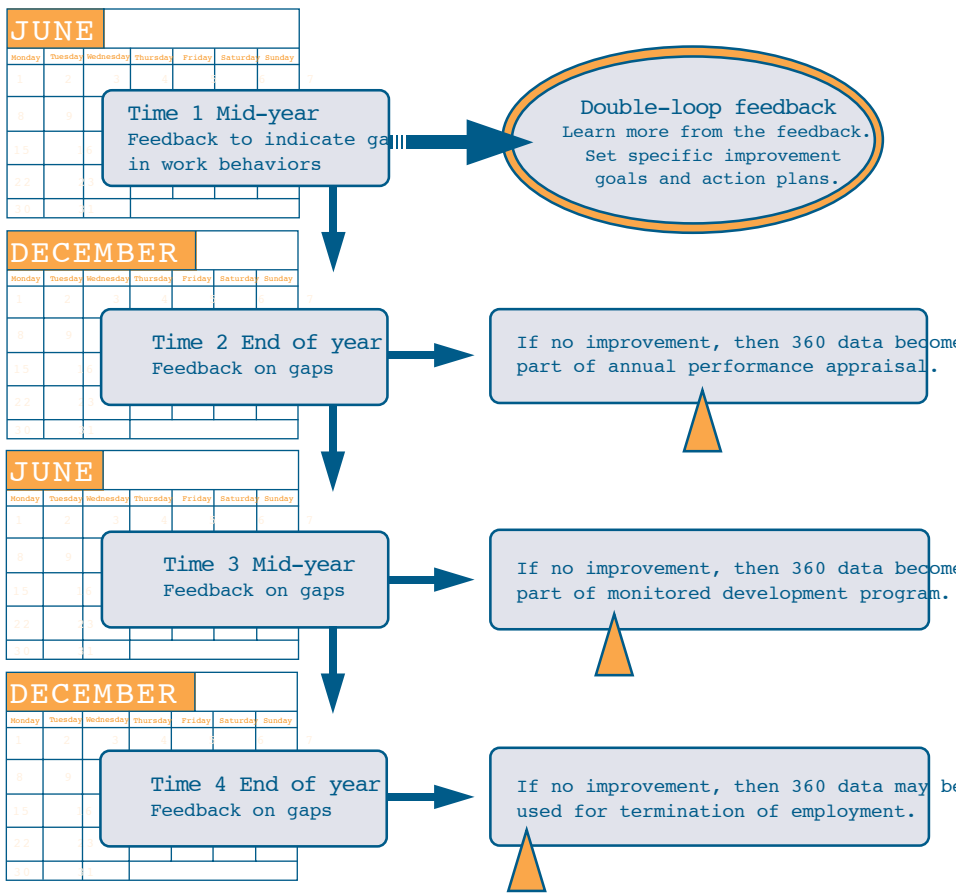


Figure 1. Developmental feedback with accountability

Model's effect on employees

Employees at BioTech were willing to accept the redesign of the 360 process. It had come about because of employee frustration and complaints. The 360 process was revamped to ensure that individuals would be held accountable for making necessary improvements. Figure 1 shows a model for gaining accountability when 360 feedback is used for development. This multistep procedure helped BioTech accomplish its first goal for the new 360-degree feedback process.

The first step, a mid-year assessment, helped to identify any gaps between current behaviors and desired behaviors. The feedback was presented as feed-forward, which means that individuals had an opportunity to find out where they fell short of other people's expectations. They then had time to make improvements before the second round of feedback. In addition, the process included double-loop learning, which requires raters and ratees to discuss the feedback in order to learn more from it. During this step, the ratees discussed a summary of their 360 results with their immediate supervisors and with their peer raters. They shared their action plans for improvement and could inquire about ways to improve specific work behaviors.

The 360 process should facilitate conversations about

expectations, roles, and responsibilities. Furthermore, the second, third, and fourth steps of the 360 process lay out the consequences for failing to improve, which can help self-manage the evaluation procedure. As noted earlier, the 360 ratings at mid-year are intended to be feed-forward, but the second 360 at the end of the year provides feedback. If no improvements have been made at this point, the 360 feedback becomes data that can be used in the annual performance appraisal.

The second challenge BioTech faced was to improve the annual performance appraisals by using results from the 360 process. The 360 project team knew that employees did not like the idea of using 360 developmental feedback to determine merit raises. However, they knew that many employees felt they were in a position to evaluate the work others delivered to them. After much discussion, the 360 project team concluded

that employees' internal customers should definitely be included as raters of results. The team based their logic on a supply chain management process — one suggesting that everyone should know how their work outputs add value to the organization's productivity. Because managers supply work to individuals who directly report to them, the team defined direct reports as a manager's internal customers. As a preliminary step in the 360 process, each employee mapped out his or her internal customers. Then the employees met with those customers to confirm the supplier-customer relationship.

Identifying internal customers and asking them to be part of the multisource assessment process produced a number of benefits. First, it led to meaningful conversations between internal suppliers and customers. This increased an awareness of what internal customers expected and why. Second, as raters, internal customers tended to be more objective in their ratings than noncustomer peers. They were less likely to inflate their ratings when asked to provide data for evaluations linked to merit raises.

Measurement design

The 360 project team, using input from other employees, then developed measures for evaluating results. The

team chose to measure factors that included the extent to which work output was complete, accurate, and punctual, and, when appropriate, the quantity of work outputs. Measures of results were specific to individuals' roles and responsibilities. Thus, some managers were measured on process improvement such as reduced cycle time for new-product development or order fulfillment; others were evaluated in terms of budget revenue and expenses.

Metrics then needed to be developed to measure each of the factors. This was the difficult part because there was no history at this company of collecting objective data to evaluate job performance. The project team, in conjunction with the HR director, discovered that most employees had not been setting measurable goals. Instead, they had simply been indicating what they were going to do. Managers and team leaders had to be taught how to set specific, attainable, and measurable goals. This enabled employees to do a better job



of integrating internal customers' evaluations of their results into their goals.

To help prevent people from inflating their ratings, evaluators were told not to worry about making fine discriminations in their evaluations. Raters were only required to identify high performers (those whose results were in the top 10 percent) and low performers (those whose results fell in the bottom 10

percent). This rating scheme is consistent with the work of Ed Lawler III, a compensation expert who claims it is too difficult for most people to make fine discriminations when evaluating job performance; therefore, identifying the top and bottom 10 percent creates more consensus and thus more acceptance of evaluative ratings.

Current status

At BioTech, the redesigned 360 process is currently working

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and accepted by employees. Employees are now willing to complete 360 surveys because they are more confident that their feedback will be used to make improvements. Raters know that individuals will be held accountable for making improvements based on the ratings. Team leaders and HR personnel can now use the 360 data, in specific situations, as documentation to persuade individuals to change their work behaviors. If they do not, they run the risk of losing employment with the company. Internal customers are pleased to have the opportunity to evaluate the work outputs (results) that they receive from peers, and they like the process of meeting with internal suppliers to discuss work output requirements.

This process provides a structure for suppliers to conduct an inquiry with internal customers, to determine what would help make that co-worker more successful. Also, open discussion among co-workers changes the adversarial, win-lose mindset to a collaborative, win-win approach. The process also encourages individuals to self-manage both their 360-degree feedback process and the assessment of their results. BioTech gives employees an additional incentive to use this process by stating that only those who use the process are eligible for merit raise increases.

The BioTech experience suggests that organizations introducing 360-degree feedback may do best by starting with a developmental objective and introducing an evaluation objective later on. Employees might need to get a feel for the developmental process first. Then they can experience a sense of frustration with the lack of accountability in a purely nonevaluative process. Finally, involving employees (a 360 project team) in the redesign of the 360 process helped BioTech address specific corporate structures, employee needs, and worker concerns, as they searched for methods to increase accountability and ways to use multisource raters to evaluate results.



Although there are plans to assess the relationship empirically between behaviors and results, it is difficult to control for extraneous factors that affect results. Such factors include the economy and unexpected expenses, as well as indirectly related activities of consumers, customers, and the competition. However, the CEO at BioTech believes the redesigned 360 process has raised productivity by improving interpersonal communication about work behaviors and expectations.

Furthermore, annual employee opinion surveys, conducted two years after the procedure was put in place, indicated a reduction in the number of undiscussables. Individuals now engage in conversations about work-related issues and concerns, even when there is some discomfort in doing so. The CEO believes that the new 360 process will help give the company a competitive advantage.

Overall, the 360 process should lead to smoother work relationships between managers and direct contributors and between peer suppliers and internal customers. The new standards for discussion among co-workers may also encourage the use of teamwork for improving processes such as new-product development, order intake, and customer service. In the end, all of these factors combined may mean increased growth and higher market share, retention of the best customers and the best employees, and added value for the company's shareholders. ■

For further reading

(See page 34 for ordering information.)

Antonioni, D., "Designing an Effective 360-Degree Appraisal Feedback Process," *Organizational Dynamics*, 1996.

Lawler III, E., *Strategic Pay: Aligning Organizational Strategies and Pay Systems*, Jossey-Bass, 1990. ■

The Author



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