At a time when corporates are struggling to increase employee engagement, a well-designed 360 degree appraisal can serve as a powerful tool to measure and improve employee performance, as well as, organizations’ overall competency.

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INTRODUCTION

Performance appraisal system is central to overall organizational growth and development. A powerful performance appraisal system acts as a change engine that brings about improvement and productivity at all levels. It also facilitates positive behavioral and cultural changes within organizations. In today’s competitive environment, a well-structured performance appraisal system is not a luxury but a necessity that organizations cannot do without.

A 360-degree feedback system is a comprehensive system of performance review that offers feedback on perceived behaviors along with accurate measure of an employee’s performance. Evidence reveals that organizations that have incorporated this multi-dimensional system witness a positive and noticeable change, which eventually lead to enhanced efficiency in the workplace.

This whitepaper examines the effectiveness of incorporating 360-degree feedback system into existing performance appraisal systems. The paper also sheds light on potential barriers in the 360-degree feedback system, as well as, the best practices that can be deployed to deal with diverse set of challenges.
WHY DEPLOY AN EFFECTIVE PERFORMANCE APPRAISAL SYSTEM?

A properly designed performance appraisal system has become the dire need for organizations competing in the global marketplace. An effective system of review helps organizations to direct employee behavior towards organizational goals, while ensuring individual growth and development. In matured global organizations, designing and implementing an effective performance appraisal system is one of the top-most people management priorities. A well-structured and effective appraisal system is helpful for:

- **Inspiring Superior Performance:** An effective performance appraisal system helps motivate people to deliver superior performance through enhanced motivation.

- **Predicting Performance of Job Applicants:** An effective system of review may help predict performance of job applicants. The data gathered during the different stages of evaluation may be used to set new benchmarks for evaluating applicant responses.

- **Nurturing Resources through Proper Training and Development:** An efficient system determines an employee’s specific needs for training and development. By identifying deficiencies that affect the employee’s performance, training and development programs can be made more robust and effective. The program can also be continuously enhanced by building on existing strengths and addressing deficiencies.

- **Assessing Employee Potential:** Efficient performance appraisal system can help assess employee’s potential on the basis of their past performances. When tracked over a longitudinal point of time it can help predict the future performance of each individual employee when entrusted with higher leadership or cross-functional roles. Collectively, the data from multiple employees can help predict the overall organizational competency and its ability to face future business challenges.

- **Setting and Evaluating Goals:** A good review mechanism ensures that every employee within the organization is able to set and achieve measurable goals. Such a systemic intervention enables managers and leaders to create effective macro- and micro-level strategies to engage employees in their tasks.

- **Defining Compensation Changes:** Performance appraisal systems can help provide deeper and meaningful insights for competency measurements of employees. This, in turn, can help develop appropriate mechanisms to offer a more predictable and objective analysis of remuneration increments.
HOW TO INTEGRATE 360-DEGREE FEEDBACK INTO THE PROCESS?

The process of 360-degree feedback appraisal is an employee development response that is gathered from juniors, colleagues and seniors within an organization. Introducing 360-degree multi-rater feedback into the performance appraisal process can be an effective mechanism to ensure that employees get to gather comprehensive unbiased feedback. The important stages in the integration process comprises of the following:

- **Preparing Employees and the Organization:** The first step in the process of integrating 360-degree feedback into the performance appraisal process includes preparing individual participants about the feedback and assessment. Besides setting organizational goals that can be met by incorporating this program, the logistics (360-degree instruments) required to implement the program are selected.

- **Administering the Assessment:** Once, participants are prepared and instruments selected, the assessment instrument can be administered.

- **Providing Feedback:** The next step in incorporating a 360-degree system of review involves providing feedback to individual employees. Though, different interpretations to feedback are possible, the goal should be to provide relevant and useful information for employee development.

- **Conducting Follow-up:** Once the feedback is construed, it is essential to conduct a follow-up of the entire process. Employees can set developmental goals, after identifying their strengths and developmental needs.
BENEFITS OF INCORPORATING 360-DEGREE PERFORMANCE FEEDBACK

Whether you are an individual, team or an organization, 360-degree performance feedback can offer you the following benefits:

- **Alleviate Deficiencies of Single-source Assessment:** 360-degree assessment provides an all-round perspective of an employee’s performance. This reduces rating biases, and provides credibility to the results.

- **Increased Efficiency:** When employees begin to see themselves as others perceive them, they tend to display positive and noticeable changes, leading to enhanced efficiency in the workplace.

- **Better Communication:** This system of review encourages managers and all team members to communicate more openly, constructively and honestly about their performances. This builds cohesion and improves teamwork.

- **Accurate Measure:** Since 360-degree feedback offers new and varied perspective from different raters, it provides an accurate assessment of employee’s skills and abilities.

- **Support Training and Development Needs:** Multi-source feedback offers a clear picture on the usefulness of training and development programs while providing an exact measurement of the ROI of training initiatives.

- **Reinforcing Organizational Values:** Feedback from 360-degree reviews provides clarity on how different groups or levels within an organization perceive organizational performance. Outlying measures and corrective action can be identified and implemented appropriately.

### Steps to arranging and implementing 360-degree feedback

1. **Set your objectives**
2. **Decide if participation is voluntary or mandatory**
3. **Decide who all will be assessed**
4. **Select the competencies, behaviors and values that you want to assess**
5. **Prepare the questions**
6. **Test your questions**
7. **Decide on the response format**
8. **Assess responses**
9. **Decide on the method of administration**
10. **Prepare a schedule**
11. **Arrange Training and Developmental activities**
POTENTIAL BARRIERS TO 360-DEGREE FEEDBACK

While many organizations consider the 360-degree system of review to be the cornerstone for driving individual and organizational change, there are some downsides to incorporating this review into existing processes. Following are the potential problems inherent to 360-degree system of review:

- **Ineffectual Evaluation Items in the Feedback form:** Absence of appropriate assessment items in the feedback form will yield useless data that may not be of any use to you.

- **Lack of Support from Management and Senior Members:** Without ample support and encouragement from the senior members for participation in the review program, your 360-degree initiative will never get going.

- **Lack of Proper Communication:** Lack of proper communication may lead to the failure of this program.

- **Fear or Lack of Trust:** The credibility of this program will be undermined if participants are scared of receiving or providing feedback.

- **Lack of well-thought-out Plan:** Without a well-thought-out plan, your feedback program will not run smoothly.

- **Improper Delivery of Feedback:** Inappropriate delivery of feedback may have negative impact on employee motivation. It may discourage them from participating in similar future initiatives.

BEST PRACTICES TO DEAL WITH CHALLENGES

For the 360-degree feedback system to be successful, gaining employee acceptance at all levels is important. Following are some best practices that may be deployed by organizations:

- **Increased Employee Participation:** Employees should be encouraged to participate actively so as to escalate the perception of justice.

- **Providing Training to Evaluators:** It is essential to encourage and train evaluators to provide accurate ratings. They should also be trained to provide feedback in a constructive, subtle, respectful and polite way.

- **Ensuring Proper Communication:** Every information regarding the 360-degree feedback system should be communicated to the employees which will help build trust.

- **Ensuring Relevance of Rating Instruments:** The rating instrument is considered to be relevant, valid and reliable only if it accurately and consistently measures what it proposes to measure.

- **Promoting Evaluator Familiarity:** People who are chosen as raters should have some level of familiarity with the participants. The feedback provided by such raters, besides reflecting the strengths and weaknesses of the participants, should also provide insights into other aspects of participants’ professional work.
CONCLUSION

360-degree performance appraisal systems cannot have a fixed formula and the way it is designed and deployed depends on the current business environment and a host of other factors. It is a continuous process which will evolve with time. The changes in 360-degree performance appraisal systems may be impacted by a wide range of factors, including changing organizational goals and customer aspirations, projected growth and expansion plans, leadership needs and so on and so forth. Efficient human resource managers understand that effective performance appraisal systems can be developed through collective intelligence, gathered over a period of time.

Because of inherent complex environment within which it is deployed, 360-degree feedback can develop errors and also be misused. Although, 360-degree feedback is primarily focused on performance appraisals it can also be used in the broader context to measure the overall performance of organizations, as a whole.

Research reveals that 360-degree feedback continues to evolve as newer tools and techniques are being deployed. Today, a key focus area for most human resource professionals is to explore the psychological implications of giving and receiving a 360-degree feedback. These are based on issues related to rater psychology, self-awareness, and receptivity of feedback including the deployment of powerful 360-degree feedback instruments.
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