Is 360 Degree Feedback Appraisal an Effective Way of Performance Evaluation?

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Abstract
The 360 degree feedback approach has been implemented by many organisations for development or performance evaluation objectives. This paper questions the effectiveness of 360 degree feedback implementations in rating employee performance. This literature review was conducted on 360 degree feedback practice with performance evaluation purposes. The aim of this review was to define and discuss the 360 degree feedback; contrasting the process with the other methods and identifying whether this is a good way of performing appraising or not. The superiority of multi-rater feedback to the traditional methods and the dominance of advantages over disadvantages lead us to conclude that the 360 degree feedback is effective in rating performance.

Key words: 360 Degree Feedback, Multi-Rater Feedback, Multi-Source Feedback, Performance Evaluation, HRM

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Introduction
The tough business environment creates the necessity to rate employee performance in order to measure the returns an organisation gets in exchange of the salary it pays. Evaluation is one of the most required and useful practices in order to determine how an organisation or an employee performing. Without rating its productivity, companies or managers cannot be aware of how well they are doing. Feedback may be seen as a mirror which reflects employees’ level of productivity. It provides an opportunity to see you from other people’s perspectives. Mandal proposes that ‘Feedback of any nature is important for initiating improvements’ (Mandal, 2002, pp. 36). 360 degree feedback combines the advantages of giving feedback and evaluating performance in its unique character. Since the last decade, 360 degree feedback has attracted attention as a Human Resources method (CIPD, 2003; Ward, 2004). The process has been widely used by many organisations and popularity of the approach has been increasing (Waldman and Atwater, 1998). Effectiveness of 360 degree feedback procedure as a
development instrument is rightly proved (Tyson and Ward, 2004) and accepted by experts. However, the efficiency of the method in evaluating performance is not totally clarified. Fletcher summarized the position of multi-rater feedback practice as ‘Initially, it tended to be used purely for development purposes, and often on a one-off basis, but increasingly; it is becoming part of the formal, annual appraisal process’ (Fletcher, 2001, pp. 479). The question of whether it is effective or not to implement 360 degree feedback in order to evaluate performance in preference to development purposes has not been clarified in the literature. The motive of this paper is finding an answer to the question of whether 360 degree feedback appraisal is an effective way of performance evaluation or not.

1. Conceptual Framework
1.1. What is Performance Management and Performance Evaluation?
Performance management is an important HRM process that provides the basis for improving and developing performance and is part of the reward system in its most general sense. Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. As Weiss and Hartle (1997) commented, performance management is: “A process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success”.

‘Generally speaking, a performance appraisal is an evaluation of an employee’s performance along pertinent dimensions (e.g., results, participation, etc.), and feedback is the communication of the appraisal results to the person being appraised’ (Kurtzberg et al., 2005). The performance evaluation process is known to be a troublesome and vague approach. Baron and Kreps (1999) declared that there is no performance appraisal practice that works perfectly. Therefore, most methods have some defects. However an important point about performance evaluation is finding the most suitable method for an organization’s culture, structure and employee profile.

There is disagreement about the connection between performance ratings and 360 degree feedback scores in that the receivers who get high scores from their feedback are not really high performers (Maylett and Riboldi, 2007). Notwithstanding some opposing arguments exist, the majority of authors in the literature claim that there is a correlation between multi-rater feedback and performance evaluations (Lepsinger and Lucia, 1997; Gallagher, 2008; Carter et al., 2005). Additionally, there is a suggestion that some of the findings relevant to multi-source feedback are not pertinent to performance appraisals (Atwater et al., 2007).

1.2. What is 360 Degree Feedback?
360 degree feedback is also known as full-circle appraisal, multi-rater feedback, multi-source feedback, upwards feedback, group performance review, 360 degree appraisal, 540 degree feedback, all-round feedback, and peer appraisal. According to Ward (2004) all these terms convey the same meaning.

Lepsinger and Lucia define 360 degree feedback method as ‘the feedback process which involves collecting perceptions about a person’s behaviour and the impact of that behaviour
from the person’s boss or bosses, direct reports, colleagues, fellow members of project teams, internal and external customers, and suppliers’ (Lepsinger and Lucia, 1997. p.6). The authors claim that 360 degree feedback and the feedback from various raters are used as synonyms.

There are two common uses of the 360 degree feedback implementation – these are development and appraising and performance management purposes (Atwater et al., 2007; Atwater and Waldman, 1998; Ward, 2004; Tyson and Ward, 2004). It has been acknowledged that most multi-source feedback techniques have been used with a development emphasis (Fletcher, 2001). Furthermore, it may be argued that multi-rater feedback practices provide the best results when they are utilised for development rather than performance ratings (Atwater et al., 2007); most research declares that 360 degree approaches provide beneficial results when used for performance evaluating purposes (Ward, 2004; Lepsinger and Lucia, 1997; Gallagher, 2008; Dowling et al., 2008; Carter et al., 2005).

1.3. History of 360 Degree feedback

360-degree feedback, also known as multi-source assessment, is a process in which someone’s performance is assessed and feedback is given by a number of people who may include their manager, subordinates, colleagues and customers. This is the most common approach and is more properly described as 180-degree feedback (Armstrong, 2009:615-643).

As a term, 360 degree is derived from pilots’ visual checks before take off (Shea, 1999; cited by Rohan-Jones, 2004, pp.2-3). Therefore it is rooted in the military terms. The 360 degree term is found by a US Navy pilot whose name is Professor Mark Edwards. The idea comes from peer review in US military institutions (Rohan-Jones, 2004). Apart from its name, multi-rater feedback procedure originates from ‘employee attitude survey, performance appraisal and personal development plans and assessment centres’ (Chivers and Darling, 1999, pp.16). The combination of these three components has shaped 360 degree feedback as an instrument. The extent of 360 degree feedback use is summarised by Chivers and Darling (1999) between 1996 and 1998; according to their data multi rater feedback procedure was implemented in 1996 by 38% of 119 organisations, in 1997 by 11% of 388 companies and in 1998 by 47% of 216 firms.

1.4. The Information Collected Through 360 Degree Feedback

Lepsinger and Lucia (1997) divided the information which is gathered into three groups such as style, knowledge and individual’s skills. Ward (2004) introduces two types of feedback results expected and unexpected results. Expected information from the raters is defined under two headings such as ‘developmental areas’ and ‘strengths’ (Ward, 2004, pp.18). Developmental areas include the attitudes the raters find improvement necessary. Strengths represent the powerful sides of the appraisee which are evaluated by the rater. When the ratee receives the feedback on how he or she is seen by the rater and is surprised by these results, it is called unexpected information.

The steps which are followed during 360 degree feedback implementation may differ from an organisation to another according to its structure and employee profile. Lepsinger and Lucia propose the steps of multi-rater feedback system such as planning, introducing the process,
selecting raters, assembling and distributing questionnaires, processing the questionnaires (Lepsinger and Lucia, 1997). In addition, Ward classifies the process of multi-source feedback implementation into eight groups such as ‘observation, briefing, questionnaire completion, report processing, feedback, reflection, action plan and changed behaviour (Ward, 2004, pp.20). Rao and colleagues define the process of 360 feedback with ten steps which determine the aims of the procedure, choosing the theme of the practice, clarifying the level of receivers, variables collection, identifying the extent of the process and classifying the variables, transforming inputs to task activities, forming the rating scale and format of the questionnaire, pilot testing, reporting the results of pilot testing and lastly final revision and modifications (Rao et al., 2002). As another alternative, Chivers and Darling (1999) describe the beginning of multi rater feedback process as the receivers complete the feedback questionnaire about themselves first and the last step is proposed as training and an action plan.

There are several comments on the implementation methods of multi-rater feedback as much as the approach itself. A viewpoint is that ‘Although the 360 degree feedback process is becoming more formalised in some parts of the organisation, it is important to allow the flexible use and the freedom to adapt it within parameters’ (Chivers and Darling, 1999, pp.43). The sources who provide information and rate employee performance are the senior managers, supervisors, subordinates, peers, customers, suppliers, and the ratee itself (Ward, 2004; Lepsinger and Lucia, 1997). These sources constitute the main factors that make 360 degree feedback a unique implementation by providing an expansive evaluation of the receiver.

The facilitator is the person who provides the information; in other words feedback flows between the rater and the ratee (Carter et. al., 2005). In addition, Ward (2004) defines the job of the 360 degree feedback facilitator as supporting the ratee and the rater. If the facilitator treats the ratees in an understanding and supportive way when they receive negative feedback; the facilitator may lead them to shift the negative aspects to positive changes.

The raters and the ratees have undeniable roles within 360 degree feedback process; when employees are doubtful about the organisation they are likely to be less committed to multi-source feedback (Atwater et al., 2000; cited by McCarthy and Garavan, 2007, pp.906).

2. Methods For Gathering The Feedback

2.1. Formal Methods

2.1.1 Questionnaires (Paper-based, Online and On Disks):

One possible method for gathering the feedback is questionnaires. Questionnaires are designed in order to gather information about measurable aspects of a work of an employee by Likert scales or different scoring methods (Dewing et al., 2004). The assessments of the raters may differ upon whether the appraisal is paper-based or online (Kurtzberg et al., 2005) or on disks.

When raters complete the questionnaire, they select the option which best describes their perception about the ratee (Lepsinger and Lucia, 1997). Paper-based questionnaires are used as scannable and non-scannable (Ward, 2004). Scannable paper questionnaires may be identified as time savers. However, it is likely that the non-scannable ones are less costly. Ward (2004) claims that transcribing handwriting is a problematic area. The need for a typist is one of the cons of paper-based questionnaires. Paper-based systems are defined as standardized forms;
their costs are lower but keeping files lead to complicated paperwork (Montague, 2007) and a waste of time. Online questionnaires are becoming more and more common within the organisations. This data gathering method allows the rater to complete the questionnaire and send it electronically (Ward, 2004).

2.1.2. Structured interviews
There are three ways to gather feedback through interview - telephone interviews, group interviews and face-to-face interviews. Group interviews are known as the least reliable way of interviewing the raters. During 360 degree appraisals usually one-on-one interviews are utilised in order to gather feedback (Lepsinger and Lucia, 1997). Collecting the best information required the facilitator or the manager to be trained. The authors affirm that one-on-one interviews provide various qualitative data. The question format is generally based on open-ended questions. It may be claimed that one-on-one interviews take more time than average questionnaires. Ang and Cummings imply that electronic mail is used more likely to gather information than face-to-face meeting (Ang and Cummings, 1994; cited by Fletcher, 2001, pp.482).

2.2. Informal Methods (Unstructured Interviews and E-Mails):
When it is preferred to use unstructured interviews in order to gather feedback; the level of the analyst’s skill is significant to get the best result (Ward, 2004). Even it is suggested that if the interviewer is not qualified and trained, it may be wrong to choose that gathering method. Gathering feedback through e-mails from the raters is another informal method. These are not the only practice known as informal methods. Chivers and Darling (1999) also stated that a mixture of regular questionnaires and rated questions are used by some organisations; the utilisation of qualitative information and open-ended questions has been increased. The authors see this situation as a sign of using less formal methods of feedback.

2.3. The Purpose of 360 Degree Feedback
Carter and colleagues (2005) propose the reasons of 360 degree feedback implementation as self development, highlighting training needs, team-building, performance appraisal, strategic development and remuneration. Lepsinger and Lucia (1997) indicate the grounds of multi-source feedback approach as achieving business strategy, supporting cultural change, fostering individual development, enhancing team effectiveness, and identifying training and selection requirements. Rao and colleagues (2002) advocate some objectives of multi-rater feedback as team building and management, succession planning, right placing, promoting identified values of the organisation, decision making, enhancing communications throughout the organisation, systems orientation and thinking, to reward and as a supplement to the annual performance evaluation system. The motives of multi-rater feedback examined in this paper may be identified as - performance evaluating, spotting high and low level performers, to reward and highlighting training needs and right placing. It is not efficient to accept only performance appraisal as the aim of 360
degree feedback because rewarding employees, placing them and emphasizing their training needs are closely related to performance evaluation process.

2.4. Time Frame and Frequency of 360 Degree Implementation
A complete multi-rater feedback process may take much more time than anticipated and may be more detailed than expected. Therefore, it is suggested that the organizations which decide to accomplish 360 degree feedback should consider the time requirement and be ready to wait for the results (Ward, 2004). Carter and colleagues recommend that it is necessary to have an idea about the time frame of the procedure for an organization which is preparing to introduce multi-source feedback (Carter et al., 2005). It may be stated that 360 degree feedback implementation takes more time than most other assessments; for instance the time length of development centres is claimed to be last for several days (Ward, 2004). Nevertheless, if you consider the type and diversity of the feedback that is collecting, it may not be seen as a long period.

2.5. Cost of 360 Degree Feedback
Not only the time frame but also the cost of the multi-rater feedback practice may be significant points which an organization has to have a consider before introducing the system (Carter et al., 2005). The practices which cause cost may be defined as purchasing 360 degree feedback software; purchasing multi-rater feedback consulting services; controlling annual performance reviews; designing, printing (if it is paper-based), copying, filling and distributing appraisal forms; designing and communicating the procedure; training facilitators and managers for the practice; handling post-appraisal lawsuits (Nickols, 2007); and piloting.

2.6. Validity and Reliability of 360 Degree Feedback
The validity and reliability of multi source feedback are defined as a problematic topic. It is advocated that ‘...increasing the number and variety of feedback sources meant enhanced fairness and objectivity...’ (Carter et al., 2005, pp.85). However, Fletcher declares that ‘The notion that, because 360 degree feedback involves more sources of evaluation than conventional appraisal, it is somehow more objective and accurate is difficult to support’ (Fletcher, 2001, pp. 479). With the exception of appraisee’s peers (Greguras and Robie, 1998), trustworthiness of inter-raters is seen as weak. It is stated that peer evaluations provide the most valid feedback within the other rater groups (Wexley and Klimoski, 1984).

Selection of participants is related to validity and reliability. The validity of the feedback has an important effect on the receiver’s perception of whether the feedback is reliable or not. It is advocated that if the ratee is convinced of the rater’s ‘expertise and trustworthiness’ (Lepsinger and Lucia, 1997, pp.128), he or she trusts and accepts the results of the feedback.

2.7. Reactions to 360 Degree Feedback and Cultural Effects
It it declared that there have been a variety of responses received from the ratees to the results of 360 degree feedback including loyalty, eagerness to improve, trauma and pessimism (Carter et al., 2005). The cause of this diversification may be seen as personality differences, age,
gender, education level, psychological states, backgrounds of the receivers, and sensitivity levels of the ratees (McCarthy and Garavan, 2007). For instance McCarthy and Garavan (2007) clarify some reasons of different reactions to multi-rater feedback by based on the suggestions of et al. (2000), Fletcher (1999) and McEvoy and Butler (1987). According to these writers, older employees may be less committed to 360 degree feedback practice, women may be more receptive to the feedback and education level may be inversely correlated to acceptance of feedback. However, it is declared that there is no correlation between participant reactions to feedback and individual differences with the exception of self-efficacy which lead employees to have more positive reactions (Atwater et al., 2007). Internal and external locus of control effect employees’ perceptions and reactions. Employees with high internal locus of control perceive feedback and the results of feedback more favourably and willing to improve their performance (Ilgen et al., 1979; cited by McCarthy and Garavan 2007, pp.906; Atwater et al., 2007). The opposite is valid for external locus of control.

2.8. A Comparison of 360 Degree Feedback and Other Assessment Methods
Ward (2004) has compared and contrasted multi-rater feedback with the other assessment methods. Some of the traditional assessment methods are development centres, personality inventories, employee surveys, ability tests and performance appraisal (Ward, 2004). 360 degree feedback has some common information gathering methods with the other techniques. For example, employee surveys, ability tests, personality inventories and multi-rater feedback approach use questionnaires. Although Ward did not mention, interviews are being used during 360 degree feedback implementation (Lepsinger and Lucia, 1997).

Ward declares that ‘Previous methods of assessment are beginning to be seen as too imprecise or complicated. ...360 degree feedback immediately suggests itself as an ideal measurement tool’ (Ward, 2004, pp.23). Although it is not seem as possible to deny the positive outcomes, effectiveness and modernity of multi-rater feedback practice; it may not be correct to state that the former methods of performance evaluation are more complicated than 360 degree feedback. Most of the traditional methods are known as being more simple but less productive than multi-source feedback approach. Folger and his colleagues suggest that multi-rater feedback implementations enable to get a more complex evaluation than only downward or upward feedback also they reduce biases (Folger et al., 1992).

2.9. Strengths and Weaknesses of 360 Degree Feedback
2.9.1. Strengths
One suggestion is that multi-rater feedback approach strengthens the contact between the raters and the ratees (Gallagher, 2008). Another positive aspect of multi source feedback is that by evaluating their boss, raters may feel empowered (Alimo-Metcalfe, 2003). Opportunity of rating their boss may give employees the experience of power and right to speak. Multi-rater feedback systems provide high quality feedback and are used for performance coaching (Atwater et al., 2007). Feedback from various sources provides more reliable information in order to inform the receivers about the level of their performance.
It is declared by Gallagher that multi-rater feedback system leads managers to draw a clear frame of employee strengths and weaknesses; it reveals the ‘blind spots’ of receiver performance (Gallagher, 2008, pp.61).

Atwater and colleagues (2007) propose that 360 degree feedback practice may diagnose misalignment between internal and external stakeholders. That may lead to communication between them.

Deci and Ryan (1985) illustrate that recognition of good performance may improve perceived competence of employees and following that it may enhance intrinsic motivation (Deci and Ryan, 1985; cited by Kuvaas, 2007, pp.381).

Gitlespie and Parry (2006) carried out a literature review and found that 360 degree feedback implementations lead to team interactions. 360 degree feedback provides the opportunity for employees to evaluate themselves and the way other people work with them evaluate their behaviour (Rohan-Jones, 2004).

Heathfield (2001) claims that multi-sourced feedback decreases gender, race and age discrimination. Another positive effect of 360 degree feedback is provision of legal protection (Carter et al., 2005; Gitlespie and Parry, 2006).

2.9.2. Weaknesses
Multi-rater feedback implementation requires a substantial amount of cost (Rohan-Jones, 2004; Ward, 2004; Nickols, 2007). This fact may be seen as a limitation of 360 degree feedback implementation. Levy and Albright (1995) illustrated that multiple feedbacks may cause discrepancies as a result of multiple raters. There has been a criticism about a free choice of respondents which claims that receivers are likely to choose the raters who are close to them and who like them (Ward, 2004).

Another negative aspect about 360 degree feedback is the threat of negative emphasis of receiver performance (Ward, 2004). The facilitators or the managers, who apply the multi rater feedback tool, may focus on the weakness of the appraisees’ performance.

Ward (2004) proposes that there may be some difficulties for appraising managers with their new responsibilities and the details that they have to manage. As was set out in the previous sections, 360 degree feedback approach itself is as important as the gathered feedback; therefore managers have to follow the process carefully and that adds more work to their jobs.

Conclusion
This paper discussed the question of whether 360 degree feedback process is an effective performance evaluation instrument or not. The authors within the literature review on multi-rater feedback implementations offer various answers to the question being addressed here.

There were arguments on performance evaluation purposes of multi-source feedback and the outcomes of the process. Whilst some scholars were strong proponents of the (Ward, Carter, Silverman, Kerrin, Lepsinger, Lucia, Atwater, McCarthy, and Garavan) utilisation of 360 degree feedback practice in rating performance, others have been much more sceptical (Rohan-Jones, Nickols, Albright, and Levy) The definition of the process, the steps that are required, different feedback gathering and delivering methods and various feedback providers tell us that the 360
degree feedback is a detailed technique. The unique characteristic of 360 degree feedback which is known as utilising multiple sources also makes the process detailed. However, these are the details which provide the better feedback and cover all facets of employee performance. It may be claimed that the more you gather feedback from various sources, the more information you absorb about individual’s productivity. Besides, there are many factors which affect the result of the feedback, such as personality of the raters and the ratees, and the culture of the organisation. These effects lead the employees to react in different ways to feedback. The analysis of the multi-rater feedback approach provides us with the distinction between 360 degree feedback and the other methods as well as presenting the overall picture of positive and negative outcomes. It was my belief that comparing multi-rater feedback method with the other more traditional methods and weighing the advantages against the disadvantages of the system might lead us to come to a conclusion. Many authors (Ward, Lepsinger, Carter, Albright, Levy, Rohan-Jones, and Nickols) suggest that multi-source feedback is flawed, sometimes more so than the other methods. These are valid concerns and must not be dismissed. However, although it contains disadvantages, the 360 degree feedback implementation provides many positive outcomes in fact much more than the other traditional methods can provide. Additionally, not only is multi-rater feedback a beneficial method of development; but it also is an effective tool for performance evaluation. The conclusion of this paper is that although it is not easy to implement 360 degree feedback practice, if it is utilised correctly its positive outcomes are highly satisfying. 360 degree feedback appraisal is an effective method for performance evaluation. During the literature review it was noted that more research on multi-source feedback as a performance rating tool is required.

References


