

## 360 Degrees Performance Appraisal- Benefits & Shortcoming

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### Abstract—

*Performance appraisal is one of the functions of Human Resource Management for measuring and evaluating the performance of the employees in an organisation over a period of time as against the set standards. Different methods are used for evaluating performance in different types of organisations and 360 degrees performance appraisal is one of them. Though it is not very popular in India but many big organisations use this method for measuring employee's performance. Through this paper, an attempt has been made to understand and present the methodology behind the 360 degrees performance appraisal and how it can be implemented in organisations. Various benefits and disadvantages of introducing this method into organisations have also been listed down. The available literature provides an overview regarding how this method is beneficial for increasing the overall efficiency of the employee as an individual and the firm as a whole, and as a result performance improves and training and development leads to real opportunities for promotion within the company. Employees are also motivated and can have a positive knock-on effect in areas like customer service.*

**Keywords—** Performance Appraisal, 360 Degrees Appraisal, Organisational Objectives, Individual Development, Individual Objectives.

### I. INTRODUCTION

360 degree feedback is a feedback taken from various sources. Under this system, as employee is rated by his peers, superiors, subordinates and even the customers (ref.6). Thus this system is named 360 degrees appraisal because one person is rated from all the sides. The employees get a broader view and review of their performance which makes him able to list out his strengths & weaknesses. This method can be used for developing training programs as the weak points of the employees are pointed out and the employees tend to work hard for improving their performance. Appraisal under this method is done with the help of questionnaires containing the list of competencies against which the individuals are ranked, thus it ensures anonymity of the person filling the questionnaire. The questionnaire generally contains aspects like leadership qualities, teamwork, communication, adaptability, goal orientation, etc. 360 degree feedback is commonly used for following (ref.1):-

- For learning & development of the participants.
- For supporting the remuneration decisions.
- For appraisal, resourcing & succession planning.

#### A. Traditional methods & 360 degree feedback

360 degree feedback plan has to be clear regarding what the organisational objective is and what will be the individual objective of every employee. The HR department has to zero in on the employees who are to be appraised using this method. This method is sometimes confused with the traditional methods of appraisals or management sometimes tries to co-ordinate it with traditional approaches. But, it is totally different from the traditional methods. It should be used as a standalone personal development process (ref.4). It should focus on developing skills of the employees and addressing their development needs. But it can be used in enhancing the traditional approach which covers the following:-

- It concentrates on past performances i.e. what has been achieved and how it has been achieved.
- It sets the future objectives for the organisation as whole and individual goals.
- It concentrates on what is to be done to achieve the future organisation and individual objectives.

#### B. Brief History

The feedback from subordinates to managers is referred to as 180 degrees feedback and when this 360 degrees feedback is twice i.e. once at the time of setting up of the goals and second when the feedback is given then it becomes 720 degrees feedback. How this 360 degrees appraisal started can become clear from its brief history (ref.5):-

- In the beginning of the 20<sup>th</sup> century the feedback of the workers mainly depend on their equation with their boss and not on their productivity. Thus the appraisal system was full of biases.

- In early 1950's, Management by Objective (MBO) came into picture. MBO diverted the focus on working towards achievement of organisations objective and then concentrating on achieving group and individual objective. Thus performance became measurable against the set standards and as a result performance went up and job satisfaction also increased. But this was also not free from bias as the group member could be rated on the group's performance and not on his individual performance.
- In mid 1960's and early 1970's, need for providing more accurate feedback was felt. Thus feedback from direct reports came into picture. Thus subordinates could tell how they felt about their managers and it showed a positive impact on manager's performance.
- In mid 1980's teamwork was encouraged and opinions from peers, boss and even customers were given importance. Goals were set and employees were told about what is expected from them and thus 360 degrees feedback was born.

### C. Pre-requisites for having 360 degree review system

It is very important for the organisation and the employees to be prepared in advance for the change and accepting a new method for appraisal. Following are some points to be taken care of for this method to be effective:-

- Top management should be able to spare so much of time to give feedback for all the employees.
- The feedback thus given should be free from bias and anonymity should be ensured for the method to be effective.
- The feedback should be considered seriously and the information should be used to bring positive change in oneself and the organisation.
- Teamwork should be encouraged in the organisation in order to achieve the organisations common objective.
- There should be existence of healthy competition among the employees of the organisation.
- Employees should be inquisitive and should want to know how people feel for them so that they can improve their behaviour and performance.

### D. 360 degrees feedback & Indian scenario

The 360 degrees feedback has gained momentum in many countries but it is still to take off in full swing in Indian companies. This is because people here are averse to change. They like following the old traditions and patterns which have been made long back. Importance is given to the hierarchy and the person on top rules. The subordinates follow the leaders even if any one of them is competent enough to lead because the recruitment is still done on the basis of qualification and work experience and not on the basis of competency. Moreover people here have a habit of pleasing their bosses and they do not open up about their bosses because of fear of coming in his bad books. The authority flows from top to bottom and the opinions of subordinates are not given any importance because of internal politics in various departments. Moreover, appraisal information is needed for several purposes which ignore the major purpose of the appraisal i.e. achieving the organisational objectives. Managers make false promises and lack of training facilities lead to poor co-ordination among the groups and individuals.

## II. BENEFITS & SHORTCOMINGS OF 360 DEGREES APPRAISAL

### Benefits

360 degrees appraisal gives chance to all levels of employees to give their input and contribute towards achievement of the organisation goal. A number of distinct benefits can be realized from this type of appraisal, and this technique has been gaining widespread popularity among small businesses (ref.7). 360 degrees feedback helps the individuals to get a broader perspective of how other perceive them and thus it motivates them to work harder towards achieving organizational goal. The feedback provides a more rounded view of their performance (ref.1). Following are some benefits of 360 degree feedback which I could gather out of the available literature:-

#### A. Creates awareness among employees & senior management

This system of feedback creates awareness and spirit to compete among the employees. They tend to work hard to achieve their departmental goals and their personal goals in order to have a better performance ranking. Since, feedback is taken from peers also so employees tend to have better relationships with their colleagues which results in healthy working environment. This system acts as a three dimensional mirror because a person can have a different dimensional view of his performance. Not only the employees, but senior management too gets to know their need for development (ref.1). The feedback thus received is considered to be more objective and valid as it's collected from various sources.

#### B. All round development of the person being rated

This system helps in the all round development of the employees. As I have already mentioned, they will have better interpersonal relations within their department and with their seniors. They'll also maintain good relations with the customers and suppliers. The flaws of persons can be known and accordingly training sessions can be arranged to overcome the weaknesses of the employees. It also helps in developing good leadership qualities as leadership qualities is one of the parameters for providing the feedback. "It broadens the scope for employees to get various says for enhancing their job role, performance, and views (ref.8)".

*C. All efforts are co-ordinated towards achieving organisational objective*

The feedback is taken on certain parameters mentioned in a questionnaire. These parameters are generally same for employees of same level or same department or group. Thus the kind of work they are expected to do is also same. They direct their efforts towards achieving their personal goals and organisational goals. Their feedback also depends on how successful they were in achieving the organisational objective.

*D. Helps improving performance of organisation as a whole*

The companies can use the data collected through feedback programs to monitor consistent patterns and areas of weaknesses for employees within the organisation (ref.3). Thus as discussed in the above points, the top management can more effectively and appropriately train programs to overcome the weak areas. This will lead to improvement in performance of various departments in the organisation and as a result, the overall performance of the firm goes up.

*E. Increased consistency in the performance*

An all-round feedback helps in improving the consistency in the working patterns of an organisation. The employees are more concerned regarding how others perceive them. This motivates them to perform consistently towards achieving the organisational goal as this will help them achieve their personal goal as well, which will further lead to individual growth. Thus the employees will feel more content with their performance. 360-degree feedback allows employees to gain a more thorough understanding of their impact on people they interact with every day (ref.7). This method helps in motivating the employees who undervalue themselves.

*F. Improved superior-subordinate relationships*

In traditional appraisal system, the feedback is totally in the hands of the supervisor thus he can be biased in his judgement. He can give good ranking to those in his good books or he can rank employees on the basis of their recent performance while they expect to be ranked on whole year's performance. This can lead to differences between superior and the subordinates. The 360 degrees feedback helps in creating an environment of trust. The employees feel more motivated and work in teams towards achieving the common objective if the feedback is positive. Employees tend to be more honest with each other and help each other.

*G. Complete analysis of the subject*

Since feedback is from many sources and every source has a separate relation with subject. So everybody gives feedback from their own perspective and as per their experience and expectations. "Supervisors, for example, may judge employees based on their output, while co-workers judge others based on their pleasantness, and subordinates judge supervisors based on their fairness (ref.7)." Thus, this feedback provides a complete analysis of the person being reviewed and it has a positive impact on him and can induce him to change as per the observations.

*H. Suitable for appraisal of top-management executives*

This kind of feedback is suitable for the review of the top management as they don't have many people as their supervisor or boss who can rate them. Plus they are the people on whose decisions the organisations operate so their decisions affect almost everybody from employees to customers to suppliers. Subordinates can provide their opinion without any fear of being confronted because this review is done on the principle of anonymity.

*I. Helps creating happy employees*

Employees are more satisfied with their performance after they are reviewed by many sources and get a chance to improve their performance and hone their skills through effective training. Plus they feel happy by giving their views about their superior and this creates a sense of belongingness as their views are considered important. After seeing that they can bring positive change in the working of the organisation the employees feel valued and they stick to the organisation for a longer time, thus reducing employee turnover.

*J. Helps in improving customer service*

360 degree performance evaluation helps in improving the customer services as customers views are also considered important in the review. Thus, the organisation can understand needs and expectations of customers and can take product decisions accordingly to satisfy customer needs. If the customers are happy then his inputs can be used to improve the business of the organisation and it will in turn improve the overall performance of the organisation.

*K. Effective HR decisions*

It encourages participation of all and thus makes HR decisions more qualitative (ref.8). Since inputs from all the levels inside the organisations and outsiders like customers and suppliers are collected which helps in better understanding of the needs of insiders and outsiders and decisions can be taken accordingly.

*L. It's better than conventional system*

The employees find this system better than the traditional feedback approaches as it pinpoints the favouritism and biases of the supervisors present in conventional appraisal systems (ref.8). As already explained in above points, this system is free from superior bias and impartiality.

**Shortcomings**

"360° employee feedback surveys are one of the most common HR practices, but unfortunately that popularity may have led to a degree of complacency (ref.9)." there are certain risks associated with introduction of a new technique into the organisation. Moreover as I have mentioned earlier also people are generally averse to risk and change. One cannot be

sure of anonymity in a small organisation and in the absence of anonymity; the usefulness of data is lessened (**ref.2**). After reviewing the available literature, I could list down the following shortcomings of this system:-

*A. Fear of being confronted*

In the absence of anonymity, one will always shy away from providing his actual views about his superiors and peers because of fear of being confronted. This can affect the relationships among the employees and thus can affect the performance of the organisation due to strained relationships among departments.

*B. Difference of opinion*

Everybody has his own mindset and expectations. No two minds can be same and in an organisation employees working at different levels can have different opinions about a same person. The superiors could have a different view point than the subordinates. The feedback also depends upon the expectation of a particular person thus there can be difference of opinion and the feedback can be affected.

*C. No evidence of improvement on performance*

“Most organizations have no cause-and-effect data that actually proves that the 360° process directly improves productivity (**ref.9**).” It can't be said with certainty about what kind of effect will it have on the employees and whether it will actually result in bringing any positive change in the employees. No evidence as such has been found which prove that managers in the organisations using 360 degree feedback are more efficient than their counterparts in other organisations.

*D. It's not futuristic*

The performance of past is being judged and no such future plans are made by using this method. Thus the past data of the employees last year's performance cannot be helpful in deciding the future course of action. As such future is uncertain so nobody can predict how the employees will behave in future and one can't be sure if they'll act in the desired manner.

*E. It's a lengthy process*

As compared to one-on-one communication, this is a more time consuming process. It consumes a lot of productive time of employees which can be utilised for other productive issues. “And unfortunately, if there is a multi-year lag between changing the way we treat employees and their resulting improved scores, most existing business and statistical process will never be able to prove a cause-and-effect connection (**ref.9**).”

*F. It's a costly procedure*

This is more costly process as it comprises of the cost of questionnaires and technological inputs required for the process of feedback. These resources can be used for more productive purposes.

*G. This is a secondary motivator*

The rating is not the main motivator for high performance but it is the secondary reason for it. If a company is providing good working environment and is paying well to the employees and they get incentives, etc. for their performance than they themselves are motivated to work more.

*H. Employees may be hardworking even without high rating*

It is not necessary that only those employees who get high scores from people will work hard. It actually depends on the nature of the employees. Some may be efficient from inside and some may not work hard even after getting a high score. So it's basically not the score which motivates the employees, there are many other factors which come into play.

*I. Main aim is not the score but to increase productivity*

The main aim of the organisation is not to obtain scores but to increase the overall productivity. The 360 degree provides the management with the scores but the problem of productivity still remains to be taken care of. It only ranks the productivity of the employees but ignores factors like how to reduce labour costs and wastage of time, etc.

*J. It's not a fair method to rate*

An organisation has so many employees. Some are top performers, innovators, game changers and pioneers (**ref.9**), but rating parameters are same for everybody. It is not fair to rate efficient and inefficient employees on same scale. Some departments have large number of employees but some have very few employees who may not be enough to make a feedback successful.

*K. It does not provide solution to improve the productivity*

The scores don't tell which actions to be taken to improve the productivity. It only tells whether the employees are performing well or not but the main task of choosing actions to improve employee satisfaction and performance is done by the management only.

*L. Employees can give poor remarks to the manager they dislike*

Some employees give poor remarks to the managers they don't like and vice-versa. This is done on purpose and the person being reviewed has to put in more efforts in order to be liked by people in the organisation.

*M. Not suitable for rating managers one hasn't worked with*

This method is not suitable if the feedback contains large number of reviewers who may not even know the manager they are rating. Some of them may not have even worked with the manager concerned and have not seen his work but they are included in the appraisal. Such rating will be misleading and proper conclusions can't be drawn out of it.

*N. Subordinates cannot assess their managers properly*

Subordinates don't have proper expertise to rate their manager. They are not competent enough to judge their performance. They can just give their view on the managers based on his behaviour with them but they may not be able to understand the work to be accepted from him.

### III. SUGGESTIONS

During the study I found that although this system has many advantages but it still has some loopholes which needs attention to make it work. Following are some of the suggestions which I could find suitable to improve it (ref.2 & 8):-

- This system needs to be co-ordinated with other developmental activities so that it yields better results. By this the employees can become aware about various jobs being performed and thus they can give better review. If specific training is being linked with the process then it will help in improved performance.
- The system should be more objective. It should not include any remarks that can hurt others feelings. Even if someone is not very pleasant to work with than he can be told this in a polite manner and he should be given chance for improvement.
- More importance should be given to the decisions to be taken after the feedback process is complete. The process should not end at the feedback report; rather it should be aimed at providing suggestions for the improvement and comprehensive training programs should be followed as action.
- Appraisal feedback should be treated only as a part of developmental process and not the way for development. Other developmental factors should be linked with appraisal process to motivate the employees to improve their performance.
- Proper care should be taken not to hurt anybody's ego while giving remarks to him. Some employees may be efficient in their work but may not like some kind of remarks against them. Care should be taken while writing remarks.
- The appraisal system should be undertaken after taking into consideration the demands and feelings of religious groups or labour unions in the organisation. Labour unions hold the power to malign the decisions of workers by saying that the appraisal system is just a candy to lure the employees to work. Thus, system should be designed by keeping in mind the psyche of such groups.
- Internal politics and groupism should be discouraged within the organisation as it can affect the appraisal system as it could lead to a particular pattern in rating. The employees form small informal groups and they can decide among themselves regarding what kind of remarks to be given to a particular person. This can change the review result hence formation of such groups should be discouraged.
- Top level executives may not like to be reviewed by the junior level employees so they should be explained about the benefits of this feedback system and they should be encouraged to accept their feedback and to improve themselves accordingly.
- For the system to be successful, active participation of top management is required. They should be involved from designing the feedback criterion to evaluating the feedback reports. And they should make sure that the questionnaires should contain meaningful points and should cover the actual experiences of the employees
- Everybody in the organisation should provide the feedback seriously and there should be a sense of commitment and loyalty while giving their opinion about someone. Honest opinions should be given without any fear of undesirable action.

### IV. CONCLUSIONS

After writing this paper and after going through the available research & literature, I can conclude that The 360 Degree Feedback can be used as an addition to the conventional system of appraisal. It is not feasible to use it as a standalone system of appraisal because of its shortcomings. It is only a part in the development process and not the whole development process. It was also found that the system is not being used properly as its importance is not clearly

understood by the companies but if it gets into the mind of people properly and if it is handled properly then it can actually lead to the improvement of organizations as well as individuals performance and it can reshape the internal & external communication. Active participation of all the sources can make a lot of difference. Like any other innovation, 360 degree feedback is also as good as the people who are operating it. Success of any new thing depends on the acceptance by the people who are going to use it. Similarly, the success of 360 degrees feedback depends on the employees and management and on how they perceive it and it can be successful only if it is followed by a desirable action of providing development training. The system should also measure the leadership competency of the managers only then it will be useful in providing the managers with the useful feedback. If the criteria for measuring performance are not set in accordance with the organization's mission then it will prove to be a sheer wastage of time.

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