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Assess Pros and Cons of 360-Degree Performance Appraisal

By Steve Taylor 7/12/2011   Permissions

It sounds like a good idea: Let's ask customers, colleagues, direct reports and managers to help evaluate the effectiveness of every employee. A 360-degree approach: Who could argue with the idea of drawing information from every direction? Yet HR experts caution companies to consider carefully whether the use of 360-degree feedback is appropriate for performance evaluation—especially when it impacts pay and promotion opportunities.

"This is something a company shouldn't rush in to," said Cheryl Steinbacher, SPHR, senior vice president of human resources for Cardinal Bank in McLean, Va. "Using [360-degree feedback] for evaluative purposes can be dangerous and has the potential to be destructive."

"I've seen departments blow up and employees leave companies because the 360 wasn't handled properly," said leadership coach Alicia Arenas, SPHR, of Sanera in San Antonio, Texas. "360s are most effective when they are used as a development tool, not a rating tool."

Such instruments "were extremely popular early on," said consultant Bettina Seidman in New York City. "Later, they fell out of favor because of a lack of reliability and validity, among other issues."

Advantages

There's no doubt that 360-degree rating provides a broader perspective on employees. "It frees you as an individual and as an organization from being held hostage by the views of your bosses," said 360 evaluator Bruce Sevy of PDI Ninth House in Minneapolis.

"It can be eye opening to see what others see," said Lynne Sarikas, director of the MBA Career Center at Northeastern University in Boston.

"Especially when the boss is in another location and doesn't observe an employee's behavior," added Corliss McGinty, SPHR, of SoftSolutions Consulting in Greensboro, N.C. "It's really valuable to get the perspective of customers and direct reports."

With a 360-degree review, "a strong performance in one area—customer service, for example—might offset a marginal performance in another," said Timothy Wiedman, PHR, who teaches management and HR at Doane College in Crete, Neb.

Common Mistakes in Execution

Some organizations that use 360-degree feedback fail at the planning and implementation stages. Lori Dernavich, an HR consultant in Hoboken, N.J., said that too often "no one sits down to discuss the particulars. ... What competencies and skills [do we want] to review? Do we have enough participants to maintain some level of anonymity among the reviewers?"

Lynda Zugec of The Workforce Consultants in New York City advises companies to ensure that all raters can provide relevant feedback. "If an employee rarely deals with customers or clients, it is unlikely that useful information will be obtained from customer or client ratings, and the employee may be subjected to unfairly skewed assessments."

Once the assessments are collected, "Staff or their bosses focus too much on isolated pieces of feedback as opposed to broad themes [from multiple respondents]," added Jon Picoult of Watermark Consulting in Simsbury Conn. "Focusing on one-off comments can make the process appear persecutory."

McGinty observed that managers "often look only at the last few months" of data.

"The worst offense is when a manager drops a report on someone's desk and says, 'Looks like you're doing OK.' Or, 'You've got room to improve,' then walks away," said consultant Marion Thier of Expanding Thought in Boulder, Colo. "That's inexcusable, and unfortunately, not uncommon."

And, said consultant Dick Grote, author of the book *How to be Good at Performance Appraisals* (Harvard Business Press, 2011), managers "do virtually nothing on the back end [to hold] people accountable for doing something with the data they get."

Politics and Human Behavior

Grote said that applying 360-degree feedback to development or coaching "probably doesn't do much harm," but when it's used for determining compensation and/or promotion, misleading information might be provided "by the office screw-up who doesn't know anything anyway. And also by the guy down the hall bucking for the same promotion I am [who] wants to put a dagger in my ribs."

Agreed Sevy, "There's not any real check on what you say about me and I say about you. That's what keeps 360 in the 'We won't use them for talent decisions' category."

To that, Grote added the possibility of "political coalitions. ... I'll scratch your back if you scratch mine." Sevy acknowledged, "It's hard to be sure there aren't people collaborating" to produce certain results.

Even if such corruption is not present, Sarikas said, "There may be highly specialized skills involved that [raters] do not know or understand" and therefore the reviews don't "give a full picture of performance."

Sevy cited a problem with "using people who are not trained observers of human behavior."

Thier added that 360s provide only "a snapshot. ... Performance should be examined continuously, and a 360 is usually focused at a point in time."

Moreover, cost is a factor. A 360 evaluation, Sevy said, might involve "you, your boss, three to five peers and three to five direct reports. So for each employee that's eight people filling out reports." He called it "report overload. The numbers of staff hours necessary to complete a staff assessment are fairly staggering."

Morale, Denial and Rejection

Experts said 360-degree performance appraisals can damage morale.

Paula Soileau, a partner in affintus, a job-matching firm in Austin, Texas, was rated using a 360 appraisal when she was a manager for a nonprofit organization. "I was a top performer within my organization, and it was difficult to not focus on the one or two people who gave negative feedback rather than on all those who gave positive." Generally, she said, "People felt demoralized after reviewing results. I never saw anyone feel better about their work or their performance, even people who were very good performers."

Consultant Diane Foster, who conducts ratings for client companies, said employees will reject feedback "if they disagree with the way that their behavior is described or if they feel ... that their peers are rating them unfavorably to get ahead themselves."

Echoed Grote, "The stronger the feedback, the higher the chances of rejections. That's the opposite of what we want."

Beyond the Five-Point Rating Scale

"Some reviewers say they never give out fives because that means a person is perfect," Dernavich declared. "Other reviewers hand out fives with no problem. People define the scales differently, and that skews the results."

That's why Grote advocates a simplified structure for questionnaires. "When the respondent is going down the list, the response choices [should be] 'Do More,' 'Do Less' and 'Continue Just as You Are.' " Not only does that take less time to fill out, he said, but also "the things that consistently show up as 'More' and 'Less' are going to be highlighted."

Soileau said companies should provide an opportunity to ask questions of reviewers. "Often," she said, "the anonymity does not allow for that to happen."

"I've seen [the 360 approach to performance appraisal] used successfully, and I've seen it become a black hole," Sarikas concluded. "It requires senior management support and a strong culture of communication and trust. Without those things in place, it is doomed."

Steve Taylor is a freelance writer based in Arlington, Va.

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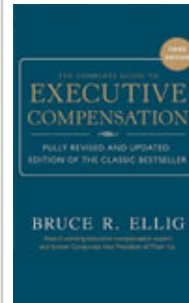Employee Development: Self Development Worksheet (/TemplatesTools/Samples/HRForms/Articles/Pages /CMS_011326.aspx)

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