

LINKING 360° FEEDBACK TO PERFORMANCE MANAGEMENT

Research on Current 360° Best Practices

In our quest to better understand the pros and cons of linking 360° feedback to performance management, Vantage has considered a fair amount of research. In addition to a thorough literature review, we contacted a dozen corporations that currently use 360° feedback. Further, we tapped our extensive global consulting network to look at current best practices.

There is healthy debate over the implications of directly tying 360° feedback to appraisal, particularly if it impacts merit pay. It would be fair to say that the general consensus is negative. Most feel that, given the varying conflicts of interest at play, 360° feedback should be used exclusively as a developmental tool. However, a reasonable set of examples exist on the other side of the story. DuPont, Sears, Federal Express, Goldman Sachs, Litton, Sea Island and Ryerson have successfully tied their 360° initiatives to performance appraisal for years. Many more regularly consider it in promotional decision making and succession planning

All agree that the essential requirement in making this linkage work is a very healthy degree of maturity and trust in the prevailing leadership culture. With that in place, there are real and meaningful advantages to an integrated approach.

The following “best practices” reflect the results of this research.

Best Practices Linking 360° Feedback to Performance Management

In cases where companies have successfully applied 360° feedback to their performance appraisal processes, several themes emerge: the organizations were fairly sophisticated from a leadership culture perspective, enjoyed healthy levels of managerial trust and credibility, and “morphed” their developmentally oriented 360° into a performance management tool over time. In these businesses, 360° feedback has generally been used to complement a manager’s observations, not override them, and all parties understand, up-front, how this additional data will be reviewed and used to help determine actual performance ratings. The following highlight some best practices:

- To start with, leadership capability or effectiveness must already be one of the key elements evaluated in the existing performance appraisal process. Ideally, this ties directly to a Leadership Model.
- The focus of the 360° survey is on providing additional input on one’s leadership effectiveness and is also typically directly linked to an existing Leadership Model. The model itself must be well constructed, broadly applicable across a range of leadership settings and reflective of a shared understanding of desired leadership behavior.

- Observers (raters) and participants should be carefully oriented to the 360° process and how it ties into performance appraisal, and, in turn, trained on effective rating methodology as well as intended outcomes.
- In order to reduce the temptation to “game” the feedback, participating leaders should survey every one of their direct reports and vet the list of their peers with their manager ahead of time.
- All survey items must be unambiguous, observable and clearly tied to specific competencies in the existing Leadership Model. Items should not be scrambled but clustered by competency in order to reinforce the focus on specific dimensions.
- The survey should be as simple as possible—fewer items rather than more. The entire process must be seen by observers and their leaders as reasonable, relevant and fair.
- The 360° rating scale should correspond as directly as possible to existing performance appraisal anchors, behaviorally defined and consistent with current tools in use.
- A set of 360° results is usually sent directly to the participant’s manager ahead of the review for his/her consideration.
- The entire process, from start to finish, should be completely transparent. Observers, participants and their bosses should each understand exactly how their input or data will be used in influencing the actual performance review.
- The 360° process should precede the regular review period by one to two months so as to be thoughtfully considered by the participant’s manager before the actual performance appraisal.
- Complex systems of data weighting or other statistical approaches to controlling for individual and organizational variances are fraught with challenges and should only be considered with great care. Again, simple is better.
- Some companies do report success in drawing an overall “score” from the 360° directly into an appraisal formula. Others leave the manager to determine the degree of influence 360° feedback has on the final appraisal rating.
- When 360° feedback is tied to formal appraisal, it becomes even more important that a strong developmental infrastructure be in place to support follow up action planning.

- Best practice companies frequently pilot the process of tying of 360° feedback to performance appraisal in a controlled way before a full organization roll out. A pilot department or business unit should be chosen where the project has the best chance of being well received—available time, healthy leadership climate, ample trust.
- Following the pilot, all observer groups are asked to review and critique the process from their unique perspective.
- This input is used to refine the process and tool itself, shape communication, and build developmental support before additional groups participate.

Tying 360° Feedback to Performance Management

Disadvantages

- Risk of dishonesty or game playing designed to influence ratings one way or the other for political reasons
- The confusion caused by averaging raters when there is disagreement and variance across those surveyed
- Decreased developmental value as critical feedback is taken more defensively
- Risk of attempts at “winning” higher ratings through impression management—not substantive action
- Heightened anxiety regarding how additional input will affect the process and impact relationships

Advantages

- Broader, more robust sources of feedback leading to greater clarity in terms of performance
- Greater face validity to the leadership component of the appraisal, given that peers and followers weigh in
- More ownership for action and follow-up as a broader field has been engaged
- Positive reinforcement for relevant strengths
- Generally encourages accountability and reinforces a performance culture—more “skin in the game”

Discussion Questions

- Given the above summary, what is your current thinking on your readiness and/or appetite for tying 360° feedback to performance appraisal?
- What are the unique features of your culture and structure that may influence the way we design and roll out such an initiative?
- Which of the so called “best practices” are most relevant and applicable for you?
- How might you best pilot this process?