

The Value of 360-Degree Feedback

Multi-rater surveys (or 360-degree surveys) are one of the most widely used employee assessments today. Their popularity has increased dramatically as the growth of the Internet has made implementation easier, cheaper, and faster. This *Insight* white paper explains how multi-rater surveys add value to organizations and how they can be used in different applications. For suggestions on the specifics of developing and implementing multi-rater surveys, see the companion *Insight* white paper titled "Developing an Effective 360-Degree Feedback Survey and Conducting a Successful Campaign."

Why Use Multi-Rater Surveys?

In a knowledge-based economy, it is increasingly important for organizations to understand the competencies needed in the workforce for business success, and then develop those competencies on an ongoing basis. Accurate assessment data is critical to being able to do that well. Multi-rater surveys have several advantages over other assessment methods that make them ideal for these purposes. These advantages include:

Accuracy – The only "assessment method" many companies rely on is individual managers evaluating the capabilities of their people. Multi-rater surveys are more accurate for several reasons. First, multiple ratings are obviously more accurate than a single person's view, as long as the raters are properly selected. Second, ratings from different perspectives (self, manager, peers, direct reports, etc.) provide a more complete picture of the participant's capabilities than just one perspective. Third, the anonymity typically assured peers and direct reports results in more honest feedback and accurate ratings.

Acceptance – Research consistently shows that multi-rater feedback is more accepted by participants than supervisor evaluations alone, and is more likely to lead to specific developmental actions. The motivational component here is particularly important, because no matter how accurate the feedback actually is, little will be gained unless it results in positive change and development.

Richer understanding of performance – Providing feedback from different perspectives not only improves accuracy and acceptance, it also allows participants to gain valuable insight into how their performance is perceived across different groups. People behave differently

when interacting with different groups, and even the same behaviors could be perceived differently. Understanding these differences across roles can be very helpful in developing, or more consistently engaging in, certain behaviors in certain situations. As a related point, multi-rater surveys yield a richer understanding of performance because different roles have varying degrees of opportunity to observe certain behaviors. For example, the manager of the participant has limited opportunity to observe the effectiveness of the participant's people-management behaviors, whereas the direct reports of the participant see those behaviors every day.

Promotes open communication around performance –

Multi-rater surveys can open up communications about performance because the process involves giving and receiving feedback from all directions in the organization—upwards, sideways and downwards. This sharing of performance feedback eventually becomes an accepted norm. More specifically, multi-rater surveys can provide an excellent forum for participants and their managers to talk openly about performance, and plan ways participants can further develop their capabilities. In addition, feedback from different perspectives (including self-ratings) makes it more comfortable for both participants and managers to focus on development in the future versus an evaluation of the past.

Reinforces organizational values – Multi-rater surveys communicate and reinforce the organization's values around performance by: 1) communicating the competencies and behaviors that the organization values, 2) holding people accountable for developing required skills, and 3) sending a message that assessing performance and developing people are important to the business.

Easy and fast to implement – Finally, and from a very practical standpoint, organizations use multi-rater surveys because they are easy to implement and can be done quickly and cost effectively. At the opposite extreme is something like formal, comprehensive assessment centers. While they have their place, assessment centers are less popular today than they were in the past because of issues related to complexity, time requirements and cost. As a side note, multi-rater surveys are actually preferable to assessment centers in one important respect – they measure skills as they are *actually demonstrated on the job* versus only how well one is *capable* of performing in a job simulation.

Appropriate Applications for Multi-Rater Surveys

Now that we've reviewed some of the advantages of multi-rater surveys, let's consider how they're used in different applications, or the different purposes they can serve. Note that a given multi-rater initiative in an organization may be used in more than one application.

Individual development – This is the primary reason for, and the most common use of, multi-rater surveys. The individual feedback report summarizes strengths and development needs, and provides insight on how participants are perceived by different groups.

Well-designed reports also provide suggestions on what the participant might do to change behaviors and become more effective in their role. The analysis of the feedback reports, however, is just the beginning. Many multi-rater initiatives fail to deliver actual results because organizations stop at the analysis phase. To be successful and truly realize the value of multi-rater surveys, the process must include strategies for ongoing development and accountability around individual performance improvement. The previously mentioned companion *Insight* white paper provides suggestions on how to do this.

Assessing leadership potential – Organizations often use multi-rater assessments to help identify potential leaders. This application requires creating surveys that tap into the competencies that are needed for current roles, but that are also indicative of how the individual might perform at levels above their current position. In these situations, the multi-rater assessment should not be used as a selection device per se, but rather as one of several tools used to identify talent. The feedback provided in this context is very useful, as it outlines gaps in performance and indicates the leadership skills individuals need to develop.

Executive coaching – Like everyone, executives are sometimes unaware of the impact their actions have on others. However, more than most employees, what they do and say on a regular basis drives organizational performance. Good feedback can help executive coaches explain the "blind spots" (how executives perceive themselves versus how others see them), communicate the consequences of actions, and coach to the priority areas needed for leadership success. Executives are often under a lot of pressure to improve the performance of their unit or organization quickly. As part of their arsenal, coaches can help affect a rapid transition using diagnostic information quickly gathered from multi-rater assessments.

Assessing gaps in team/unit performance – Aggregate results from multi-rater evaluations can help leaders better understand their "bench strength" – what are the team's/unit's overall strengths and where are the skill gaps. This information can be used to better target where training and development is needed.

Measuring training impact – Multi-rater assessments can be used to measure changes in behavior after training (level 3 evaluations). Surveys should be constructed to measure the key learning objectives of the training program. The resulting feedback, therefore, will indicate whether behavioral change has occurred and to what extent the training was successful in helping participants transfer learnings to their jobs. An important consideration here is to allow enough time between the end of training and the assessment so that participants have sufficient time to put their learned skills into action.

Using Multi-Rater Assessments in Performance Appraisals

We address this application separately because there is considerable debate and controversy about the relationship between multi-rater surveys and performance appraisals (PAs). Specifically, is it appropriate to integrate the two? We believe that multi-rater surveys can play a role in PA systems, but several issues must be carefully managed.

Before covering those issues, let's first examine the broader context of PA systems and one of the reasons they often don't work very well. Most PA systems focus on performance planning and evaluation in two main areas – operational objectives (business goals to be achieved) and performance factors (how the job is accomplished and the competencies used). Unlike HR assessment programs focused primarily on development, there is usually some overall "score" or rating for PAs, and there are usually consequences linked to those ratings, such as merit salary increases, bonus allocations, promotional opportunities, and so forth. How tightly the consequences are linked to the ratings varies across organizations.

The overall PA rating is sometimes based only on results achieved on operational objectives, but more often, ratings on performance factors are also considered (and equally weighting the two "buckets" is very common). Companies want managers and their employees to place an emphasis on competencies in addition to operational objectives because of their importance to business success in the future.

There are many reasons why most PA systems don't work very well, but the one relevant to the current discussion is that both goal setting and evaluation of the performance factors (the behaviors and competencies demonstrated) are problematic when assessment data is available only from the manager. (This is usually less of a problem for operational objectives because more quantitative, objective measures are available.) So, in an effort to shore up this important part of their PA systems, some companies are using multi-rater surveys to increase the accuracy of assessments and evaluation.

For reasons explained earlier, the premise that multi-rater evaluations would, in fact, be more accurate really shouldn't be in question. So, what's the problem and why is there controversy? Here are the main issues:

- When they know that significant consequences are tied to their ratings, people providing feedback may be less honest and accurate (i.e., positive or negative bias could be introduced).
- Participants might be *less* inclined, not more, to proactively engage in developmental activities when their PA ratings are influenced by the multi-rater survey process. In fact, their main motivation could be to do everything possible to select raters who will be predisposed to give favorable ratings, versus those who will give honest feedback.
- Multi-rater surveys are more focused on the future (using feedback to improve future performance) whereas PAs are more focused on the past (evaluating goals accomplished and behaviors demonstrated over the past year). Therefore, when put together, there's a risk of the multi-rater survey process becoming "tainted," and losing its positive focus on the future. As a side comment, we believe that the best PA systems are those that are also focused on the future, since the past can neither be changed nor managed. So, in a way, associating multi-rater surveys with PA systems could actually help improve PAs.
- Associating multi-rater surveys with the PA system (which typically has a very negative reputation in the organization) could jeopardize positive views people hold about the former.

Our general advice to clients is to be very careful about incorporating multi-rater assessments into appraisal systems. The advantages of making modest improvements in the PA system could be outweighed by the potential damage done to the multi-rater feedback program. Carefully think through what you're trying to accomplish and why, and evaluate the advantages and disadvantages of moving in that direction.

However, it's hard to refute the basic logic of arming both the manager and the employee being appraised with the most accurate data possible, and to use that information intelligently to help understand past performance and determine how performance can be improved in the future.

Multi-rater surveys can provide such data. Here are a few suggestions on how to capitalize on that opportunity, while minimizing the risks:

- If multi-rater surveys are new to your organization, focus on using the process for development purposes only for a couple of years. Give people time to get used to the whole concept of multi-rater feedback, and to appreciate how valuable such feedback can be. Then consider the possibility of using it in some fashion as part of the PA system.
- Don't tightly link multi-rater assessments to the PA system. This means several things. First, multi-rater feedback should be only one of the data sources used by the manager in evaluating performance. Second, multi-rater results should never be hard-wired to PA ratings in the sense that there's any kind of mathematical relationship. Third, don't link the timing of multi-rater surveys to the timing of PAs. Most PA systems use an annual cycle tied in with the company's fiscal year, but conducting multi-rater surveys every year is too often. Conduct multi-rater surveys when it makes sense to do so for development purposes. Then use the results as one of the inputs to the PA system, if they happen to be timely enough.
- Clearly communicate to participants and raters how the multi-rater feedback will and won't be used with respect to the PA system. Don't underestimate the challenges in communicating these matters, particularly if you're announcing a policy change (e.g., a shift from "strictly for development purposes" to something else). It will take numerous and repeated communications to allay the fears and concerns on the part of all stakeholder groups – participants, managers and raters.

In Conclusion

This *Insight* white paper has summarized some of the key reasons for using multi-rater surveys and discussed some appropriate applications for this type of assessment. In addition, we made the point that, if appropriately implemented, multi-rater surveys can add value to PA systems. As a final point, it is clear that from all the reasons discussed for using multi-rater assessments, and the variety of applications presented, the common theme is that the real value of multi-rater feedback is that it is a gateway to employee development.

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