

## **Development within economic uncertainty – the role of 360 degree feedback**

Due to the current global economic climate, organisations will face new challenges in 2009 and beyond (Bernacki, 2009). As a result, it may be necessary for companies to use different approaches to maintain their bottom line rather than simply cutting expenditure. Advice published by the Human Resources Institute of New Zealand (HRINZ) highlights the importance of companies maintaining their focus on their strategy, the so-called 'big picture', rather than the recession (Thompson, 2009). More specifically, it has been suggested that now is a good time to look at introducing innovation, both in services, products and in developing effective ways to work together within the organisation; the approach to innovation being led by the human resources department (Bernacki, 2009).

Human resources practices are known to impact on an organisation's profitability - which highlights the importance of an increased focus on this aspect at times of economic uncertainty. Specifically, human resources or people management practices have been found to affect employee quality, commitment and flexibility. These characteristics are associated with high productivity and improvements in products and services which in turn flow into financial results (Rudman, 2001). Some of the most successful organisations have been found to place a high level of importance on effective people management; a process comprising job design, development of skills and the creation of a positive psychological contract based on trust, fairness and "delivery of the deal", and finally an organisational culture in which employees believe that their employer is looking after their interests. (Guest and Conway, 1997; Patterson, West, Lawthorn and Nickell, 1997; as cited in Rudman, 2001)

A focus on human resource management and strategy is regarded as important in maintaining profitability; it is therefore imperative that companies find ways of

addressing these issues. One possible way of meeting this is through the use of a multi-source feedback system such as 360-degree feedback, which has been found useful both as a way to track and implement organisational culture and strategy as well as a method for promoting employee development.

360-degree feedback/appraisal can be described as a process of collecting comprehensive responses from work colleagues concerning the way one behaves and the impact this has on others (Gen Group, 2005). This process involves the collection of feedback in the form of evaluation against a set of criteria (Gen Group, 2005) from the employee themselves, and their peers, superiors, subordinates, and customers (Linman, 2004). This kind of appraisal process therefore makes the individual employee the focus of the evaluation. Ideally this is then used to assess personal development with an ultimate goal of improving individual performance within the organisation (Linman, 2004).

360-degree feedback has been predominately used as a means of performance appraisal or as a development tool. It has been recommended as a means for employee development rather than performance management by some researchers, as the value relies on the provision of candid answers, something which may not occur in performance appraisal where remuneration is involved (Gen Group, 2005). In addition, research such as that conducted by Tyson and Ward (2004) has suggested that 360-degree feedback can also be used in the evaluation of interventions (such as coaching) in development. More recently, research has suggested that 360-degree feedback is also useful in tracking and implementing organisational strategy.

To be used correctly as a tool for employee development, 360-degree feedback should be coupled with a sensitive and professional debriefing process to provide participants with a forum for discussions of differences between their own and others' evaluations. This should be followed by developmental measures to ensure

subsequent improvements in behaviour and skills (Gen Group, 2005). To ensure objectivity, many organisations prefer this to be facilitated by an outside consultant, rather than have the objectivity of the instrument used tainted by personal interpretations. Organisations can expect to see benefits in the areas of team work, personal and organisational development needs, improved customer service (where customer feedback is sought) and training needs assessment, among others (Heathfield, 2001). Tyson & Ward (2004) found 360-degree feedback to be an effective evaluation tool, as it allowed the collection of data from the main stakeholders both before and after the management development interventions.

Using 360-degree techniques in the development of strategy, both Heathfield (2004) and Rogers, Rogers and Metlay (2002) describe the importance of any 360-degree feedback process being aligned with the overall strategic aims of an organisation, as does If the competencies for evaluation are aligned with the organisation's strategies, then the process provides feedback on how well employees are implementing that strategy. Indeed, Mamatoglu (2008) found that by providing multisource feedback, the 360-degree appraisal process could have an effect on the organisational context (composed of culture and climate) by assisting the exchange of ideas between employees, promoting participation and leading to a rise in satisfaction and trust. This branch of research suggests that by adjusting the competencies to reflect the desired strategy of the organisation and obtaining 360-degree feedback, the organisation can ascertain the success with which employees realise company strategy. Coupled with the de-briefing sessions and developmental measures, this approach allows the organisation to implement and track new strategies or adjust existing strategies to reflect the needs of the current economic climate. Therefore, given the utility of a 360-degree method as both a developmental intervention and an evaluation tool, it can be seen as a useful system for improving people management practices, developing employees and perhaps in implementing strategy.

The use of 360-degree feedback is now widespread (Linman, 2004), yet some organisations may not be deriving the maximum benefits possible. As organisations adjust to the current financial issues, the need to discover ways of maintaining profitability increases, and this may be achieved through organisations employing some lateral thinking beyond simple cost-cutting. Re-evaluating human resources practices may not be the most obvious way of reacting to an economic downturn, but research has suggested that effective people management can be of financial benefit to companies (Rudman, 2001). For instance, innovative product development, changed sales strategies and re-organisation around different organisational priorities etc are all methods of gaining momentum, as opposed to leadership appearing 'frozen in the headlights'. The fact that methods like 360-degree feedback have been shown to enhance employee development as well as increase alignment with organisational strategies (Mamatoglu, 2008), makes it possible to see the benefits of executing this kind of people management process during these difficult times.

If you are interested in discovering more about Psych Press' 360 degree feedback instrument, information can be found at this link:

<http://psychpress.com.au/psychometric/talent-360-degree-feedback.asp>

If you are interested in supporting and building teams within your organisation, or as an internal or external consultant, you may be interested in TeamBuilder™, a "Team 360" from Psych Press:

<http://psychpress.com.au/psychometric/talent-develop.asp?team-building>

If you are interested in fostering innovation within your organisation, you may be interested in trialling Psych Press' forthcoming Entrepreneurial & Innovation Questionnaire – just contact Dr Gavin Didsbury at

[DrGavinDidsbury@psychpress.com.au](mailto:DrGavinDidsbury@psychpress.com.au)

## References

- Bernacki, E. (2009). Slow times create opportunities to innovate. Retrieved from [http://www.hrinz.org.nz/site/HR\\_Info/Knowledge\\_Base/Strategic\\_Contribution/Change\\_Management\\_info/Slow\\_times\\_create\\_opportunities\\_to\\_innovate.aspx](http://www.hrinz.org.nz/site/HR_Info/Knowledge_Base/Strategic_Contribution/Change_Management_info/Slow_times_create_opportunities_to_innovate.aspx) on March 09, 2009.
- Gen Group (2005) Five Secrets of Success in 360-Degree Feedback. White Paper. Retrieved from <http://www.gengroup.com.au/pdf/360FiveSecretsofSuccess.pdf> on March 09, 2009.
- Heathfield, S. (2001, April 25). 360 degree feedback: the good, the bad and the ugly defines and examines multirater feedback. Retrieved from <http://humanresources.about.com/library/weekly/aa042501b.htm> on March 09, 2009
- Linman, T. (2004). 360-Degree Feedback: Weighing the Pros and Cons. Retrieved from [http://www.wedweb.sdsu.edu/people/ARossett/pie/Interventions/360\\_1.htm](http://www.wedweb.sdsu.edu/people/ARossett/pie/Interventions/360_1.htm) on March 09, 2009.
- Mamatoglu, N. (2008). Effects on organizational context (culture and climate) from implementing a 360-degree feedback system: The case of Arcelik. *European Journal of Work and Organizational Psychology*, 17 (4), 426-449.
- Rogers, E., Rogers, C. W., & Metlay, W. (2002). Improving the payoff from 360-degree feedback. *Human Resource Planning*, 25 (3), pp. 44 – 54.
- Rudman, R. (2001, January 06). People Management. Retrieved from <http://www.nzjhrm.co.nz/tools/search.aspx?SECT=Site> on March 09, 2009.
- Thompson, K. for HRINZ (2009). What do we tell the staff. Retrieved from [http://www.hrinz.org.nz/site/HR\\_Info/Knowledge\\_Base/Personal\\_Credibility/personal\\_communications\\_articles/What\\_do\\_we\\_tell\\_the\\_staff\\_-\\_in\\_tough\\_times.aspx](http://www.hrinz.org.nz/site/HR_Info/Knowledge_Base/Personal_Credibility/personal_communications_articles/What_do_we_tell_the_staff_-_in_tough_times.aspx) on March 09, 2009.
- Tyson, S. & Ward, P. (2004). The use of 360 Degree Feedback Techniques in the Evaluation of Management Development. *Management Learning*, 35 (2), 205 – 223.