

360-Degree Feedback as a Competitive Advantage

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This article examines the status of 360-degree feedback in organizations. How to optimally use feedback from multiple constituencies as a competitive advantage is discussed. Differences between traditional performance appraisal and 360-degree feedback are elucidated. Elements of designing and implementing an effective 360-degree feedback program are explored: content, employee involvement, item type, format, relevance, implementation, using results for evaluation and/or development, including managers' self-assessment, and the form and content of the feedback. A research agenda on 360-degree programs is charted. © 1993 by John Wiley & Sons, Inc.

The total quality management movement and current literature on progressive performance management practices advise incorporating peer, subordinate, and customer reviews into the appraisal process. Very few organizations, however, rely on these "360-degree" programs.

Towers Perrin (1992)

As the Towers Perrin report indicates, there is much lip service paid to 360-degree feedback (programs of performance ratings from subordinates, peers, customers, and suppliers as well as supervisors, or a subset thereof) in organizations. In practice the emphasis on total quality management to increase or regain a firm's competitive advantage is fueling the use of 360-degree feedback as a popular management tool for providing feedback to leaders and managers. What is implicit in the Towers Perrin finding is that even when 360-degree feedback is implemented, more often than not it is more accurately described as 270-degree feedback, because a major data source—the next and ultimate customers of a work unit's efforts—is not included. We will use this expansion of the concept—the involvement of customers (Ulrich, 1992) as well as including subordinates (as "the customers of managerial work")—to help us rethink how 360-degree feedback may be used to add greater value to leadership development and organizational effectiveness.

The concept of adding value is an important concern from an organization's perspective and needs to be addressed before current usage

of 360-degree systems is discussed. By adding value, we mean contributing relatively directly to a firm's competitive advantage, where competitive advantage is defined as providing a product or service perceived by its customers as adding value and doing so in a way that is unique and difficult for a competitor to readily duplicate (Ulrich & Lake, 1990). There are many potential ways 360-degree feedback can add to a firm's competitive advantage, such as providing better customer-based data on products and processes designed to serve the customer. Such data does not only help to improve existing customer processes, but also to provide "customer intelligence," such that a work unit serving the customer can better anticipate its customers' needs and can provide *unique* products and services over time that make the firm the customer's preferred provider. When such customer-based data are combined with data on leader behavior as seen by subordinates (and perhaps customers), such 'feedback' often creates the discrepancies that energize focused change. Indeed, the combined data may not only tell leaders *what* needs to be done to improve the performance of their work units, but also how this might be accomplished through alterations in their own behavior, for example, in improving teamwork, risk-taking, candor, innovation, and empowerment (depending on the design of the data collection effort).

CONSIDERATIONS IN 360-DEGREE PRACTICES

Research has shown that 360-degree feedback can enhance communications and performance (Bernardin & Beatty, 1987). It is often used to initiate leadership training programs by supplying guidance for developmental purposes (e.g., Center for Creative Leadership). In some organizations feedback is used solely for development; in others, it serves as input for merit evaluation and compensation adjustment (McEvoy & Buller, 1987; London, Wohlers, & Gallagher, 1990).

The 360-degree approach recognizes that little change can be expected without feedback, and that different constituencies are a source of rich and useful information to help managers guide their behavior. For instance, a subordinate's perspective likely will be distinctly different from that of the supervisor, who is traditionally charged with evaluating a *manager's* performance. Subordinates observe, and are affected, by managerial behaviors and decisions in ways which are not always evident to supervisors, especially leadership behaviors the "Boss" may seldom see demonstrated by the manager. In fact, supervisory feedback may primarily reflect the performance of the manager's work unit, rather than leadership behaviors. That is, the supervisor may draw inferences from the performance of the work unit as opposed to actually observing a manager's behavior. This is the classic *what* vs. *how* issue in evaluating managerial performance (Schneier & Beatty, 1977), and both are impor-

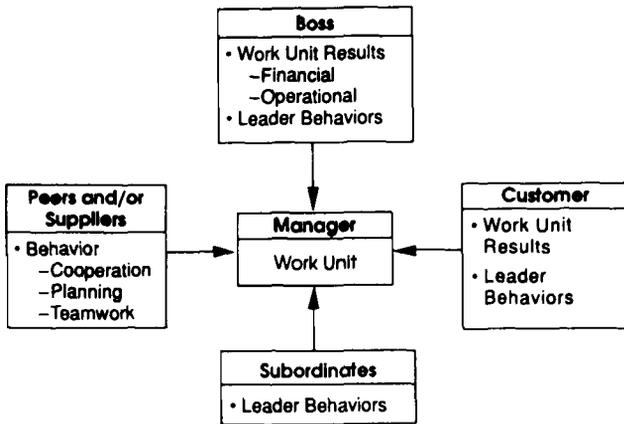


Figure 1. Leadership and 360-degree feedback: Data sources and measurement dimensions.

tant as will be shown later. Thus, a 360-degree feedback program formalizes input to the manager from the “customers” of their work (i.e., those who are to be served), especially their subordinates. Such “how” data about leadership skills of managers may not otherwise be obtained from what is arguably the best source—those whom they lead.

Even in organizations using 360-degree programs for managerial appraisal or development, these programs are often carried out in the absence of a strategic context and are not focused upon contributions to a firm’s competitive advantage (Schneier, Shaw, & Beatty, 1992). We urge the expansion of the concept to broaden the measures commonly used to evaluate managerial performance; they are shown schematically in Figure 1. At least four possible data sources are represented [supervisor, subordinates, peers (or suppliers), and customers], as well as the potential facets of performance upon which managers have traditionally received feedback. These include work unit measurements such as financial (e.g., return on investment, profitability, costs) and operational measures (e.g., speed, productivity, quality, or customer service) in addition to their performance in terms of behaviors in the areas of leadership and communication, participation, teamwork, etc.

The role of manager exists within the context of a business strategy (Fig. 2). That role is designed to execute the strategy with the resources allocated—financial, material, and human (Schneier et al., 1992). In today’s organizational parlance, such resources are to be marshalled to realize the business’s vision (e.g., strategic intent) and to develop the desired performance culture (values), such as teamwork, innovation, risk-taking, etc. Managerial execution of strategy involves designing appropriate work structures (including job design), producing customer value, building appropriate workforce competencies, behaving in a supportive and effective leadership style, and aligning basic systems, such

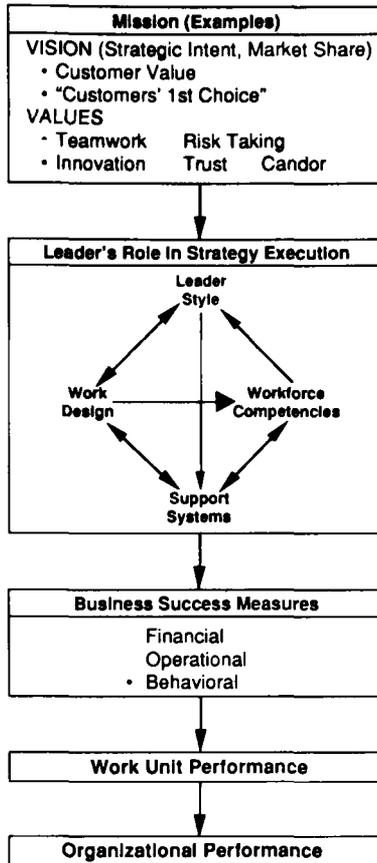


Figure 2. Leadership and strategy execution.

as financial, material, information, and especially human resource systems (e.g., appraisal, selection, rewards) to enhance organizational performance. Therefore, to be comprehensive, any measure of managerial effectiveness must include not only contribution to organizational performance through measures of business success (such as financial and operational), but must also include leadership behaviors that are aligned with the business strategy (e.g., empowerment, teamwork, developing employees, etc.).

The process of developing effective 360-degree feedback involves several key, interconnected steps focusing on measuring the "right work" and feeding the results to managers. The steps include establishing and communicating the purpose of the effort, developing the content and format of the survey (the most commonly used method, although alternative methods of feedback such as focus groups are also used), establishing a report format and procedures for distributing results, facilitating the use of the results by managers, and following up to assess

progress/improvement. The process may involve training and motivating raters in observing, judging, and recording managerial behaviors as well as training leaders and/or facilitators to interpret and use feedback to direct and motivate improvement (Kluger, 1993), to reduce uncertainty (Ashford, 1986) about desired leadership behaviors and work unit results, or to clarify interpersonal dynamics of customer-supplier relationships. Thus, 360-degree feedback can become a powerful organizational intervention to increase awareness of the importance of aligning leader behaviors, work unit results, and customer expectations, as well as increasing employee participation in leadership development and work unit effectiveness.

In his 1991 letter to shareholders in the GE Annual Report, Jack Welch explicitly addressed the importance of leader behaviors. He argued that effective leaders must not only achieve work unit results but also the desired leader behaviors. Figure 3 is a matrix depicting the decision process used to assess who, of four management types, gets promoted at GE. Welch has declared that GE "cannot afford management styles that suppress and intimidate" subordinates (as cited in *The Wall Street Journal*, 1992). The article goes on to say that:

Even some executives at the highest levels of the company in recent months have been found wanting under these measurements and have been reassigned or signaled to seek work elsewhere. "An easy call," [Welch says is the] leader who "delivers on commitments—financial or otherwise—and shares the values of our company."

Leaders who miss commitments but share the values "usually get a second chance, preferably in a different environment" within the company, he declares.

| | | RESULTS | |
|--------|----|-------------------------|------------------------------|
| | | Lo | HI |
| VALUES | HI | Type 2 Second Chance | Type 1 Easy Decision |
| | Lo | Type 3 Easy Decision | Type 4 Difficult Decision |

Figure 3. GE leader assessment.

The fourth type is "the most difficult for many of us to deal with. That leader delivers on commitments, makes all the numbers, but doesn't share the values we must have. This is the individual who typically forces performance out of people rather than inspire it: the autocrat, the big shot, the tyrant. Too often all of us have looked the other way," tolerating these 'Type 4' managers because 'they always deliver'—at least in the short term."

[A GE] spokesman confirmed that "several" executives were ousted in 1991 based on the leadership guidelines.

SIMILARITIES AND DIFFERENCES BETWEEN 360-DEGREE FEEDBACK AND PERFORMANCE APPRAISAL

There is a large body of literature on performance appraisal (supervisor evaluation and feedback) processes and practices, but little has been devoted to the relationship among the various components of 360-degree feedback (e.g., the relationship between leadership effectiveness, supervisory ratings, work unit success, and customer satisfaction). We attempt to model the relevant processes using the image theory of Mitchell and Beach (1990) to explain image formation and evaluation (raters gathering and interpreting information, and managers receiving and reacting to feedback). We believe this approach can improve understanding of the relationship between leader behavior and work unit results from the perspective of the organization and the customers of a work unit.

Appraisals of managers (supervisors rating subordinates) and 360-degree feedback both involve reports of behavior, as well as judgments of performance based on work unit results. Both can use rating scales, and thus be subject to traditional issues of data validity and bias, for example, response consistency, leniency, halo, and stereotyping (Borman, 1974).

In 360-degree feedback, rating scales can be identical for all raters or can be customized to reflect the unique features of each relationship. For instance, upward feedback (subordinates rating their supervisor) may consist of items that focus only on the manager-subordinate relationship. In organizations that do not share Jack Welch's view that it is important for managers to achieve results in ways consonant with the organization's values, the manager's relations to subordinates may have little influence on supervisors, who focus primarily on work unit's results as the largest determinant of the manager's performance. For example, some organizations have loosely defined customer service positions that are used to create customer value by almost any means possible, requiring an empowering leadership; whereas some firms may have strategies that by their very nature create turnover (e.g., low labor cost

strategies). The relevance of measuring leadership behaviors in the former is great, in the latter irrelevant.

There are also differences across organizations in terms of the leadership styles (i.e., values) supervisors believe best represent what is needed by subordinates from their managers. Figure 4 summarizes the dimensions measured by several major firms, as well as by a consultant, that use subordinate feedback to leaders. Of these firms, only IBM uses subordinate appraisals for evaluative purposes as opposed to "for feedback only." (IBM also did not include customers, which might have been very useful in anticipating the environment they face today.) Ordinarily, subordinates are asked to rate leadership dimensions primarily.

There are other major differences between performance appraisal and 360-degree feedback. First, performance appraisal is conducted primarily for evaluation and has organizational consequences, such as pay treatment and opportunities for job assignments, transfer, and promotion. Performance appraisal is not ordinarily geared to improving work unit performance or leader behavior. Second, although performance appraisal nominally has a developmental component to improve weaknesses and enhance strengths, this aspect is often incidental and suffers because the focus of managerial evaluation is on the performance of the work unit. Since supervisors are accountable for the contributions of their subordinate managers' work units, they may be less concerned with leadership behaviors which they may seldom observe. Because development efforts focus on behavior change, the expectation that supervisory ratings of work unit level performance would be directly related to changing managerial behaviors is unrealistic (McEvoy & Beatty, 1989). Thus, traditional performance appraisal may be less than adequate in development and career planning.

| Company | Teamwork | Leadership | Coaching | Integrity | Innovation | Sensitivity | Decision Making | Problem Identification | Communication | Performance Observation | Job Knowledge |
|--------------------|----------|------------|----------|-----------|------------|-------------|-----------------|------------------------|---------------|-------------------------|---------------|
| IBM | ✓ | | ✓ | ✓ | | ✓ | | | | | |
| BP | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Tenneco | ✓ | | ✓ | | ✓ | | | | | ✓ | ✓ |
| Amoco (Production) | ✓ | ✓ | ✓ | | ✓ | | ✓ | | ✓ | | |
| PDI's Profiles | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | |

Figure 4. Dimensions subordinates use to evaluate managers in selected organizations.

In traditional performance appraisal, supervisory ratings are often the sole source of evaluative data. When 360-degree feedback data are input in the evaluation process, no single component is likely to be the sole source of evaluation. When data are gathered primarily for developmental purposes (especially peer, subordinate, and even customer surveys), they are usually used *only* for developmental improvement efforts. Feedback data may or may not be shared with the manager's boss, which is not problematic in situations where the manager is charged to make primary contributions through work unit results, and *how* they are achieved is best left to those responsible for the work. Thus, the supervisory rating still remains the only evaluative data used by the organization. Sometimes, the feedback data are shared with subordinates on a voluntary basis. These observations on sharing the data appear to be consistent with Kluger's (1993) recommendations.

Unlike supervisory ratings, 360-degree feedback recognizes the complexity of management and the value of input from different sources (Becker & Klimoski, 1989). For instance, subordinates are excellently positioned to view and evaluate leadership behaviors. Indeed, they may have more complete and accurate information about many leadership behaviors than supervisors have. It is axiomatic that managers should not be rating behaviors they do not observe, and often leader behaviors exhibited in the manager-subordinate relationship are not observed by the boss. Examples abound: the extent to which the managers structure work, provide performance feedback, foster a positive working environment, provide necessary resources, arrange training, and support employee development. Yet the quality of manager-subordinate relationships may be crucial to the success of the work group. The same argument can be made for ratings from other "customers" of the manager's work—peers and internal and external customers.

Unlike supervisory appraisal, 360-degree ratings from multiple sources permit testing of consistency of leader behaviors and reliability of the information gathered. When subordinate capabilities and job demands are reasonably similar, one would expect a manager to behave similarly with most, if not all, subordinates. As a corollary, one would expect subordinates to agree in their ratings of the manager. When subordinates' capabilities and jobs differ, and the jobs are not interrelated, the manager might be expected to behave differently with different subordinates. Then, although the range of ratings among the subordinates in the work group may vary, these ratings would nevertheless supply useful feedback even though the data could not be averaged because of this variation. These principles apply to peer, customer, and supervisor relationships as well. Peers are more likely to agree with each other when they observe the colleague in the same context. On the other hand, peers who interact with the manager for different reasons at different times may perceive the manager differently. Likewise, the super-

visor may also provide yet another perspective in terms of opportunities to observe.

Managerial behavior can vary by constituency because role expectations may differ with respect to each constituency, whether upward, downward, or laterally. Managers may strive differentially to create a favorable impression upwardly, exhibiting greater concern to create a good impression with supervisors, who control pay and promotional opportunities, as well as resources, at the expense of subordinate perceptions of, say, integrity (e.g., "cooking the books" for upper management or preparing a presentation that obfuscates the reality of what is actually going on). In manager-subordinate relationships in which, for historical reasons, creating a favorable impression with subordinates has been deemphasized in favor of simply getting work done to specification regardless of others' perceptions, implementing 360-degree feedback programs can be particularly useful where managerial style actually works against the achievement of work unit goals.

The perspective of internal and external customers provides yet another potentially useful insight into how and why image management is important in all relationships. In this case, it is easier to ensure that accuracy and leniency questions are properly framed for the context. Figure 5 is a sample internal survey that takes into account these concerns. That is, the customer may not always be right or consistent in evaluating the performance of a work unit and its leadership. But if the work unit (supplier) wishes to retain the customer, it must work at clarifying its customer's expectations and change where necessary, whether through image management (in the sense of customer education and training) or substantive change. By simultaneously measuring expectations versus performance, the focus effectively shifts from the weight to be given the rater to the effectiveness of the manager and the work unit in responding to ever-changing customer requirements, as Figure 5 reveals. Such an approach might also be used to identify the organization's "active learners" (Center for Creative Leadership, 1992)—those who are able to anticipate and respond to supervisory, subordinate, and *customer* needs, as well as take the initiative to operate on their environment, impact results, and maintain a perpetual state of professional growth.

RISKS AND REWARDS OF 360-DEGREE FEEDBACK

Feedback has a number of potentially beneficial spinoffs for an organization. First, as mentioned earlier, it can call attention to important performance dimensions heretofore neglected by an organization, in the process of conveying organizational values. It may also be a useful intervention to enhance two-way communications, increase formal as well as

| SERVICES PROVIDED | What level of service should be provided Accounts Payable? | What level of service do you receive from Accounts Payable? |
|----------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|
| | Expectations | Performance |
| Processing of vendor invoices | High | High |
| | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| COMMUNICATION | Expectations | Performance |
| | High | High |
| Tells when service will be performed | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Listens to customer | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Provides updates/follow-up | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Explains procedures/services/results | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Seeks feedback | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| RELIABILITY | Expectations | Performance |
| | High | High |
| Provides service that is promised | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Consistent in service delivery | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Dependable | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Takes responsibility for their service | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Accuracy | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| FLEXIBILITY/CREATIVITY | Expectations | Performance |
| | High | High |
| Use of alternative methods to meet customer needs or solve problems | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Adaptable to special situations | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Employees can make decisions when normal operating procedures do not apply | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| KNOWLEDGE/UNDERSTANDING | Expectations | Performance |
| | High | High |
| Understands how their efforts relate to overall service | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Understands customer needs | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Knows how to provide requested service | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Sensitive to client needs | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Advice and consulting | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| ACCESS | Expectations | Performance |
| | High | High |
| Can talk to someone to get questions answered | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Convenient office hours | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Someone available to provide service | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |

Figure 5. Sample internal customer feedback survey for an accounts payable department.

informal communications, build more effective work relationships, increase opportunities for employee involvement, uncover and resolve conflict, and demonstrate respect for employee opinions on the part of top management. Because 360-degree feedback requires an element of reciprocity between managers and raters as sources of feedback, reinforcement, and improved satisfaction of customers, it can provide greater job and employability security because employees who create greater value for customers ultimately create greater value for themselves as employees.

Feedback is consonant with, and can also contribute to, other organi-

| | What level of service should be provided Accounts Payable? | What level of service do you receive from Accounts Payable? |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|
| RESPONSIVENESS | Expectations | Performance |
| | High Low | High Low |
| Prompt service | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Provides answers to questions | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Can take quick action | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Meets deadlines/on-time | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Returns phone calls | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| COOPERATION | Expectations | Performance |
| | High Low | High Low |
| Helps customer reach shared goals | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Follows directions | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Willing to help | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Willing to deal with special requests | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| Easy to do business with | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| GROUP RATING | Expectations | Performance |
| | High Low | High Low |
| Rate the OVERALL service provided by Accounts Payable | 7 6 5 4 3 2 1 NA | 7 6 5 4 3 2 1 NA |
| What one item listed in the most important item for this group to improve upon? | | |
| _____ | | |
| _____ | | |
| What are the major service quality issues currently facing Accounts Payable? (Please write additional comments below, or attach another page.) | | |
| _____ | | |
| _____ | | |
| _____ | | |
| _____ | | |

Figure 5. (Continued)

zational initiatives to improve work process quality. Such initiatives often focus on interpersonal relationships between and within groups, and 360-degree feedback is consistent with, and fosters, participative cultures. Even though managers may ultimately be evaluated on work unit outputs, information about managerial behaviors can help develop and ultimately improve outputs.

There are costs associated with 360-degree feedback: time and money for preparation and implementation (e.g., explaining the purpose and training managers on how to use the feedback). It adds complexity to the appraisal administration process, requiring distributing the forms to the proper individuals and collating the data, perhaps entailing the use of

sophisticated computer programming and outside help. There are potential risks to raters, and the process may generate tension between the manager and those who provide ratings (Hautaluoma, Jobe, Visser, & Donkersgoed, 1992). The process also establishes expectations that behavior will change, carrying the seeds of unmet expectations. Further, it may set up potential conflict by highlighting the need to be "different things to different people." In addition, the process not only generates a considerable body of information to integrate, but it can also become the vehicle for selective perception and information distortion. Because of its very nature—its use of more significant others than traditional supervisory ratings—360-degree feedback raises the stakes for a manager, placing increased pressure on self-concept and goals. As a result, negative information becomes more powerful and difficult to deny, especially when raters agree; and easy to distort or perceive selectively, especially when raters disagree.

DESIGNING 360-DEGREE SYSTEMS

There are, of course, a variety of ways to design a 360-degree feedback instrument, collect the data, report and use the results (Bernardin & Beatty, 1987; London et al., 1990). We focus here on item content, involving employees in developing items, item type and format, relevance, implementation (accompanying instructions, training, etc.), use of the results (whether for evaluation and/or development), inclusion of managers' self-assessment, and the form and content of the feedback.

Content

Like performance appraisal, 360-degree feedback ratings should be made on performance dimensions strategic to organizational success and thus by definition relevant to the job. Job analyses are then one way to determine appropriate content. But in some cases managers may need to be evaluated on behaviors that have not heretofore been considered a part of the current formal job design. For example, in the process of an organizational change effort, top management may announce a new vision of the types of leaders they wish to reward and advance (perhaps, those who increase management democracy, employee empowerment, teamwork, customer focus, etc.). These forward-looking behavioral aspects can be captured on the feedback scales.

Involving Employees in Program Design

A useful technique to capture these forward-looking behaviors of organizational change efforts is to involve a group of knowledgeable

employees to identify and generate behavioral statements as a part of content development. This process opens up two-way channels of communicating, generating insights on leader behaviors that may perhaps have been invisible to top management and in the very process of involving employees strengthening the link between 360° feedback and the organization's strategies and visions. The process also tends to engender increased commitment to the 360-degree process, as it communicates the importance of the desired behaviors, thereby enhancing the value of the process to the organization.

Item Types and Format

Feedback ratings are made on a set of items likely to be familiar to the raters. Items can be general (for instance, asking about managers' characteristics and abilities) or specific (asking about behaviors within the manager-subordinate, peer, or customer-supplier relationships). Questions posed can request an evaluation ("How well does the manager do X ___?") or a frequency estimate ("How often does the manager do Y ___?"). Content generally reflects elements of leadership, work group relationships, or manager-subordinate relationships that are easily understood and tied to experiences with the manager. They are the sorts of things one would expect to rate or be rated on; They are consistent with organizational and personal values. The rating format for specific items apparently has little effect on rating accuracy, as is the case with performance appraisal (DeNisi, Cafferty, & Meglino, 1984).

Item Relevance

Issues of relevance generally focus on the extent to which the items reflect prototypical managerial behaviors. The more the items represent prototypes, the more salient the items will be to the rater (Cronshaw & Lord, 1987). The rating process then becomes a simple compatibility test (i.e., "Does the ratee fit the prototype?"). Compatible ratees will be given high ratings and incompatible ratees will be given low ratings. Items that are ambiguous or that don't reflect the prototype will be in the middle. However, prototypical managers may not be what are desired by organizations experiencing rapid, turbulent change. In such circumstances organizations may wish to break prototypical roles and involve managers in developing new customer-focused and employee-empowering roles. Thus the item relevance may come from customers and employees in relation to a supervisor's efforts in meeting customer requirements.

Implementation

The 360-degree feedback process itself must be clear, with participants understanding the intended use of the results. Accordingly, instructions should be unambiguous, and training should be provided to explain the purpose of the ratings, how data will be aggregated, and how results will be fed back. As in performance appraisal, training tends to reduce rating biases by sensitizing employees to common rating errors (leniency, halo, central tendency, etc.).

Care must be taken to ensure rater anonymity. This means guarding the results, probably by using a third party outside the formal organization to analyze the data and prepare feedback reports. Such reports are usually computer-generated, but may also involve transcribing written comments to disguise handwriting. In some organizations managers do not receive subordinate ratings when the number of peers or subordinates is small (e.g., for Amoco, three or less) because of the risk of revealing the identity of the raters through the numbers alone. That anonymity is fundamental is not only a common-sense observation but is also supported by research findings. In a follow-up survey of subordinates several months after they had provided upward feedback to managers (London et al., 1990), they were asked in an interview, "Would you have rated your boss any differently if feedback had not been given anonymously," 24% of the 53 subordinates replied yes.

Frequency

Ratings are likely to be done annually. Of course, this does not preclude managers from seeking informal feedback. The introduction of 360-degree feedback often facilitates managers seeking feedback more frequently. As programs of 360-degree feedback develop over time, they tend to create an environment where feedback is regarded as less threatening to all employees and as a valued tool for individual and organizational development, especially as employees and managers become familiar with the process and see its effects on managerial and organizational development.

Uses

How 360-degree feedback is used influences the seriousness with which it is regarded and how quickly it becomes an integral managerial tool. Some organizations integrate 360-degree feedback results with performance evaluation. Others treat supervisor, upward, and/or peer feedback as separate performance criteria, with managers expected to

reach or exceed threshold ratings (for example, favorable ratings from subordinates). Managers who do not achieve the threshold may then be placed on a probation or "needs improvement" list that requires showing improvement the next year.

Some organizations use 360-degree feedback solely for development. Managers receive a report but are not required to share the results with either their boss or subordinates. Guidance or counseling sometimes supplements the feedback. This approach emphasizes the role of development within organizations, and 360-degree feedback is sometimes a vehicle to reemphasize the importance of development, especially during organizational change efforts. Using peer and/or subordinate ratings for evaluation requires greater sensitivity, because managers are more likely to be put on the defensive and to respond to feedback by criticizing the validity of the data, an issue that is usually less critical in the developmental context. However, using feedback for development only can impede the effective use of the results unless there is a requirement for the manager to be responsive to the feedback. Therefore, a useful introductory strategy might involve a two-step process, employing 360-degree feedback for development for several years before using it as input to supervisory evaluations and decisions about pay and promotion.

Whether 360-degree feedback is used for appraisal or development can affect subordinate attitudes about the feedback process and perhaps about the nature of the results themselves. In the upward feedback follow-up survey referred to earlier, 34% of subordinates said they would have rated their boss differently had the feedback been used for the manager's performance appraisal (London et al., 1990).

The ground rules of administering 360-degree feedback vary. Work unit participation can be mandatory or voluntary. The feedback procedure can also vary in directness of the relationship between raters and manager. For instance, the manager can seek out feedback directly from subordinates or peers; a third party might prepare a summary report of ratings; or a group meeting might be held with subordinates or peers during which the manager discusses the results. Hautaluoma, Jobe, Visser, and Donkersgoed (1992) investigated employee attitudes about these various approaches, as well as whether feedback results should be used for development or evaluation. The subjects were 222 subordinates and their managers from two departments of a large firm in the photographic industry. Most favored an approach that incorporated the advantages of a formal policy requiring upward feedback use and a strong developmental purpose, but no direct contact between manager and subordinate. Moreover, the survey revealed the importance of organizational context, as employees who rated their trust in the company higher were more likely to perceive benefits of participation. In addition, these employees recognized that one of the main benefits of the 360-degree feedback process is in producing a sense of participation in important

decisions, increasing beliefs of fairness about supervisors' evaluations, increasing accuracy of evaluations, and resolving conflicts.

Self-Assessment

Feedback ratings are often accompanied by managers' self-ratings on the same items on which they are rated by their subordinates, peers, and customers. Self-ratings help focus the manager's attention on the results and build motivation in establishing the direction of self-development efforts (Meyer, 1991; Bassett & Meyer, 1968). Self-appraisals are often used for employee development (Campbell & Lee, 1988), although performance appraisal research has shown that self-appraisals generally disagree with supervisor appraisals (Harris & Schaubroeck, 1988; Mabe & West, 1982). The disagreement could stem from differences in attributional processes with self-ratings subject to a strong self-serving bias (for instance, the tendency to attribute negative events to external causes and positive events to internal causes) (Levy & Foti, 1989; Levy, 1991). By and large, we have found that self-ratings in 360-degree feedback facilitate behavioral change because managers can compare their self-perceptions directly to how a great many others see them. The weight of numbers often forces managers to reconsider self-concepts when the ratings are seriously discrepant, although there is still room for misinterpreting, discounting, or ignoring feedback. In practice, we have found self-ratings are a useful vehicle in focusing attention on discrepancies as well as similarities between self and others' perceptions, and identifying gaps in perceptions. The discrepancies demand resolution of some kind (rationalization, changing self-perceptions, or altering behaviors).

Report Format

The format of the 360-degree feedback can affect how results are internalized and applied. Several variants have been used. One is a narrative statement summarizing the results. Another is a statistical summary with average ratings reported across items or perhaps with average results for clusters of items. Measures of average variation are sometimes included to reflect agreement among subordinates (e.g., average range or variance). Some organizations use a more elaborate report format than an item-by-item listing, adding mean subordinate rating, the highest and lowest rating, the norm for the department or organization (the average rating for the item across managers rated), and the manager's self-rating. The more detailed the report, the more specific the information for guiding behavior change.

Summarizing data by averaging items across predetermined factors

usually produces a more reliable, meaningful, and useful format. We have found that the more detailed the report, the more interpretation required, increasing the likelihood that the manager's biases will affect the interpretation. The more detailed the report, the more managers focus on results that match their self-perceptions and ignore results that contradict their self-perceptions (Kahneman, Slovic, & Tversky, 1982; Fischhoff, 1988). People are reasonably good at estimating measures of central tendency (e.g., Peterson & Beach, 1967), and this principle likely extends to estimating on average how well one is perceived by subordinates. Therefore, showering a manager with statistics makes the process potentially threatening to his or her self-concept because of the fear of negative results. The managerial response under such circumstances is more likely to be a deterioration in judgment, and a resort to self-defense and biases (Fischhoff, 1988). Reports that summarize data on statistically derived factor analyses provide reliable, more easily digestible data without losing distinguishing information.

In summary, we believe that when employees are involved in the design of the feedback process, the uses and consequences are clear, the ratings are anonymous and nonthreatening, self-assessments and group norms are included, and the report format is clear: (a) The rater's evaluation will be more accurate (there will be a positive relationship between attribution of characteristics to the manager and the evaluation) and (b) the manager will be better able to incorporate feedback into an evolving self-concept (there will be a positive relationship between the feedback and image acceptance).

CONCLUSION

As 360-degree feedback grows in popularity, further research will be needed to improve and facilitate the process. Besides testing how the components of 360-degree feedback relate to managerial response to feedback, there are other areas that need to be investigated for improved practice. Research is needed on different types of 360-degree feedback processes (e.g., different methods of design and implementation, as well as different rating and reporting formats). Differential outcomes between use for development and/or evaluation should be explored. Investigation of 360-degree feedback in terms of organizational culture is needed to determine measures of short-term and long-term effects of 360-degree feedback on work groups, customer relationships, and organizational culture. The effects of varying interpersonal relationships and characteristics on rater agreement and manager acceptance of feedback should be studied. Research is needed on image formation and acceptance processes. Managers' self-concepts and raters' prototypes of managers and leaders should be identified, especially as the roles continue to

evolve. Ways to clarify and differentiate these images should be investigated (e.g., by involving subordinates, peers, customers, and managers in generating relevant behaviors to be rated).

As practitioners experiment with interventions to improve the acceptance of 360-degree feedback processes and results, its long-term effects on management style and behavior change should be investigated. Multiple criteria of 360-degree feedback success should be measured, including employee acceptance of the process, managerial acceptance and use of results, change in managerial behavior, and changes in work group and organizational relationships.

Finally, and perhaps most importantly, the linkage of the potential components of 360-degree appraisal with obtaining and sustaining a firm's competitive advantage requires significant research attention. As noted, most efforts on 360-degree feedback efforts are not reported in an organizational or strategic context. The inclusion of external and internal customers (and perhaps suppliers) can provide insight into the leader-behavior-work-unit relationship that may help identify the leadership energy, roles, and behaviors essential for organizational survival. Understanding this relationship and using 360-degree data feedback to improve work unit results, leadership competency and performance, and customer success in doing business with the firm can indeed make 360-degree feedback a source of competitive advantage.

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