

# The "Usefulness" Of the 360-degree Feedback System: A Consideration Before Implementing The System

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## Abstract

Performance appraisal is crucial in organizational management. Accuracy, fairness and effectiveness of a performance appraisal system are important to an effective evaluation result, which has influence on job satisfaction, motivation, career development and performance management. There are few limitations that can undermine the accuracy, fairness and effectiveness of a performance appraisal system. However, these flaws can be minimized through several practices, such as: having the appraisee's participation; generating inputs from different parties; adopting an appropriate information gathering technique; and having knowledgeable appraisers. Compared to a traditional performance appraisal system (or single-rate system), the 360-degree feedback system features greater accuracy, fairness and effectiveness. In addition, forces from business environment that cause changes in organizational structure, management style and job design have increased the popularity of the system. However, there is no assurance that the 360-degree feedback system is the best performance appraisal system, or even that it is a useful approach for every organization.

In this paper, the term 'appraiser(s)' and appraisee(s)' will be adopted instead of 'employer(s)' (or 'supervisors') and 'employee(s)'. This is to ensure the consistency in this essay, as in a 360-degree feedback system, appraisers can be employees and vice-versa.

## Introduction

Performance Appraisal (PA) is fundamentally adopted to assess employees' past performance, the results of which are used for increment adjustments, bonuses, promotions and probationary reviews (Rees and Porter, 2003). Furthermore, it is being applied to identify individual and organizational strengths and areas for improvement, which is important to individual and organizational development (Rowe 1995). PA is playing an important role in the organizational ability to achieve both short- and long-term goals, as it helps an organization recruit the right talent pool to do the right job or task at the right place and at the right time.

To attain assessment and developmental purposes effectively, the result of performance evaluation is crucial. The accuracy, fairness and effectiveness of a PA system are important components which contribute to an effective evaluation result. However, as PA systems are designed, commenced and reviewed by human beings, some common limitations of any appraisal system should be expected. These include appraiser's biases; cognitive

limitation (Folger, Konovsky and Cropanzano, 1992); insufficient and/or inappropriate knowledge; inadequate understanding of the job, or of the PA system (Ilgen and Barnes-Farrell in Greenberg, 1996); and appraisers' errors, such as halo effect, central tendency, recency effect and contrast effect (Landy and Farr in Longenecker and Ludwig, 1995). These could affect the accuracy, fairness and effectiveness of a PA system. Besides, the information-gathering techniques (Greenberg, 1996) and the rating format (Carson, Cardy and Dobbins, 1991) could also have impacts on the three main components of a PA system.

Although these are common problems in any PA system, there are several practices which can be followed to mitigate these deficiencies.

#### **Practices To Enhance Accuracy, Fairness And Effectiveness Of A PA System**

Owing to the broad and subjective definition of 'accuracy', 'fairness', and 'effectiveness' of a PA system, the definition will be narrowed and framed as a guideline when explaining the suggested requirements for achieving accuracy, fairness and effectiveness in a PA system.

According to Longenecker and Ludwig (1995), the accuracy of a PA system should be based on the ability of the PA system to provide accurate evidence of the appraisee's actual performance during a finite time period. The fairness of a PA will depend on the procedural fairness, which will have an effect on the perceived fairness and thus the acceptance of the outcome (Greenberg, 1996). The effectiveness of a PA system will be the extent to which an evaluation result can assist in achieving an effective and efficient assessment and developmental purpose, and eventually attaining organizational goals. Even though it is almost impossible to have a perfectly accurate, fair and effective PA system, the common errors and deficiencies in a PA system can be minimized by allowing an appraisee to participate and have an open discussion during the PA process; collecting feedback from multiple sources; adopting an appropriate information-gathering technique; and having knowledgeable appraisers.

#### **Appraisee's participation**

According to Greenberg (1996), in a PA activity, decisions should be made based on the most accurate information. Relying solely on an appraiser's input is insufficient because some important information might be overlooked due to the biases and cognitive limitations of the appraiser (Folger et. al., 1992). Thus, having an appraisee's inputs through his own participation at different PA stages is essential to ensure that information adopted during the PA process is as accurate as possible (Greenberg, 1996). The benefits of an appraisee's participation will be enhanced if open communication and discussion are encouraged during the PA process.

According to Folger et. al. (1992), a PA format should be able to reflect individual performance and developmental goals as well as be able to evaluate specific behaviors, instead of general personal traits. Thus, an appraisee's inputs are essential to ensure that the PA objective, standards, criteria (including the definition of each criteria) and format are formulated in such a way that both appraiser and appraisee can understand and agree (Folger et. al., 1992).

Carson et. al. (1991) raised the concern that appraiser and appraisee may have different views on the causes of performance differential, especially when the performance