360-degree feedback: an all-around performance evaluation tool you must know

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Meta Description: 360-degree feedback is a performance appraisal tool that doubles as a development tool. Find out how to leverage it for business.

Although top-down performance reviews remain popular among companies, a growing number of managers turn to more viable alternatives for better insights. Among those appraisal methods is a multi-rater evaluation system, commonly known as 360-degree feedback.

In this article, we will take a closer look at this performance evaluation practice alongside its benefits and drawbacks and share useful tips for its successful implementation in the workplace.

What is 360-degree feedback?

As its name suggests, 360-degree feedback aims to get a broader picture of our work performance by stepping beyond the traditional management hierarchy.

It evaluates our competencies and productivity based on the perspectives of those around us, including our teammates, managers, direct reports, colleagues from other departments, and in some cases, vendors and customers.

Unlike standard performance reviews, this multisource assessment tool highly encourages self-evaluation and giving upstream feedback to supervisors.

The assessment format varies from one company to another. However, a good 360-degree evaluation typically consists of score-based surveys and open-ended questions that can capture more detailed and nuanced responses.

The feedback process usually involves five participants at a minimum—all of whom will have their identities kept anonymous at varying levels of discretion.

The benefits of 360-degree feedback

360-degree feedback is a developmental tool more so than a performance rating system.

As such, it is much more effective at assessing our growth potential relative to interpersonal qualities, such as leadership, communication skills, inventiveness, risk mitigation, and time and project management.

This contrasts with traditional appraisals, which solely measure performance based on quantifiable work output.

With that said, here are some benefits of using a 360-degree feedback approach:

- **Promotes better skills development**
  How you rate your capabilities and behaviors during self-appraisals might not necessarily reflect how your managers and coworkers view them.

  360-degree assessments, therefore, not only gather feedback from multiple sources but also arrange that information into a more balanced outlook of your overall strengths and weaknesses.

  This, in turn, helps you better recognize the gaps between your current skills and experience and what is in demand in the industry.

  And you will gain a clearer understanding of your learning curve as you take a more proactive role in your self-development journey.

- **Creates a positive feedback loop**
  Constructive input is critical to self-improvement. However, studies have shown that while over three quarters of employees find feedback valuable, less than 30% have ever received it.

  Luckily, with an effective 360-degree feedback process, your workplace can cultivate a healthy, feedback-driven culture where people can openly share their ideas, expectations, and suggestions.

- **Stronger teamwork**
  Multisource performance appraisals help employees work better in a team as they learn to recognize and navigate each other's working styles, abilities, and motivations.

  With constructive peer reviews, employees can easily accommodate their differences to create better synergy.

  Forging closer bonds between employees certainly has an impact on productivity. A report by Connected Culture has found that 71% of highly productive employees feel more connected to their colleagues.

- **Improves accountability and employee satisfaction**

  360-degree evaluations boost transparency in corporate leadership—empowering employees to voice their concerns about upper management via upward feedback.

  On the other hand, managers will have an easier time keeping an ear to the ground—gaining valuable insights to strengthen their executive decisions and resolve organizational issues faster.

- **Increases engagement and retention**

  Employees who regularly receive feedback—be it positive or negative—are better engaged at work.

  This isn't all that surprising. After all, feedback allows employees to see how their work can impact their organization. They also see feedback as a means of self-development.

  A study by Gallup has shown that about as high as 74% of disengaged workers are actively seeking employment elsewhere. Meanwhile, teams with low engagement see 18% to 43% higher turnover rates than those with higher engagement.

  Thus, active participation in multisource evaluations will undoubtedly boost employee engagement and retention.

Some disadvantages

Despite leading to better efficiency and more agile processes at work, 360-degree feedback is not without downsides. Here are some that we've identified:

- **Time-consuming**

  Multi-rater appraisals are pretty tricky for the uninitiated—making it a risky investment.

  From setting up the system, crafting the questionnaires, and selecting suitable candidates to collecting and refining the feedback, distributing the results, and doing some follow-ups, its implementation certainly isn't a breeze.

  There are too many variables to consider, and lacking in one area will threaten the integrity of the process. This means companies must allocate considerable resources and costs to bring the operation on board.

- **Risks of inaccuracy**

  While 360-degree evaluations have the edge over standard performance reviews in terms of objectivity and inclusiveness, bias persists at some level.

  Even with diverse opinions to balance the scale, favoritism can still take root. Participants with closer relationships, for example, may skew the assessment results in favor of positive bias.

In contrast, choosing participants who are mainly indifferent to the process will lead to vague and unhelpful reviews. Even with guaranteed anonymity, some workers are reluctant to raise their concerns for fear of retaliation or, worse, sowing discord within their team.

- **No standardized benchmarks**

  There isn't much consensus about what 360-degree feedback is about beyond its standard definition.

  While some HR managers prefer aggregated scores and letter grades for their cost-efficiency and simplicity, there aren't enough pointers for employees to learn and grow from such feedback.

  Letting employees read the unfiltered, raw data might sound good as far as transparency goes, but it, too, can create distrust and unwanted office friction.

  A great middle ground will be a combination of aggregated ratings and summarized feedback with a sign-off from HR or a manager. Keep in mind, though, this method is generally more taxing compared to the other two.

Tips on how to implement 360-degree feedback:

Having second thoughts after reading the explanation above? Don't feel discouraged just yet, as we've compiled a list of things you can do to avoid those pitfalls:

- **Proper planning** - This is easier said than done, but careful planning makes things much smoother. Besides, there is no one right way of doing things, so you can administer the process in a way that fits your company**.**

  As a first step, you can look into several case studies on the subject. Compare and analyze their results so can learn from their mistakes and better understand the overall implementation process.

  Having this prior knowledge makes it easier for you to build the proper mechanism and documentation afterwards. Talk to the experts and consultants if you must.

- **Gradual onboarding** – Like all new processes, a multi-rater evaluation might take time to get used to, especially if your company hasn't fully embraced a culture of open feedback yet.

  Bring your plan into action by introducing the concept to a few samples first. This could be high-functioning front-end groups like the sales team, which can massively benefit from having higher synergy and trust.

  Analyze the data you get from this pilot project and use that information to bring the process to a much larger scale.

- **Open communication and training** – The success of your 360-degree evaluation is determined by what type of feedback you get from the participants.

  Proper training helps ensure that participants know how to give constructive feedback and use the survey tools efficiently.

  How you approach the subject also matters. Take the initiative to have a frank discussion with others about the purpose of bringing this tool on board.

  They will see this honesty as a sign of strong leadership and good faith from the management, which will help you win more support.

- **HR Technology** – Use dedicated HR software technology to streamline your performance review process**.**

  Integrated SaaS tools allow you to create surveys and questionnaires on the go, set timelines, monitor and manage the participants, upload performance reports, refine the collected feedback, and so on.

  With HR management software, you can also scale and automate your performance review cycles and adjust levels of authorizations among your colleagues for faster deployment.

Let's recap

360-degree feedback is more than just a performance evaluation tool. It is a process that provides employees with a clear roadmap to aid in their career growth and skills development.

On an organizational scale, this appraisal method fosters a more dynamic exchange of ideas—a perfect incubator for innovation.

Despite these selling points, this method still faces several roadblocks that slow down its uptake, including costs, time, and efficiency. And given its highly subjective nature, we advise companies to use it alongside other qualitative practices to maximize results.

Need help with finding the right performance evaluation tool for your company? Reach out to us now and let our product specialists find the best digital HR solution for you.