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Many Australian organisations have turned to 360-degree assessment as a useful supplement to traditional performance appraisal. Normally delivered as a questionnaire, often via computer, 360-degree assessment solicits perceptions of performance from various people who have had the opportunity to work with and/or observe the individual being rated.

As organisations continue to change, the need for information on human performance increases. Traditionally, this information has been gained through the performance appraisal process. Managers rate their direct reports once or twice a year depending on how well they have met their objectives. This may suffice when dealing with remuneration and reward issues, but it is doubtful that this process will help build organisational capability.

An emphasis on objectives does not reveal evidence about the actual behaviours that underpin success or failure. Traditional performance appraisal systems in many organisations fall well short of one of their primary objectives: to foster individual development. To prevent dooming their direct reports to frustration and themselves to disappointment, managers need better tools and processes to target and evaluate development needs, and track progress.

There are three key features that distinguish 360-degree surveys from performance appraisals:

- Information is obtained from a number of sources: if several people rate the same person, the chances of obtaining accurate information increase. There is also a greater chance that the person being rated will accept the information provided by the assessment.
- The focus is on how to improve performance: competencies are translated into specific behaviours. Ratings of these behaviours provide better information on which to base development planning.
- Information is obtained from different types of sources: different people observe behaviour from different vantage points and can provide unique inputs. This form of assessment makes a distinction between what is achieved in a role and how it is achieved. The 'what' goals for business units, teams and ultimately individuals stem from the critical success factors and business plans that are translated into key result areas and measurable objectives. The 'how' goals are derived from the expected behaviours clustered into competencies, with the 360-degree assessment typically focusing on the 'how' side (see diagram). Given that performance appraisal normally centres on the achievement of objectives, 360-degree assessment is therefore complementary.

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Research has shown that some sources are better to provide feedback on what was achieved and others are more aware of how things were achieved. Line managers and customers often have a better understanding of *what* was achieved, whereas peers and direct reports are often a better source of information about *how* things were achieved. Of course, the person being assessed should never be excluded as a source of information. And an enlightening experience for many people is when they compare their ratings of themselves with the ratings of others.

Other methods for evaluating individual performance such as interviews, ability tests and personality questionnaires are not alternatives to 360-degree assessment. There are certain similarities, however, between 360-degree assessment and assessment or development centres. Both approaches use competencies, behaviours and multiple raters. But there are fundamental differences.

Assessment centres provide people with simulated opportunities to demonstrate and be assessed against specific skills. In contrast, 360-degree assessment captures perceptions from others on the extent to which certain behaviours are seen in the work environment: this reflects how a person performs in their day-to-day job.

Assessment centres are much better at assessing the competency requirements for future roles and conditions when an organisation may be looking at a person's potential, whereas 360-degree assessment focuses on current roles and performance. As with any form of vocational assessment, there are several pitfalls that users of 360-degree assessment should be aware of. Linking 360-degree assessment to pay can seriously undermine the reliability of the information. People are less likely to provide accurate information when it is known that it will impact on such an emotional issue as pay. If the information is distorted because of this, then its use in development planning is much reduced.

Situations involving promotion or downsizing are burdened with similar issues. When a promotion or the loss of a job hinges on a 360-degree assessment, there is a strong chance that the data will be badly coloured by the situation. Some people have raised concerns about peer ratings in that they are no more than a popularity contest in disguise.

Subordinate ratings have also attracted criticism. Subordinates may often be reluctant to be honest for fear of repercussions or they may inflate their ratings to get on their manager's good side. Also, people who do the ratings on 360-degree assessments are rarely trained as assessors and this lack of accuracy often limits the validity of the ratings. By contrast, assessment centre assessors will often receive several days training and accreditation that directs them towards common standards and results in increased accuracy.

There are a number of ways to reduce some of these concerns. One is to maintain the confidentiality of respondents by ensuring that there are sufficient numbers in each respondent category to make it difficult to identify individual ratings. Another is to make sure that the items contained in the questionnaire are defined in specific behavioural terms. This reduces the likelihood of people basing their ratings on opinion and innuendo. As people take more ownership of their careers and as teams become increasingly autonomous, the information yielded by 360-degree assessment tools will be invaluable to progressive organisations seeking to build the capability of their people.

Applying 360-degree assessment

Two of the attractions of 360-degree assessment are the reduced cost relative to other approaches to assessment, and the range of human resource systems to which it can be usefully applied.

Individual development: 360-degree assessment provides information at the individual level that can be used to plan developmental activities. The target often takes primary responsibility for developing his or her performance, but the line manager may coach the individual and arrange for other development opportunities.

Career planning: individual feedback can steer a course for career planning whereby strengths and weaknesses in particular competencies can mean that certain career choices are likely to be more appropriate.

Performance management: as well as leading to individual development and career planning, 360-degree assessments can be used as performance measures. Managers can link performance objectives and results with the assessment information on how the results were achieved. For example, if an individual agrees to an objective to be a better coach, the 360-degree ratings can be used to evaluate the quality of coaching.

Succession planning: human resource departments can combine the assessment information to help plan succession into key roles. This needs to be supplemented with more rigorous forms of assessment.

Culture change: given the focus on behaviours and how things are done, the information can be used very effectively to facilitate and measure culture change efforts. This form of assessment can offer perspectives on employee behaviour that support the desired organisational culture.

Training needs analysis: a particularly effective application is to use the information to identify development needs across certain groups and match these needs with training and development interventions. This can help to set priorities for training and development resources.