Getting 360-Degree Feedback Right

by **Maury A. Peiperl**

If a single e-mail can send the pulse racing, it's the one from human resources announcing that it's time for another round of 360-degree feedback. In and of itself, this type of appraisal isn't bad. Indeed, many businesspeople would argue that over the past decade, it has revolutionized performance management—for the better. But one aspect of 360-degree feedback consistently stymies executives: peer appraisal. More times than not, it exacerbates bureaucracy, heightens political tensions, and consumes enormous numbers of hours. No wonder so many executives wonder if peer appraisal is worth the effort.

I would argue that it is. Peer appraisal, when conducted effectively, can bolster the overall impact of 360-degree feedback and is as important as feedback from superiors and subordinates. Yet the question remains: can peer appraisal take place without negative side effects? The answer is yes—if executives understand and manage around four inherent paradoxes.

For the past ten years, my research has focused on the theory behind, and practice of, 360-degree feedback. Most recently, I studied its implementation at 17 companies varying in size—from startups of a few dozen people to *Fortune* 500 firms—and industry—from high-tech manufacturing to professional services firms. I was looking for answers to several questions. Under what circumstances does peer appraisal improve performance? Why does peer appraisal work well in some cases and fail miserably in others? And finally, how can executives fashion peer appraisal programs to be less anxiety provoking and more productive for the organization?

My research produced a discomforting conclusion: peer appraisal is difficult because it has to be. Four inescapable paradoxes are embedded in the process:

- *The Paradox of Roles:* You cannot be both a peer and a judge.
- *The Paradox of Group Performance:* Focusing on individuals puts the entire group at risk.
- *The Measurement Paradox:* The easier feedback is to gather, the harder it is to apply.
- *The Paradox of Rewards:* When peer appraisal counts the most, it helps the least.

Performance management isn't easy under any circumstances. But a certain clarity exists in the traditional form of performance review, when a boss evaluates a subordinate. The novelty and ambiguity of peer appraisal, on the other hand, give rise to its paradoxes. Fortunately, managers can, with some forward thinking and a deeper understanding of their dynamics, ease the discomfort. Let's consider each paradox in detail.

The Paradox of Roles

Peer appraisal begins with a simple premise: the people best suited to judge the performance of others are those who work most closely with them. In flatter organizations with looser hierarchies, bosses may no longer have all the information they need to appraise subordinates. But it doesn't necessarily follow that peers will eagerly step into the breach. They may tend to give fairly conservative feedback rather than risk straining relationships with colleagues by saying things that could be perceived negatively. Consequently, the feedback gathered from peers may be distorted, overly positive, and, in the end, unhelpful to managers and recipients.

In more than one team I studied, participants in peer appraisal routinely gave all their colleagues the highest ratings on all dimensions. When I questioned this practice, the responses revealed just how perplexing and risky, both personally and professionally, evaluating peers can be. Some people feared that providing negative feedback would damage relationships and ultimately hurt their own careers and those of their friends and colleagues. Others resisted because they preferred to give feedback informally rather than making it a matter of record. Still other employees resented peer appraisal's playing a part in a performance system that resulted in promotions for some and criticism and even punishment for others—thereby, they believed, compromising the egalitarian and supportive work environments they had tried to cultivate.

When the Paradox of Roles is at play, people are torn between being supportive colleagues or hard-nosed judges. Their natural inclination is to offer counsel and encouragement, and yet they've been asked to pass judgment on a colleague's performance. Unless this conflict is addressed early on, peer appraisal will go nowhere fast—and cause stress and resentment along the way.

The Paradox of Group Performance

Most peer appraisal programs can't reveal what makes a great group tick. Even though such evaluations are intended to gain insights into the workings of teams or groups, peer appraisal programs usually still target individual performance. In most cases, however, a focus on individuals doesn't address how most important work is done these days—that is, through flexible, project-based teams. Moreover, successful groups resent it when management tries to shift their focus or asks them to compare members with one another; in the extreme, peer appraisal may even harm close-knit and successful groups.

In one high-performing group I studied—the venture capital arm of a well-known bank—peer appraisal was roundly viewed as an annoyance of questionable utility. This group was utterly dismissive of the bank's appraisal system, even though the program was well constructed, aggressively backed by top management, and successful in other areas of the bank. The members considered themselves a highly independent group and believed they were already fully aware of their performance, both individually and in project teams. To their way of thinking, they had already created a collegial and cohesive environment that delivered extraordinary results for the company, so why couldn't the bank just leave them alone? The group's finely honed balance of status and responsibilities was threatened by the prospect of individual peer appraisals. Although they halfheartedly participated in one round of 360-degree feedback, over time they simply stopped completing the evaluation forms, thus registering their contempt for (and possibly their fear of) the program.

Low-performing groups also often greet peer appraisal unenthusiastically. At a professional services firm, I met with the partners in charge of a practice that had suffered a long, slow decline in profitability. They saw peer appraisal as a veiled attempt by the rest of the organization to assess blame. As a form of passive protest, this group provided few comments when evaluating one another, and when pressed to discuss results, they resisted. So great was the threat implied by peer appraisal that eventually they refused outright to discuss any feedback they had received, and the process shut down altogether. Their worries about their own failure and the company's motivations became self-fulfilling: as their willingness to discuss results diminished, so did the practice's performance.

As these cases suggest, when peer appraisal ignores group dynamics and work realities, it delivers counterproductive results. If most work is done in groups, focusing on individuals can compromise the group's performance or make a weak team's performance even worse. Rather than cultivating a sense of shared ownership and responsibility, the process can breed deep cynicism, suspicion, and an "us-against-them" mentality—the exact opposite of the values most companies espouse.

The Measurement Paradox

It seems logical that simple, objective, straightforward rating systems should generate the most useful appraisals. Number or letter grades make it easier for managers to gather, aggregate, and compare ratings across individuals and groups, and they often just *seem* like the right way to proceed (after all, most of us have been getting report cards since kindergarten). But ratings by themselves don't yield the detailed, qualitative comments and insights that can help a colleague improve performance. In fact, the simpler the measures and the fewer dimensions on which an individual is measured, the less useful the evaluation.

One media company I observed was especially proud of its performance measurement program, which involved elaborate rounds of evaluations by peers and bosses. The process culminated in a letter grade for every individual, which was then linked to group, division, and, ultimately, corporate results. Top executives were pleased with this approach because of the links it recognized within and between groups. However, many of the employees expressed frustration, not only because the process required an excessive amount of paperwork but also because the system lacked a mechanism for giving or getting detailed feedback beyond a letter grade. Employees frequently reported satisfaction with their ratings, but they complained that they lacked a clear sense of what they had done to deserve their grades and, more important, what they were doing wrong and needed to address in order to progress in their careers. "It's comforting to know I'm an A-plus," one person reported, "but where do I go from here?"

Simple ratings are not always bad, but most of the time they are not enough. Of course, qualitative feedback is more difficult and time-consuming to generate and is not as easily compared and aggregated. It can pose problems of interpretation when

comments are personal or highly idiosyncratic (such as, “She is the class of the outfit.”). But without specific comments, recipients are left with no information to act on and with little sense of what might help them get better at their jobs.

The Paradox of Rewards

Most people are keenly attuned to peer appraisal when it affects salary reviews and promotions. In the short term, employees may take steps to improve performance (a perpetual latecomer may start showing up on time). But most people focus virtually all their attention on reward outcomes (“Am I going to get a raise or not?”), ignoring the more constructive feedback that peer appraisal generates. Ironically, it is precisely this overlooked feedback that could help to improve performance. Most people don’t deliberately ignore peer appraisal feedback, but even the most confident and successful find it hard to interpret objectively when it is part of the formal reward system. In these instances, peer appraisal poses a threat to feelings of self-worth—not to mention net worth.

Is the solution, then, to take rewards out of the equation? My research suggests that the answer is not nearly so straightforward. Consider this contradiction: in many organizations I surveyed, raters expressed reservations about providing critical feedback when they knew it would directly influence another’s salary. One participant put it, “You could destroy somebody and not even know it.” But when I queried recipients of peer appraisal, many reported that they weren’t interested in feedback unless it “had teeth.” If the results were seen as being for “HR purposes,” not “business purposes,” recipients were less inclined to take the process seriously; if peer feedback didn’t have an impact on rewards, it often wasn’t used.

With the Paradox of Rewards, managers find themselves in a catch-22. When rewards are on the line, peer appraisal may generate a lot of activity but usually delivers only short-term improvements in performance from feedback that may be conservative or incomplete. When not tied to rewards, feedback is likely to be more comprehensive (and thus potentially useful) but is not seen as important by recipients, who may delay in addressing it or ignore it altogether.

Managing Through the Paradoxes

As might be expected, these paradoxes do not have neat solutions. They are best seen not as obstacles to be overcome but as features of the appraisal landscape to be managed around or even through. The nature of a paradox isn’t easily changed, but the way it is viewed can be. Indeed, one of the most significant findings from my research is the pivotal role that managers play in successful peer appraisal. My field notebooks are full of comments from participants about their managers—some commending bosses for active participation, and others condemning behavior that undermined the process. In too many organizations, I’ve seen peer appraisal programs sabotaged by managers who let it be known through offhand comments or their own lack of participation that peer appraisal might be well and good for everyone else, but not for them. The best managers, on the other hand, act as constructive critics, role models, and willing participants. (See the sidebar “Managing the ‘Peer’ in Peer Appraisal.”)

Managing the “Peer” in Peer Appraisal

Most managers are still not accustomed to giving in-depth, constructive feedback. But by learning how to give feedback better—constructively, specifically, and in a timely manner—and by encouraging others to follow suit, managers themselves become the key ingredient in the peer appraisal process.

Go Public with Your Support.

Let it be known that you value peer appraisal, and explicitly describe the benefit you and others have gained as a result of your own participation.

Be a Counselor and Role Model.

Meet with subordinates to help them understand the assessments they receive, and engage them in discussions of the appraisals and their interpretation—without letting your own opinions dominate. Demystify the process by being open to feedback and self-improvement and by asking for input from others, including subordinates and peers.

Provide Training Early and Often.

Allocate time and resources to help raters and recipients practice giving and receiving feedback. This is best accomplished in small groups and small doses, rather than through big, formal training programs.

Put Substance Before Rankings.

Pay attention to and publicize results brought about through the feedback system, such as stronger links between departments, cost-saving innovations, and better information flows. Don't emphasize the success of individuals with high feedback numbers because then people may view 360-degree feedback as a popularity contest rather than a tool for improvement.

Let People Know When They're not doing Peer Appraisal Well.

Better yet, let their peers tell them. Set high expectations of your own peers and hold them to it. These skills only improve with practice, so scheduling time now and then to role-play with colleagues or trainers is worthwhile.

My findings also suggest that managers and organizations don't spend enough time asking themselves and conveying to employees why peer appraisal is being used. The potential benefits may seem obvious at first, but when the purpose and the scope of peer appraisal are not made explicit, conflict soon takes over.

Purpose.

In most cases, the purpose of peer appraisal is to provide timely and useful feedback to help individuals improve their performance. Detailed, qualitative feedbacks from peers accompanied by coaching and supportive counseling from a manager are essential. If participants understand the reasons for soliciting this kind of feedback, some of the tension of the Measurement Paradox can be overcome. If, however, the purpose of peer appraisal is simply to check that things are going smoothly and to head off major conflicts, a quick and dirty evaluation using only a few numbers will suffice. In one small organization that used only number ratings, the CEO regularly reviewed all feedback summaries; when any two employees' ratings of each other were unusually negative, he brought them together and helped them address their differences. This practice worked because its purpose was explicit—to catch conflicts before they turned into full-blown crises—and because the CEO's visibility actively mitigated the effects of the Measurement Paradox.

Occasionally, peer appraisal is used to improve ties between groups. In these cases, managers should focus the appraisal effort on the entire group rather than on particular members. When groups themselves realize the need for improved links, the effects of the Paradox of Group Performance may be stemmed. In one situation I witnessed, the sales and operations groups in a large financial services firm were not cooperating, and customer complaints were piling up. The manager invited members of each group to provide anonymous feedback to people in the other group. At first, the feedback was terse and critical, but when each group saw that the company was using the feedback not to reward or punish individuals but to highlight the problems between the two groups, the feedback became more extensive and constructive. Eventually, peer evaluation became a regular channel of communication to identify and resolve conflicts between these groups. In this example, peer appraisal succeeded because it first addressed the real-world conflicts that had led to unmet customer demands; only when participants became accustomed to the process was it folded into the formal reward system, thus decreasing the effects of the Paradox of Rewards.

I have also seen peer appraisal programs introduced as part of larger em-powerment programs aimed at distributing authority and responsibility more broadly throughout an organization. In one manufacturing company I studied, a group of factory workers designed its own peer evaluation process. The group already performed multiple roles and functions on the factory floor and took responsibility for hiring, training, and quality control, so it also made sense for the members to take charge of evaluating one another's work. Instead of seeing conflict in the new roles, group members saw peer appraisal as a continuation of the other responsibilities they had assumed. The Paradox of Roles was barely evident.

Scope.

Managers also need to be selective about how broadly peer appraisal, and 360-degree programs in general, are used. In the name of inclusion, many organizations feel compelled to roll out these programs everywhere. But democracy is overrated, at least when it comes to peer appraisal. One large financial services firm I studied had great success in solving business process issues across several front-office groups through the judicious use of peer evaluation. The process resulted in widely celebrated improvements and better relations between the front-office groups, so much so that other groups in the company wanted to join in. But when the firm introduced the same program to the additional thousand-plus employees, the program

collapsed under its own weight. By trying to provide substantial, but in many cases unnecessary, feedback to all, the company compromised its ability to function.

In choosing rating criteria for peer appraisal, it's also important to remember that all jobs are not the same. A customized evaluation takes longer to develop, but as the Measurement Paradox suggests, such an investment of time and effort is crucial because inappropriate or narrowly defined criteria are difficult for peer evaluators to use and even harder for recipients to apply. Moreover, if participants detect that the system is unlikely to improve their performance or rewards, they are even less likely to actively engage in the process with their peers, as the Paradox of Rewards illustrates.

The Paradox of Group Performance will be less of an issue when the right balance is achieved between evaluating the contributions of individuals and acknowledging the interdependencies and connections within groups and across boundaries. Most organizations are notoriously bad at this, often touting teamwork and group performance while assiduously rewarding only individual outcomes. But in a few groups I studied, where the overall size of the bonus pool, for example, depended on everyone's ability to work together, the tension between individual contributions and group outcomes was kept in check. Practices like this not only diminished the effects of the Paradox of Group Performance but also dampened the effects of the Paradox of Rewards, in part because peer appraisal, while tied to rewards, was only one criterion used to decide them. This middle-ground approach to the Paradox of Rewards can work well when participants trust the integrity of the reward determination process.

In the ten years I have spent observing 360-degree feedback, I have seen a number of organizations gradually develop enough trust and confidence to make the most of peer appraisal without incurring dysfunctional consequences. These organizations recognize that 360-degree feedback systems, and peer appraisal programs in particular, are always works in progress—subject to vulnerabilities, requiring sensitivity to hidden conflicts as much as to tangible results, but nevertheless responsive to thoughtful design and purposeful change. Companies that have success with these programs tend to be open to learning and willing to experiment. They are led by executives who are direct about the expected benefits as well as the challenges and who actively demonstrate support for the process. By laying themselves open to praise and criticism from all directions and inviting others to do the same, they guide their organizations to new capacities for continuous improvement.

Maury A. Peiperl is associate dean and director of the Careers Research Initiative at London Business School and a director of Learning Designs Limited, a management consulting firm (**LearnDsgns@aol.com**).