THE NEED OF ‘720 DEGREE PERFORMANCE APPRAISAL’ IN THE NEW ECONOMY COMPANIES

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ABSTRACT

“Evaluate what you want -- because what gets measured gets produced” ~ James A. Belasco

Performance appraisal is a concept that started in the early 20th Century. It is the process of obtaining, analyzing and recording information about an employee to evaluate and improve their performance. Performance appraisal is evaluated in terms of Quality, quantity, time and cost and also analyses the value that the employee adds to the goals of the organization. There are different methods of performance appraisal used based on the type of organization, size of the organization and also the period when it is used. 720 degree performance appraisal is one of the most recently introduced concepts. As the name suggests, 720 degree performance appraisal is the evaluation of the performance of an employee from all the aspects and giving timely feedback to ensure that the person is able to achieve the set goals before the next appraisal.

The success of an organization depends on the performance of the employees and it is the human tendency to judge everything and everyone around them. If there are no fixed standards of judging they will start judging based on informal standards that can create negativity and impact the performance of the employee and in turn, the organization. Hence, it is necessary that we set the right standards to judge the performance of the employees. The major setback in the previous methods of appraisal was that it did not guide the employee after the appraisal hence the 720 degree appraisal was introduced when the employees performance is measured, analyzed and targets are set in the first appraisal and after a short period his performance is measured again and proper feedback and guidance is given to ensure that the employee achieves the target. In this paper, the authors try to evaluate the awareness of the 720 Degree Performance Appraisal in the Organizations that were selected for the study. We also analyze the feedback of the employees and the Management about the feasibility of the 720 degree performance appraisal.
1.0 INTRODUCTION

“Continuous Improvement Requires Constant Measurement”

All organizations aim at being effective and achieving their goals, in order to do this it is important to monitor or measure the performance of the employees on a regular basis. Effective monitoring also includes giving timely feedback, reviewing the performance according to predetermined standards and timely recognition of the accomplishments, that motivates the employee to perform better each day. It is rightly said that, “Encouraged people achieve the best; dominated people achieve second best; neglected people achieve the least.” as recognition and reward at the right time is the best encouragement. From the time Human beings have evolved they have employed different methods to appraise the performance starting from the traditional ‘comparison method’ to the modern ‘720 degree appraisal method’. ‘720 degree appraisal method’ aims at monitoring, measuring, giving feedback and encouraging the employees to achieve the goal and for the Organization in turn.

1.1 CONCEPT OF 720 DEGREE PERFORMANCE APPRAISAL

‘720 degree performance appraisal’, is the latest appraisal method that has been introduced in New Economy companies. Accurately and objectively measuring the performance of an employee is the most difficult part of the Performance appraisal process. Different methods are used for Performance appraisal that includes: Critical incident method, weighted checklist method, paired comparison analysis, graphic rating scales, essay evaluation method, behaviorally anchored rating scales, performance ranking method, Management by Objectives (MBO) method, 360 degree performance appraisal method, Forced ranking and Behavioral observation scales. 720 degree performance appraisal is an integrated method of performance appraisal where, the performance of an employee is evaluated from 360 degrees (Management, Colleagues, Self and also customers) and timely feedback is given and performance is evaluated again based on the targets that are set. Hence, 720 degree performance appraisal can be stated as twice 360 degree performance appraisal: once when the appraisal is done and the targets are set and he second where the feedback is given and the boss gives tips to achieve the goals. Hence, there is a pre and a post round of feedback.

1.2 THE NEED OF 720 DEGREE PERFORMANCE APPRAISALS FOR TODAY’S BUSINESS WORLD

As Organizations evolve and new techniques make work complicated it also becomes necessary to have a complex and integrated appraisal system. As organization grows and become diverse the expectation from each employee becomes high in turn, the employee’s expectation from the employer also increases. The main need of 720-degree performance appraisal is the improvement of the performance of the people in their jobs and to ensure that the expectations of the employer, employee and the customers are met. The main need of 720-degree performance appraisal can be summarized as follows:

a) 720-degree performance appraisal method is more development focused than performance alone, and supplements training and development functions in a better way.
b) Provide information about the performance ranks. Assist in taking decisions regarding salary fixation, confirmation, promotion, transfer and demotion.

c) Provide timely feedback about the performance, set targets and monitor the performance based on the targets set.

d) Helps to check the effectiveness of personnel procedures and practice i.e validation.

e) It is needed to ensure that employees reach organizational standards and objectives.

f) To discover the work potential and to understand the areas where training is required to guide the employees to perform their best.

g) To understand the expectations of the employees and prevent grievances and in disciplinary activities.

h) Provide information to diagnose deficiency in the employee regarding skill, knowledge, determine training, and prescribe the means for employee growth and information for correcting placement.

i) Set realistic target, monitor the performance and provide timely feedback to ensure that the performance is enhanced.

j) These critical competencies are essential to assist the executives and managers to be able to lead these organizations toward successful implementation of strategic changes.

1.3 DIMENSIONS OF 720-DEGREE PERFORMANCE APPRAISAL

All the current IT organizations aim at achieving higher rate of employee satisfaction and transparency in the working environment. In order to achieve the above goals, 720 degree performance appraisal would be a vital tool as it is used to appraise the performance of an employee from different dimensions and helps to overcome the barriers of bias, prejudice and discrimination. The performance is appraised from 5 dimensions and feedback or the appraisal meeting is conducted twice (pre and post feedback) to ensure the efficient performance of the employee. Including the pre and the post feedback, that plays a vital role, the 720 Degree performance appraisal has 7 phases.
a) **PRE APPRAISAL FEEDBACK**

This is the first appraisal step that is done after the feedback is collected from the different dimensions or people with whom the employee would interact. In this step, the performance is evaluated, targets are set and feedback or training is organized to help the employee achieve the target.

b) **SELF APPRAISAL**

The employee is given a questionnaire and asked to evaluate his performance and through this method, the employee gets an opportunity to express his thoughts and his valuation of strengths, weakness and judge his performance.

c) **PEERS/COLLEAGUES APPRAISAL**

The feedback from the peers or colleagues is important as it helps to understand the ability of the employee to work as a team, co-operate, co-ordinate with others and bring out the best.

d) **CUSTOMER APPRAISAL**

In order to survive in the current competitive market, Organizations aim at achieving high customer satisfaction. Customer feedback helps to analyze the customer’s point of view and help to improve the person and the Organization.

e) **SUB-ORDINATES APPRAISAL**

The feedback of the subordinates is essential to analyze the organizing skills of the employee and to understand his abilities like communication and motivating abilities, ability to delegate the work, leadership qualities and way of handling responsibilities.

f) **MANAGERS/SUPERIORS APPRAISAL**

In this, the performance, responsibilities and the attitude of the employee is evaluated by the Superiors or Managers.

g) **POST APPRAISAL FEEDBACK**

It is this step that makes the 720-degree performance appraisal different and better than the 360-degree performance appraisal method. In this step, the performance is evaluated based on the target set in the Pre appraisal and feedback is given. Timely feedback and guidance helps to make the employee improve his performance.

1.4 **BENEFITS OF 720-DEGREE PERFORMANCE APPRAISAL**

720 Degree performance appraisal will help in creating a synergetic work environment and will help to bring out the best of each employee. The other benefits of the 720 degree performance appraisal are as follows:
a) It helps in better analysis and improved feedback from different dimensions
b) Helps to develop a better and co-operative team
c) Reduces the appraisal barriers like prejudice, bias and discrimination
d) Customer feedback is valued do better customer service and satisfaction can be obtained
e) Encourages transparency and feeling of treated justly.

2.0 STATEMENT OF PROBLEM

The Industries in India are broadly classified into two:

- Old Economy Companies
- New Economy Companies

In the New Economic companies, the practices are ultra-modern in all functions of management. Therefore, the authors of this paper write to find whether the employees and managers (appraisers) are aware of the concept of 720 degree performance appraisal method. If yes, do they practice it for the performance evaluation? The opinion of the employees’ vis-à-vis appraisers on the need and importance of this method as far as the performance evaluations, as it is the need of the hour.

3.0 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

a) To study the awareness level of the Employees and Managers on 720 degree performance appraisal method.
b) To find whether the 720 degree performance appraisal method is in vogue in the selected IT companies.
c) To suggest a scheme to create the awareness and for effective practice of the 720 degree performance appraisal method.

4.0 RESEARCH DESIGN

The Research design for the study is sketched as follows:

4.1 DATA SOURCES AND TYPES

The study is mainly based on primary data. The required data has been collected from the response of the selected IT companies however; for the review of literature and others, secondary data was also collected from books, journals, magazines and websites.
4.2 SAMPLE SIZE AND SAMPLING TECHNIQUE

The study focuses on two types of responses:

a) Employees of IT Companies (Appraised)

b) Managers of IT Companies (Appraisers)

Therefore, the sampling unit for the study is the IT Company and respondents are Employees and Managers of IT Companies.

Hence, the sample size has been designed as follows:

a) Sampling Units 6 IT Companies

b) Sampling of employee respondents 80

c) Sampling of Manager respondents 20

d) Total Sampling 100

Simple random technique is used for the purpose of selecting the respondents.

4.3 DATA COLLECTION AND CLASSIFICATION

A simple questionnaire consisting of approximately 12 questions are framed separately for the employees and appraisers for the purpose of collecting data. After conducting a pilot study of ten employees and five appraisers, the necessary changes were brought in the respective questionnaire in order to go for the field work to collect the data.

After collecting the filled up queries and proper scrutiny, the data was taken into consideration for the purpose of classification and tabulation of the data. Data was basically classified with respect to the objectives of the study.

4.4 TOOLS FOR ANALYSIS

The classified data were tabulated for the purpose of analysis. The data is analyzed in percentages.

4.5 LIMITATIONS OF THE STUDY

a) The sample of New Economy companies was taken from only one city. Hence the Appraisers-respondents and Apraisee-respondents are from one city based new economy companies.

b) Subjective views of the appraisers and the appraise respondents

c) Time constraint
5.0 FINDINGS OF THE STUDY

The survey included appraisers and appraises from different age group. The table below gives the classification of the age group and the gender of the appraisers and the appraisee who answered the questionnaire.

5.1 PROFILE OF THE RESPONDENTS

TABLE 1.1 - AGE GROUP OF THE RESPONDENTS

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Appraisers 20</th>
<th>Employees 80</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Percentage</td>
</tr>
<tr>
<td>20 - 30</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>30 - 40</td>
<td>9</td>
<td>45%</td>
</tr>
<tr>
<td>40 - 50</td>
<td>4</td>
<td>20%</td>
</tr>
</tbody>
</table>

From the above table, we understand that most of the employee respondents are of the age group, 20 – 30 and the appraisers are of the age group, 30 to 40.

TABLE 1.2 GENDERS OF THE RESPONDENTS

<table>
<thead>
<tr>
<th>Gender</th>
<th>Appraisers 20</th>
<th>Employees 80</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Percentage</td>
</tr>
<tr>
<td>Male</td>
<td>17</td>
<td>85%</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>15%</td>
</tr>
</tbody>
</table>

From the above we understand that Male employees are more than Female employees.

5.2 FINDINGS

The tables are prepared based on the basic survey and are classified in terms of the views and problems of the current appraisal methods used and the relevance of implementing the 720 degree performance appraisal method.

TABLE 2.1 – CURRENT APPRAISAL METHOD USED

<table>
<thead>
<tr>
<th>Performance Appraisal method – Used</th>
<th>Appraisers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
<td>Value</td>
<td>%</td>
</tr>
<tr>
<td>360 Degree appraisal method</td>
<td>8</td>
<td>40%</td>
</tr>
<tr>
<td>MBO - Management by Objective</td>
<td>7</td>
<td>35%</td>
</tr>
<tr>
<td>Human Resource Accounting</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Assessment Centers</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Behaviorally Anchored Rating Scales</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>
From the above table we understand that more than 30% of the selected New Economy companies use 360 Degree performance appraisal method and Management by Objective. Approximately 25% of the companies use the Human Resource accounting method. 720 Degree performance appraisal method is not used in the selected new economy companies.

**TABLE 2.2 – AWARENESS OF 720 DEGREE PERFORMANCE APPRAISAL METHOD**

<table>
<thead>
<tr>
<th>720 - Degree Performance Appraisal method – Awareness</th>
<th>Appraisers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option</td>
<td>Value</td>
<td>%</td>
</tr>
<tr>
<td>Yes</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>70%</td>
</tr>
</tbody>
</table>

From the above table we understand that only 30% of the appraisers are aware of the 720 Degree performance appraisal method and only 8% of the employees are aware of 720 Degree performance appraisal method.

Most of the employees and appraisers are not aware of the 720 degree performance appraisal method.

**TABLE 2.3 – EMPLOYEES APPRAISED OWN PERFORMANCE**

<table>
<thead>
<tr>
<th>Appraised - Own Performance</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option</td>
<td>Value</td>
</tr>
<tr>
<td>Yes</td>
<td>49</td>
</tr>
<tr>
<td>No</td>
<td>31</td>
</tr>
</tbody>
</table>

Approximately 61% of the employees have appraised their own performance in their career and were able to evaluate their career graph. Employees are able to appraise their own performance effectively.

**TABLE 2.4 - EMPLOYEE APPRAISE OTHER EMPLOYEES**

<table>
<thead>
<tr>
<th>Can Employees appraise other employees effectively</th>
<th>Appraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option</td>
<td>Value</td>
</tr>
<tr>
<td>Yes</td>
<td>15</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
</tr>
</tbody>
</table>
75% of the appraisers stated that employees will be able to appraise other employees effectively. 75% of the appraisers consider that the employees who come in contact with the other employees will be able to appraise them better as they work together and will be able to evaluate each other in different levels.

Appraisers state that employees will be able to appraise other employee performance effectively.

**TABLE 2.5 - SATISFIED – CURRENT APPRAISAL METHOD**

<table>
<thead>
<tr>
<th>Option</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>16</td>
<td>20%</td>
</tr>
<tr>
<td>No</td>
<td>64</td>
<td>80%</td>
</tr>
</tbody>
</table>

80% of the employees stated that they were not happy with the current appraisal method and would prefer the use of a more effective method to measure their performance. Hence, it is necessary to implement the 720 Degree performance appraisal method.

Employee respondents are not happy with the current appraisal methods used and hope for a change for the better.

**TABLE 2.6 - INFLUENCE – PERSONAL BIASES**

<table>
<thead>
<tr>
<th>Does Personal Bias influence Performance Appraisal</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option</td>
<td>Value</td>
</tr>
<tr>
<td>Yes</td>
<td>54</td>
</tr>
<tr>
<td>No</td>
<td>26</td>
</tr>
</tbody>
</table>

68% of the employees stated that Personal bias and prejudice influenced their appraisal. Hence, it is necessary to introduce an objective multi-dimensional appraisal method like the 720 Degree performance appraisal method where personal bias cannot influence the appraisal process.

Most of the people agreed that Personal Bias will influence the Performance Appraisal and appreciate a new method with more dimensions to evaluate performance and avoid personal bias.
TABLE 2.7 - DISADVANTAGES OF 720 DEGREE PERFORMANCE APPRAISAL METHOD

<table>
<thead>
<tr>
<th>Option</th>
<th>Appraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
</tr>
<tr>
<td>Time</td>
<td>17</td>
</tr>
<tr>
<td>Money</td>
<td>2</td>
</tr>
<tr>
<td>Quality</td>
<td>1</td>
</tr>
<tr>
<td>Personal Bias</td>
<td>0</td>
</tr>
</tbody>
</table>

This question was asked to the Appraisers to understand what they consider as the greatest disadvantage of the 720 Degree performance appraisal method.

a) 85% of the appraisers consider that 720 Degree performance appraisal method is a time consuming process.

b) 10% of the appraisers consider that the monetary requirement is higher for 720 Degree performance appraisal method as appraisal/feedback has to be done twice.

c) 5% of the appraisers consider that there might be quality problem as all the 7 dimensions of appraisal in 720 Degree performance appraisal method might not be accurate.

d) The appraisers consider the 720 Degree performance appraisal method as a time consuming process.

TABLE 2.8 - IMPLEMENT 720 DEGREE PERFORMANCE APPRAISAL METHOD

<table>
<thead>
<tr>
<th>Like to Implement 720 Performance Appraisal Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

When asked if they would like to implement the 720 Degree performance appraisal method, 55% of the appraisers stated that they would like to implement the method and 45% were not interested.

The following charts explain the importance of implementing the 720 Degree performance appraisal method.

More than half of the appraiser respondents consider the 720 Degree performance appraisal method as an efficient tool to appraise performance and like to implement this method.
TABLE 2.9 - 720 DEGREE PERFORMANCE APPRAISAL METHOD – IMPROVE PERFORMANCE

| Option | Appraisers | | | Employees | | |
|---|---|---|---|---|---|
| | Value | % | Value | % |
| Yes | 18 | 90% | 64 | 80% |
| No | 2 | 10% | 16 | 20% |

90% of the appraisers consider the 720 Degree performance appraisal method as an effective method and are positive that implementation of this method would help to improve their performance.

80% of the employees are also of the same view that a appraisal method that has 7 dimensions and included two level that includes appraisal and feedback will help to better evaluate and improve the performance of the employees.

Employees and Appraisers agree that implementation of 720 degree performance appraisal method will improve performance effectively.

6.0 IMPLICATIONS OF THE STUDY AND CONCLUSION

The common answer (appraisers or employee) about the need for appraisal is that the ‘Appraisal’ process is necessary. “The most important purpose or goal of the appraisal is to improve performance in the future”, (‘What is The Point of Performance Appraisal’ By Robert Bacal, M.A.). It is an important and necessary process however; it is a process that can make both the sides apprehensive. It is obvious that the appraised in apprehensive however; the appraiser is also generally not very happy because he needs accurate data and if the appraised objects or raises any question the appraiser should have the information ready and hence the appraiser is also defensive. Stating about the need for change and the problems of the traditional appraisal method, Susan M. Heathfield, in her article, “Performance Appraisals Don’t Work” states that Appraisers and Appraised are uncomfortable for the process of performance appraisal. Hence it is necessary to have a proper organized and well recorded method for performance appraisal so that the appraiser and the appraised will have a synergetic environment. “In a performance management system, feedback remains integral to successful practice”, (Susan M. Heathfield). 720 Degree performance appraisal is a method that gives paramount importance to feedback as there is a pre and post feedback session.

The pre and post feedback session is a process that helps the appraiser and the appraised equally. Andrew E. Schwartz explains about this dual benefit in his article, ‘The How-To’s of Effective Performance Appraisal’. He states, “All employees need periodic discussions with their supervisors to determine the effectiveness of their performance. In addition, appraisals help supervisors insure that their own goals are being met”. In Ben Dattner’s article about performance appraisal, he states that the roles of performance appraisal include, “Giving candid and constructive feedback and Following up to ensure that the system works”. It is in this aspect
that 720 Degree performance appraisal method is effective and would be successful as this is the method that includes both giving candid feedback and follow up (post feedback).

From the study it has been clear that most of the selected respondents are not happy with the current appraisal method hence, it is necessary to implement a objective

From the above sample study, it is clear that most of the appraisers and appraise respondents are not aware of the 720 Degree performance appraisal method. It is also evident that most of the employees are not satisfied with the current appraisal methods used in their organizations and consider personal bias as a major problem in the current appraisal methods. The 720 Degree performance appraisal method as an objective method that cannot be influenced by personal bias and a method that suits the new economy companies as it gives feedback and follows up to ensure that the appraised reach the goal.

7.0 SCOPE FOR FURTHER RESEARCH

The following areas are identified for further research:

i) Analytical study on the opinions of the CEOs and top management on 720 Degree performance appraisal method and its implementation.

ii) A sample study using the laboratory method to have a practical understanding.

iii) Development of cases on 720 Degree performance appraisal method.

iv) Research on creating awareness about the on 720 Degree performance appraisal method.

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