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November 2008

## Current topics in 360-degree feedback



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## Summary

**This document describes how major organisations, including our clients, use multi-rater feedback in performance management. It then goes on to explore how to overcome the issue of managers not taking developmental action and how to show return on investment.**

ETS has designed, developed and hosted multi-rater feedback programmes for over one million managers in many of the world's leading companies. This document is also informed by conversations with hundreds of HR professionals at ETS-hosted seminars. Our experience is that multi-rater tools should be designed to meet a specific objective in a way that also matches the organisation's culture and processes.

The issues discussed here are those that the people responsible in their organisations for people development, performance management and talent management consider to be the most important and topical.

## Using multi-rater feedback for performance

Up to now, most organisations have used multi-rater feedback for developmental purposes. We have noticed, however, that there is an increasing trend to use the output scores as a means of informing performance management processes.

This is, in part, because companies are increasingly concerned with how employees reach their objectives rather than simply what they are achieving.

Some companies use 360-degree feedback scores as supporting evidence for making decisions on potential for promotion, succession planning, bonus and readiness to progress. In a real-world example, employees at a large client organisation receive a full bonus if they achieve their objectives, but they cannot be considered for promotion if they do not display valued behaviours. This approach removes the direct link of feedback with pay and reduces the risk of receiving less than honest or biased feedback.

In other companies, the scores are used as part of a weighted input into a balanced scorecard on which reward is based.

Both approaches are valid depending on culture and context. External advice is useful to ensure the tool is used appropriately and to reduce the potential for bias and gaming.

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## Helping managers to act on feedback

HR professionals often encounter resistance among managers unwilling to take action on their feedback. The substantial investment of company resources, including employee time, in the programme is essentially wasted if managers ignore the results of the programme.

We can point to many excellent examples of a programme that led to developmental actions being taken. One ETS client automatically produces an on-line, individually-tailored training curriculum for each manager. The resultant two-year training plan is totally managed and monitored on-line by linking the manager with available learning interventions – CBT, books, training courses etc. – and a booking facility for recording their use.

In another client example, Ratees can gain online access to a network of internal mentors and coaches. Because coaching is modelled on the most senior individuals in the organisation, it produces a consistent message and culture, as well as consistent levels of involvement and commitment from all levels of management which helps promote a sense of shared purpose.

In a final example, we have seen how follow-up feedback can be of immense value. In this case, after receiving their feedback, Ratees give a public commitment to their Raters that they will seek to improve in particular areas. The Ratees ask their Raters to monitor their behaviour over a six month period. After this time, Raters give follow-up feedback on those areas only, scoring the Ratee on how they have improved.

In general, multi-rater feedback programmes should be simple and attractive for Ratees, letting them know what they need to act on. They should be supported with good advice and given next steps on what they can do to help them to develop.

## Showing return on investment

The overall aim of the multi-rater programme is to improve the company's performance. As HR professionals, it is easy enough for us to understand that a multi-rater programme can improve the performance of managers and their teams, and that this leads directly to increased overall performance, resulting in increased profits.

Unfortunately, unlike profit increases and other statistical performance indicators, it can be hard to quantitatively prove or measure the effect of a multi-rater programme.

The benefits of the programme can be shown, however. As a practical example, we can cite the case of a professional services firm which had a problem with its managers not providing sufficient leadership. It introduced a leadership-focused 360-degree feedback programme and tracked scores over a number of years. They are now confident that managers and employees recognise good leadership. In addition their managers now consistently display leadership behaviours.

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Multi-rater feedback can improve areas of corporate performance that can be quantified.

One of these is an improvement in employee retention due to increased motivation and a perception of better self-development and career prospects. According to the CIPD (Employee turnover and retention 2008) the average cost of replacing a manager is £20,000. A company employing 1,000 managers that reduces attrition from 4% per annum (40 people) to 2% (20 people) would save £400,000m. This in itself is more than enough to prove the case for investing in multi-rater feedback.

Another measurable effect is a reduction in cost and improvement in the effectiveness of people development programmes. Aligning development plans to the results of multi-rater feedback leads to cost-effective training targeted at individual's specific needs.

We worked with a major bank to develop and build a 360-degree feedback programme that identified individual development needs and matched them to the training resources available within the bank. As a result, each person now receives a training and development package which is specific to their needs. The bank is now maximising the use of its resources, achieving the right training at a lower cost.

## Conclusion

In summary, multi-rater feedback is a powerful tool that should be introduced to meet a specific, timed objective in a way that is suited to the way the company operates. Landing a generic 360-degree feedback programme into an organisation is unlikely to generate substantial or quantifiable benefits.

## About ETS

ETS (Expert Training Systems plc) is a talent management company that services UK and international companies. It is a leading provider of tailor-made, web-based systems and services. Each ETS solution is developed to meet exactly the client's requirements. Our aim is to delight our customers through creating their ideal solution and through excellent customer service.

We have achieved our reputation by employing top-flight staff with a wide range of skills and experience, focusing on customer satisfaction, and investing heavily in R&D and technology.

Our principal areas of expertise are in the design, development and hosting of solutions for performance management, 360-degree feedback and employee research.

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