

What past performance can tell us about the future.



By Tracy Maylett and Juan Riboldi

Using 360° Feedback to Predict Performance

Organizations place increasing emphasis on measuring results—from financial success to management effectiveness and return-on-investment—in training and development. While most companies have become adept at defining financial and operational success, many find that the “softer” side of performance is often the hardest to quantify, yet it remains critical to success.

Where past measurement typically focused on *what* was accomplished, an increasing number of organizations today incorporate elements of *how* things are accomplished into their individual and company performance assessments. Feedback tools, such as 360-degree feedback and employee engagement assessments, have gained popularity in evaluating individual behaviors and overall levels of engagement—the “soft” side of performance that is not typically included in a company’s profit and loss statement. While most organizations use feedback mechanisms, few take the time to connect these measurements to organizational performance.

Conflicting information

Many organizations struggle to link nonfinancial metrics with results. We conducted a three-year study with several hundred employees in various industries that analyzed the results of performance evaluations, production performance, and 360-degree feedback. Surprisingly, this study showed no correlation between 360-degree feedback scores and performance evaluations. Employees scoring high on their performance evaluations were not necessarily those who scored high on their feedback.

Some of these employees with poor feedback scores were hitting their production and financial targets. This resulted in managers receiving good performance evaluation ratings, along with accompanying raises and promotions. However, these managers' departments also experienced high levels of employee turnover and had difficulty attracting and retaining talent. It soon became clear that these managers were meeting short-term targets at the expense of long-term profitability. They were pulling out all the stops to achieve these short-term revenue targets.

Although these managers were rated as excellent performers, they and their departments were often found to be the origination points for a number of employee-related grievances the organizations were experiencing. Soon it was realized that these top-down appraisals only took into account the ratings of the supervisor. These ratings depended on the manager hitting or missing monthly revenue or production targets.

However, the managers' true overall performance went largely unmeasured. Through this process, it was discovered that many of these so-called "stellar performers" were not so stellar after all.

360-degree feedback

Feedback has been used for decades as a measurement of past performance and behaviors. However, it wasn't until the mid-1980s that extensive use of 360-degree feedback became common for identifying strengths and development needs that might not be exposed in traditional performance evaluations.

Similar to the 360 degrees of a circle, with the participant figuratively at the center of that circle, feedback is gathered from those most familiar with that participant's performance: supervisors, peers, and direct reports. Proponents of 360-degree feedback are quick to point out that gathering feedback from multiple stakeholders provides a clearer perspective of the impact an individual's behavior has on others. Conversely, opponents claim that peer ratings may not be objective or accurate. Despite the debate, it is estimated that as many as 90 percent of Fortune 500 companies use some form of 360-degree feedback for either employee evaluation or development.

Similarly, it was discovered that understanding levels of employee engagement would help an organization better understand its culture, satisfaction, well-being, and effectiveness. Many organizations today use employee surveys

as a way to gauge and identify elements of organizational culture. These engagement surveys typically measure employee satisfaction, motivation, and effectiveness. However, as with 360-degree feedback, most organizations make little attempt at relating these results to their bottom lines.

Predictor of success

CHG Healthcare Services is one of the oldest and largest healthcare staffing firms in the United States. Founded in 1979, CHG provides both temporary and permanent placement of physicians, nurses, and allied health professionals. Located in Salt Lake City, CHG has consistently been named one of Utah's most-admired companies.

"We have been gathering information on our financial and service performance since day one," says Michael Weinholtz, CHG president and CEO. "But we knew that overall business success is an outcome of more than just operational performance. We are a business that is based on people. Our ability to attract, motivate, manage, and retain talented employees is key to the company's bottom line, and we knew that we needed a way to measure those factors."

CHG discovered that 360-degree feedback provided an effective way to measure individual strengths and areas for development. Coupled with regular employee engagement surveys, this overall feedback offered some enlightening information.

"We noticed something interesting when we looked at feedback and performance," added Kevin Ricklefs, CHG's vice president of administration. "We found that 360-degree feedback not only provided an understanding of a manager's past behavior, it also acted as a predictor of future success. When we placed these individual results side by side with the employee survey results of that same manager, we saw they were directly related. Then when we looked at that manager's performance, the relationship was clear."

The performance lag cycle

As CHG discovered, 360-degree feedback results have a direct relation with employee engagement results. Numerous studies suggest that engaged employees provide better customer service, record lower rates of attrition and absenteeism, and demonstrate improved quality and increased productivity. These factors, in turn, relate to overall performance.


This appears to make intuitive sense—good managers lead engaged teams, which produce excellent results. However, this relationship has been the focus of much scrutiny. The combination of 360-degree feedback, employee engagement, and operational performance may not appear to be in harmony.

Our research and additional studies show a direct relationship between a manager's individual behavior, the overall engagement of that manager's team, and its general success. Managers scoring highest on their individual 360-degree reports typically logged similarly high marks on the employee engagement scores for their immediate

departments. Solid individual 360-degree scores had a strong correlation with good team engagement scores. Likewise, a number of studies have shown that the level of employee engagement influences operational performance as measured by turnover, financial profitability, efficiency, quality, customer satisfaction, ROI, and stock price. However, this relationship may not be immediate.

We found that managers who received low individual 360-degree feedback scores could still hit financial targets in the short term. Yet managers who fell into this category eventually experienced declining employee engagement. This, in turn, affected operational performance. The time between an individual's behavior and when it affects his team's engagement, which eventually influences financial and operational performance, is referred to as a performance lag cycle.

In our research, this performance lag cycle generally took place over a little more than a year. The results of a manager's 360-degree feedback served as a predictor of her financial or operational success over the next year. Those managers who registered low 360-degree scores, yet demonstrated successful financial performance, were often no longer performing as well 12 to 14 months later.



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CHG Healthcare understood the effect of the performance lag cycle. CHG ensured that, in addition to continual review of the financials, it would keep regular watch on the softer side of organizational performance.

“We see 360-degree feedback and employee engagement as part of our performance metrics,” says CHG’s Ricklefs. “Low 360 scores are a warning that employee engagement is likely to decrease unless something changes. Poor engagement scores are a signal that team performance will suffer down the road.” He goes on to cite several examples where potential concerns were identified through 360-degree feedback and employee engagement results and were remedied prior to affecting financial performance.

Feedback and bottom-line results

As business partners examine their training and development and HR counterparts to tie the softer side of management to bottom-line results, the use of 360-degree feedback scores and employee engagement assessments promises to be an important part of the human metrics process. Most 360-degree feedback assessments and employee engagement initiatives fall under the umbrella of training and development, organizational development, or HR departments. It is important that these professionals understand the connections these instruments have to the bottom line.

Many organizations already use these two forms of assessment to evaluate current and past performance and behaviors. The results are powerful tools in understanding the training needs of an individual, team, or organization. However, the value goes far beyond these basic uses. Much of the power of these assessments lies in what they predict about future performance. Training and development professionals play an important role in helping organizations understand the use of 360-degree feedback and employee engagement assessments as both report cards for the past and predictors of bottom-line success. **T+D**

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