

360-Degree Performance Appraisal System in Commercial Banks in India: A Critical Review

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ABSTRACT

Introduction: Performance appraisal is a device through which employees' performance is evaluated to find out the growth potential and understand the abilities of the employees in question, which further helps in improving their performance. 360-degree performance appraisal system as a modern and customizable technique is being used by many organizations in India as leadership development intervention. It is a multi-rater feedback mechanism that provides appraisal of an employee in terms of his behavior and performance from his peer, supervisor(s) and managers and by himself besides clients and customers.

Research Methodology: The proposed study is based on secondary data and critical analysis of existing literature.

Purpose: The proposed study aims at reviewing critically 360-degree appraisal of employees of commercial banks in India.

Result: Multi-rater assessment positively triggers the job satisfaction levels and work performance of individual employees in commercial banks, which in turn leads to improvement in quality and accuracy of work, job knowledge, ability to work as team members and quantity in output.

Implications: The findings of the study will be useful for the management of banks to modify their present techniques of feedback mechanism for performance appraisal and thus boosts up their overall performance levels.

KEYWORDS

Performance appraisal, 360-degree feedback, Commercial banks, Critical review

INTRODUCTION

Being one of the major contributors to the GDP of Indian economy, banking sector is the biggest and fastest growing financial services sector. It caters to the needs of credit for all sections of the society and also provides large number of employment opportunities. Like in respect of any organisation, human capital plays ultimate role towards efficient and effective utilisation of all the other resources in banking industry too. Dedicated, motivated and efficient workforce of a bank can help it in the achieving the organizational goals. It is vital for every organization, whether public or private sector; the manufacturing or the services sector; and formal or informal to nurture its employees so as to gain competitive edge through talent management. This can be done through assessing the individuals' performance and finding out the gaps in it, which can be

corrected by appropriate training and supervision sessions. Thus, the concept of performance appraisal emerged in the early 20th century. One of the modern techniques of measuring performance of employees is through the information provided by the members who interact with them, have knowledge about them and whose opinions are valued by them, i.e. their supervisor, customers, subordinates and peers. This technique is termed as “360-degree Appraisal”, or “360⁰ Feedback” which itself indicates that to employ this technique (of performance appraisal) reviews are sought from all directions in the organization. The self-ratings of the employees are accompanied with the responses from other raters on the same rating scale, which ensures anonymity and also employees get a clear picture of their strengths and weaknesses. Customer focus, teamwork, communication, leadership, technical knowhow, organizational skills, ethics are some of the areas targeted through 360⁰ feedback or multi-rater survey. The reviews fulfil a variety of purposes in the HRD mechanism. Firstly, the results are pre-requisite for setting up training and development plans for the employees. Secondly, administrative decisions, like pay or promotion, also get affected by these feedback results. In this case it is used for evaluation purposes and often referred to as “360-degree review”. The person receiving the feedback often uses the results to plan and map specific paths for their development (Bracken and Rose, 2011; Msylett 2009; and Waldman et al., 1998). Multi-rater feedback mechanism helps to measure the ways in which employees accomplish their tasks. The focus of the feedback process should be directly on the skills and knowledge that an employee has about the job and not on his/her personality traits. The multi-rater feedback can lead to immense progressive modifications and improve effectiveness at the individual, team and organizational levels, if conducted systematically (Wimer and Nowack, 1998).

RATIONALE OF THE STUDY

This section highlights the factors that motivated the authors to undertake the proposed study. Firstly, 360-degree appraisal is being increasingly used by many organisations for evaluating the performance of their employees as well as for other promotional purposes, whereas some organisations are still continuing with the traditional methods, which are comparatively less effective. Secondly, lack of precision in existing literature is found in context of execution of 360-degree in commercial banks of India. Therefore, this study makes an attempt to give an inclusive and critical analysis of existing body of knowledge on the administration of 360-degree appraisal and also its influence on the satisfaction level and performance of employees, particularly in reference to the commercial banks of India. The findings of the study will be useful for the management of banks to modify their present techniques of feedback mechanism for performance appraisal and thus, boost up their overall performance levels.

LITERATURE REVIEW

Performance Management and Incentive Awards Division (1997) of the US office of personnel management in their article discussed the contribution of each source of ratings and feedback. The precautions that need to be considered while developing a performance management program, which includes 360-degree assessment, were also listed. The above office supported the 360-degree rater as an effective tool for evaluating performance for formal appraisal and other developmental purposes.

Michael K. Mount et al. (1998) aimed at determining whether the method effects are associated with the level of the rater (boss, peer, subordinate, self) or with each individual rater, or both. Five models hypothesizing various factor arrangements of rating methods (raters) and traits (managerial skills) were examined in the study that led to variance in performance ratings. The

method variance in performance ratings is more strongly linked with individual raters than with the rater's level. However, an exception was found that boss ratings might constitute a separate method factor that can be distinguished from all other levels of rating.

Christopher Mabey (2001) analyzed participant views of 360-degree feedback program. The research introduced 360-degree program to middle and senior level managers at a UK university. Participant managers seemed to be more than satisfied with the continuous training and development sessions held, led to personal development of employees and receiving positive feedback from colleagues as a result. However, the organization still needs to review the 360-degree program, as the participants were not happy when it appeared to mismatch other HR policies and/or their boss was uninvolved. They also expressed some amount of uncertainty with regard to the job relevance of the process.

Evelyn Rogers et al. (2002) through their study revealed six best ways that can help leaders get the most from their investment in the feedback process. Also it was found that organizations that gain most out of 360-feedback process used it for individual development planning, coaching, and feedback, and carefully manage every step of the process. It was also revealed that participants seem satisfied with the honest feedback, gain self-insight and an understanding of how they were perceived by the organization, and also helped them to improve performance through personal development. However they also gave some suggestions like, more coaching opportunities, and organizational commitment to the process and confidentiality of feedback or used for development and not performance. Organization viewed 360 feedbacks for individual development, while participants believed the process was being used for individual development, performance appraisal, commitment and team building.

Beatrice I.J.M van der Heijden and Ander H.J.Nighof (2004) emphasized on the problems and prospects of 360-degree feedback technique. The assumptions that 360-feedback adds objectivity and increases validity to the individual performance assessment, was challenged in this paper. The study revealed that constant variation was there between self and supervisor ratings. This was due to the employee's tendency to present them in a positive attitude, which is known as leniency effect. Also, supervisor's ratings were strongly effected by halo effect and effect of under sampling. The 360 feedbacks were most advantageous when meaningful and authentic exchange of perception was done on both sides.

ShambhuNathChowdhury (2005) critically analyzed the then existing Performance Management System of executives of United Bank of India. It was found that annual appraisal system, which was historic and not so effective, was the only tool being used by the bank. The main source of appraisal was traditional method. There was a need for more transparent, objective, constructive, timely and a positive feedback mechanism. Both quantitative as well as qualitative performance indicators play a major role in the assessment of performance. Thus introduction of multi rater evaluation and feedback tool was felt as a necessity in the bank.

ShaguftaShowkat (2013) emphasized that performance appraisal system needs to be HRD oriented. Employees showed an interest for well-designed and result oriented Performance Appraisal System (PAS) to be free from bias and prejudices. Employees were found to be dissatisfied with existing PAS. Also it was examined that employees with prior knowledge of assessment criteria felt less threatened. Self-appraisal and 360-degree appraisal instead of traditional methods was being implemented largely by the organizations so as to improve satisfaction towards Performance Appraisal practices. Performance appraisal can be beneficial

mechanism for building a good relationship with employees, planning employee performance, discovering employee potential and improving organizational effectiveness.

Sigei Beatrice Cherono (2013) conducted a study to establish the extent of use of 360-degree in commercial banks of Kenya. Cross-sectional design was implemented in the study for an in-depth investigation. Primary data was collected through questionnaire, mainly targeting the human resource managers of the concerned banks. It was found that majority (51.6%) of commercial banks were using 360-degree feedback tool in Kenya. The main sources used as raters in the process were self, immediate supervisor, peers and customers. Job satisfaction level of employees triggered positively due to the use of 360-degree.

Lalita Rani et al.(2014) through their study of 100 respondents revealed that most of the private sector banks used 360-degree appraisal method for evaluating the performance of its employees and majority of them were found to be satisfied with this method. It was also agreed that performance appraisal helped in improving performance, increasing motivation & satisfaction and also achieving organizational goals.

IK Kilam et al.(2014)in their research focused on the salient features of the 360-degree appraisal system, its advantages and disadvantages and its current relevance in banking sector particularly public sector banks. From the empirical study, they found that majority of the bankers favoured the idea of introducing 360-degree appraisal in public sector banks.

KE Lithakong (2014) examined that the 360- degree appraisal system was effective in most of the areas like employee performance and motivation, job satisfaction, the organizational performance, succession planning as well as training and development. The author suggested as per the results that there was no need to explore other performance appraisal systems but the identified deficiencies in the current evaluation process need to be addressed.

D.B. Bagul (2014)addressed the current performance appraisal system at SEMCO and its effectiveness. It was found that most of the employees were aware of the performance appraisal system adopted by the organization and had knowledge about the need and purpose for an appropriate evaluation system in place. While most of the employees were happy with the current PAS followed in the organization, some suggestions were also provided to improve the process for organizational development. Although the company did not follow a 360-degree appraisal system, 38% of employees find PAS to be complicated in the organization.

Vivekanandan and N.Mohan (2015)in their study listed the features of 360-degree appraisal and its suitability and relevance for private sector banks in India. It suggested that 360-degree appraisal system including multiple appraisal and developmental value based appraisal system could overcome the threat of personal bias. A reasonable majority of bankers were found to be interested in practicing 360- degree appraisal system.

Neeshu (2016) suggested that to overcome the shortcomings of 360-degree feedback, it should be used along with the traditional system of appraisal. 360-degree appraisal can lead to both organizational as well as individual improvement if it is implemented in its true sense. Appropriate action plans in the form of Development Training Programs need to be conducted after appraisal process. The leadership competence of the managers should also be measured so as to make the feedback useful to managers.

SajjadHosain (2016) researched to find out the effectiveness of 360-degree feedback by focusing on the results from previous studies on performance appraisal system. 360-Degree feedback was found out to be effective despite a few drawbacks. Integration of 360-degree feedback with some traditional methods could prove to be more useful. 360-degree feedback for performance and

360-degree feedback for development gave varying results, so they must be used interchangeably.

SwapnilMoyal and VijaylaxmiIyengar (2016)in their study investigated to know the opinion of bank employees of both public and private sector on performance appraisal systems criteria followed in their banks. This was an objective study for making objective and correct decisions on employees by securing necessary information about them. 360 appraisal leads to improvement in employees' performance through training and development program.

OBJECTIVES

1. To take a survey of commercial banks to ascertain the administration of 360-degree performance appraisal system in commercial banks in India.
2. To assess the satisfaction level of banks' employees with respect to 360-degree appraisal method.
3. To assess the influence of 360-degree appraisal on the performance of employees of commercial banks.

CONCEPTUAL FRAMEWORK OF 360—DEGREE APPRAISALS

The concept of multiple rating sources began during World War II wherein the German Military gathered feedback from multiple sources to measure performance (Fleener& Prince, 1997). Meanwhile others explored the use of multi- rater feedback via the concept of T- groups. In the 1950s at Esso Research and Engineering Company, the practice of surveys to collect information and insights about employees was highlighted (Bracken, Dalton, Jako, McCauley, &Pollman, 1997). This led to the development of idea of 360- degree feedback and by the 1990s most human resources and organization development professionals were thorough with the concept. But lot of paper work including complex manual calculations or lengthy delays was a problem, demanded for collecting and collating the feedback. The multi rater feedback mechanism gained popularity through the use of Internet in conducting web-based surveys (Atkins & Wood, 2002). Over one- third of U.S. companies use some type of multi- source feedback today,as shown through various researches (Bracken, Timmereck, & Church, 2001). While others entitle that this ratiois approximately 90% of all Fortune 500 firms (Edwards &Ewen, 1996). In the recent years, due to the various valuable features provided like multi languages, comparative reporting, and aggregate reporting, internet-based services have become standard norms (Bracken, Summers, &Fleener, 1998).

Significance of 360-degree appraisal

The jobs in today's workplace environment are multidimensional, so for evaluating certain characteristics of performance the raters apart from the direct supervisor may be more suitable. Raters having similar observation abilities may tend to sense and evaluate contrarily. Information through multiple sources helps to ascertain the comprehensive facts about employees that would otherwise remain unnoticed. The appraisals are completely anonymous and confidential, so they eliminate the problem of biasness among the feedback sources within the organization. It also saves the time and money wasted on traditional methods of evaluation. This modern technique is extremely successful in producing useful feedback along with aiding the development of the individual in question. The employees being assessed gain more clarity about self and thus help them work on their strengths and weaknesses revealed through the feedback process, in order to improve their performance Also helps in identifying and discovering the talent within the organization. 360-Degree appraisal if conducted at regular intervals can help keep a track of other's changing perceptions about the employees. It is more suitable for managers as it helps in

assessing their leadership and managing styles. Job satisfaction level of employees is triggered positively by 360-degree feedback as it provides all round gauge of an employee's performance.

Pitfalls of 360-degree appraisal:

- The raters, who have any kind of personal relation with the employee, may give inadequate ratings. This would lead to favourism intervening in the honest feedback.
- Lot of time and efforts are consumed in administering the process, as training sessions would also be required to train both the raters and ratees on the effective execution of 360-degree mechanism.
- It can become very cumbersome to figure out the ultimate results.
- Environment of trouble and tension among the staff members is likely to prevail.
- The whole feedback process becomes useless, if action plans are not modified according to the results.

Stakeholders in 360-Degree Assessment: 360-degree reviewers can be anyone who comes into contact with the employee and can provide valuable information and feedback regarding “on-the-job” performance of employees. These respondents of an employee are his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/vendors; etc. The four main components are:



1. **Self-appraisal:** Self-appraisal helps in judging their own performance by the employees, which throw light on their strengths and weaknesses.
2. **Superior's appraisal:** Superior's appraisal is the traditional way wherein his/her superior measures employee's performance.
3. **Subordinate's appraisal:** Subordinates appraisal helps in evaluating various traits of employees like communication skills, motivating abilities, leadership qualities; his ability to delegate the work and responsibilities, etc.

4. **Peer appraisal:** Team, cooperation and sensitivity towards others are measured through feedback from peers.

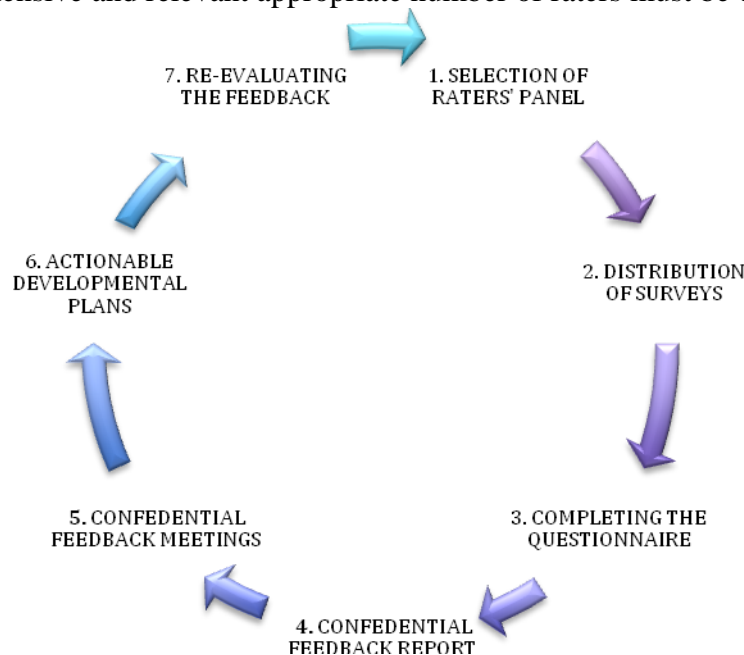
Self-appraisal is the indispensable part of 360-degree appraisal as it leads to employee involvement in the evaluation process and thus, has strongest impact on his/her behavior and performance.

The number and category of raters to be chosen varies across institutions. However self-evaluation, immediate supervisors, peers and customers are widely used as evaluators for the process, while subordinates and consultants' feedback is not so common in use (SigeiBeatrice Cheron, 2013).

Process

360-degree appraisal is a step-by-step process. All these steps need to be given justification if success is desirable.

1. **Communicating the process of 360-degree** to both the raters and the ratees is important. They need to be trained on the purpose and the process.
2. **Careful selection of the raters' panel** is an important part. For the information to be comprehensive and relevant appropriate number of raters must be chosen.



3. **Distributing the surveys** which could be done through technology to reach out the raters quickly.
4. **Completion of questionnaires** must be ensured, which depends on the number of raters, employee's job and the organisation itself. Deadlines are to be established for the same.
5. After the completion of all the questionnaires a **confidential feedback report** is produced.
6. **Confidential feedback meetings** are arranged for all the employees undergoing the process. These meetings are conducted either by employee's manager or coach. These meetings provide for greater understanding of the feedback and a healthy discussion on strengths and weaknesses.

7. **Actionable developmental plans** are then created for individual employees for improving their skills through various opportunities like seminars, workshops, training, conferences, coaching, etc.
8. Finally **re-evaluating the feedback** from time to time is also necessary. 360-degree appraisal is an ongoing process and not a one-off event. To check on the improvement in the performance of employees' reevaluation is must.

Essentials for 360-degree evaluation within the banking sector:

The potential risk factor that has been highlighted within the banking sector is the ability to undertake comprehensive measurements of banking employee performance, whether it is 360-degree based or not. If the employee skills, abilities and engagements within their work are not revealed the problems may range from incapability to find out the source of mistake to undesirable losses within the bank itself. Also for adequate training and supervision, employees' performance needs to be measured. For risk free employee evaluations within the banking sector following five key essentials must be considered:

1. **Timing:** Both, the timing of evaluation as well as timing in relation to employees' ability, are crucial. Evaluation done a few days after the employee joins a bank would work as a baseline against future performances.
2. **Clear objectives:** The objectives against which employee performance is to be measured must be clearly defined, achievable and known to employees before assessment. Attendance, errors, customer satisfaction and time keeping are some of the examples.
3. **Variety of viewpoints:** For the performance to be more accurate and effective, it must be measured from more than one viewpoint. Employees' self-assessment will help them know their strengths and weaknesses. Managers, colleagues and customers would also be aware about the employees' performance. Customers' feedback would be less biased than the other evaluators from within the banks, as it will truly be based on the services provided by the employees.
4. **Knowledge and understanding:** Along with the completion of task on time, it is essential for employees to be knowledgeable about the task being performed and why it is undertaken. Specific questions could be formulated to test the understanding of employee in particular area.
5. **Commitment to employee performance in banking:** Commitment of an employee can be studied through their disposition to grow skills and to undergo training sessions. Commitment from both the bank as well as from the employees can help in improving standards and preventing wrongdoing within the system.

FINDINGS AND CONCLUSION

- 360-degree appraisal is being used as a performance evaluator tool in most of the private sector banks. Whereas in case of public sector banks (PSB) performance management is an emerging concept, however majority of the bankers are in support of multi-rater feedback mechanism in PSBs as well.
- It is more reliable, accurate and credible source of information for performance management. Participants seem to be satisfied with the honest ratings, gain self-insight and an understanding of how they are perceived by the organisation and all this leads them towards personal development. Thus, 360-degree feedback positively triggers the job satisfaction levels as it allows for all round assessment of an employee's performance.

- In some organisations, where in place of multi-rater as a technique for performance appraisal, some other historical methods are being used, employees seem to be less satisfied and even faced difficulty in understanding these traditional methods.
- Performance appraisal helps in improving performance, boosting up morale and satisfaction levels, besides achieving organizational goals. In addition to all these 360-degree, also helps in succession planning as well as setting up appropriate training and development sessions as per the individual needs of employees.
- Most of the commercial banks employ multi-rater feedback tool to enhance and improve the work performance of individual employees, which further leads to improvement in quality of work; job knowledge; and ability to work as team members.
- Some organisations underestimate the importance of 360-degree appraisal, which impacts the effectiveness of the process. Thus, training before the implementation of the 360-degree appraisal process is essential. The success of the process depends on how it is being perceived and implemented by both, the organisation as well as the participants. Multi-rater feedback may prove to be more beneficial when meaningful and authentic exchange of perception is done on both sides.
- If multi-rater tool is used in combination with conventional system of appraisal, it may be even more appropriate as it would assist in overcoming some of the drawbacks of 360-degree appraisal.
- 360-degree feedback for performance and for development (appraisal) is likely to give varying results. There is a difference between performance appraisal and Performance Management, which is confused most of the times. Performance appraisal is a tool of performance management. The latter is meant for linking organizational objectives with the key result areas of managers, whereas the former is done for determining reward, promotion, training etc. for the participants.
- A report by RBI panel (dated 24 September 2014) recommended 360-degree feedback to be essential for better working of commercial banks in India. It stated, “360-degree feedback is important for a transparent and comprehensive performance assessment exercise, one that ensures adequate performance differentiation between employees”.

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