Evaluating the effectiveness of a 360-degree performance appraisal and feedback in a selected steel organisation

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It all starts here ™

ABSTRACT

Most companies are competing in the diverse global markets, and competitive advantage through human capital is becoming very important. Employee development for high productivity and the use of effective tools to measure their performance are therefore paramount. One such tool is the 360-degree performance appraisal system.

The study on the effectiveness of the 360-degree performance appraisal was conducted on a selected steel organisation. The primary objective of the research study was to determine whether the current 360-degree performance evaluation system the organisation uses is effective or whether there is a need to explore other employee evaluation and feedback systems across the industry to identify the best practice.

Constructs that were measured are the impact of 360-degree appraisal on the employee motivation and performance, job satisfaction, the organisation's performance, succession planning as well as training and development. The findings showed that the 360-degree appraisal system is effective in most of these areas. The findings will also assist management with a better understanding of where the process has failed and what gaps need to be filled.

 The results concluded that there is no need to explore other performance appraisal systems; however, as recommended, the identified deficiencies in the current evaluation process need to be addressed.

Key concepts: Performance management system, 360 degree, feedback, performance appraisal, training and development, employee motivation, employee performance, succession planning, job satisfaction, steel industry, effectiveness.

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CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

In this chapter, the focus is on explaining the background of the study, and discussing the problem statement, research objectives, the scope of the study, as well as the research methodology that was followed. As with any research study, the limitations of this study are also outlined.

This research study was conducted in the discipline of Human Resource Management, focusing on the subject of performance appraisal and management. Performance management systems have been developed for the purpose of ensuring that organisations can monitor and maintain organisational control as they pursue action plans that lead to the achievement of set goals and objectives (Salem, 2003:4).

Effective performance management systems are those that are well aligned to achieve evaluation activities for both the manager and the employee (Pulakos, 2004:3). Many organisations nowadays use the competency models that look at employees' knowledge, ability, skills and other characteristics as a basis for their performance management systems (Pulakos, 2004:9).

This research study was conducted in one selected steel organisation in South Africa and all participants were the employees of this selected organisation. The organisation uses the 360-degree performance appraisal system for employee performance evaluation and development. Every organisation should evaluate and select the best performance appraisal method for its situation (Jafari *et al*., 2009:92). For the organisation under study, the effectiveness of the performance evaluation system had not been assessed before this research.

1.2 PROBLEM STATEMENT

360-degree performance appraisal as a holistic employee evaluation and feedback system has been preferred and used by the selected organisation and other companies such as Shell, Exxon Mobil, IBM, AT&T, Levi Strauss and Fedex for at least the past five years as a viable alternative to traditional appraisal methods, citing that it is consistent with recent developments in management practices (Baroda, Sharma, & Bhatt, 2012:56-59). However, is it effective in

bringing about the positive change in employee performance, training and development (leadership development), succession planning, the wellbeing of employees in terms of job satisfaction, and the wellbeing of the company in terms of return on investment as well as productivity (Wadhwa & Wadhwa, 2011:209)? Is it a tool that management can continue to use to achieve the best results for their organisations (Wadhwa & Wadhwa, 2011:205)?

As a researcher who has direct reports, employee development for high productivity has always been my personal interest, and the use of effective tools therefore paramount. Year after year, employees are subjected to a 360-degree evaluation and given feedback accordingly. Its impact on employees as well as on the company's performance has not been evaluated and therefore it is not proven as the best and most reliable technique of performance appraisal. Most companies are competing in the diverse global markets nowadays, and competitive advantage through human capital is a necessity.

There is record of research studies on 360-degree evaluation centred on the attitude of raters, as well as evidence of research on the effective implementation in the Indian corporate sector (Wadhwa & Wadhwa, 2011:205). However, there no evidence could be found on the system's effectiveness within the South African manufacturing environment, and more specifically in the selected steel organisation currently using the system.

According to Baroda, Sharma and Bhatt (2012:1), 360-degree feedback is increasingly used as an integral part of the performance evaluation in organisations because of its ability to provide structured, in-depth information about the current performance and what will be required of an individual in the future.

According to Wadhwa, and Wadhwa (2011:206), Indian companies hesitate to implement the 360-degree appraisal and feedback system, criticising it by stating that the 360-degree system creates confusion for employees, performance is often not linked to the corporate objective, management tends to make verbal promises, there is a lack of honesty, power and politics influence the outcomes, and it is in general poorly implemented.

1.3   OBJECTIVES OF THE STUDY

The research objectives were divided into a general objective and specific objectives.

1.3.1   General objective

The general objective of this research was to determine whether there is a need to explore various employee evaluation and feedback systems across the industry to identify the current best practice.

1.3.2   Specific objectives

The specific objectives of this research are:

- To investigate whether the 360-degree performance appraisal and feedback system improves employee work performance.
- To determine whether the 360-degree feedback system contributes to employee job satisfaction.
- To determine whether the 360-degree assessment and feedback system influences the organisation's succession planning.
- To determine whether the 360-degree performance evaluation contributes to the organisation's performance.
- To investigate whether the 360-degree performance evaluation contributes to employee training and development.
- To assess the perceptions of employees on the 360-degree performance appraisal and feedback system.

1.3.3   Research hypotheses

- **Hypothesis 1**: The 360-degree performance appraisal and feedback system improves employee motivation and work performance.
- **Hypothesis 2**: The 360-degree feedback system enhances employee job satisfaction.
- **Hypothesis 3**: The 360-degree performance evaluation is beneficial to employee training and development.

- **Hypothesis 4**: The organisation's succession planning has been informed by the outcomes of 360-degree performance and feedback system.

- **Hypothesis 5**: The 360-degree performance evaluation contributes to the organisation's performance.

- **Hypothesis 6:** Employees believe that the 360-degree performance appraisal and feedback system should continue to be used.

1.4   OPERATIONALISING MAJOR CONCEPTS

*Effectiveness***:** is defined as the degree to which objectives are achieved and the extent to which targeted problems are solved (Business Dictionary, 2014). According to McShane and Von Glinow (2010:9), effectiveness is about doing the right things.

*360-degree***:**   Rokendro (2010:25) defines 360-degree as a multiple impact approach to performance assessment that uses a variety of rating resources, which include superiors, peers on the same level, subordinates, customers and self. It is an upward, downward and lateral assessment approach that brings about a full circle view, from there, 360-degree (Rokendro, 2010:25).

Performance appraisal: According to Meenakshi (2012:94), performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organisation. It is a process that creates work standards and then evaluates employees' actual work performance relative to those standards, giving them feedback to improve performance and to eliminate performance deficiency (Meenakshi, 2012:94).

Feedback: is defined as information provided about how well an employee (or an individual) is performing his or her work (DeNisi, & Kluger, 2000:129). It is intended to improve performance by providing better awareness of the individual's strengths and weaknesses (Parker, 1998:6).

Steel organisation: is a primary manufacturer of steel products within the borders of South Africa. This organisation uses the 360-degree evaluation system in its performance management.

<u>Relevant models and theories</u>

Various applicable models and theories were considered in this research. These include the model for analysis and selection for appraisal criteria (Sudarsan, 2009:52), the conceptual framework of the relationship between performance evaluation justice and organisational commitment (Munir *et al.*, 2013:122) and the job characteristics model (McShane & Von Glinow, 2010:178).

1.5   RESEARCH METHODOLOGY

1.5.1   Literature study

The nucleus of the literature review is on the 360-degree performance appraisal (how did it come about, its successes and failures) as well as focusing on its impact on building a high-performance organisation.

The sources that were consulted include:

- Journals – Human resource management, organisational behaviour, business news journals

- Textbooks – Human resource management, business management and organisational behaviour books

- North-West University's Ferdinand Postma Library

- Internet websites -   Human sciences websites
  - Search engines (such as Sabinet, Google Scholar, SAePublications and ScienceDirect)
  - Private institutions' websites (such as SHL, Society for Human Resource Management (SHRM), Barret Values Centre etc.)

1.5.2   Empirical study

1.5.2.1 Research approach

The study followed a quantitative, non-experimental research approach as the aim was to examine the relationship between variables without any planned intervention (Welman *et al.* 2005:92). The research involves a measurement at a single time and followed a cross-sectional design using primary data from the employees through questionnaires. Secondary data were gathered through sources listed in 1.5.1 above, and were used for comparisons with previous studies.

For the data analysis, the research followed the statistical validity method, whereby the null and the alternative hypotheses were tested. The t-test statistic was used. The reliability analysis was also performed.

1.5.2.2 Research participants

The target population (units of analysis) for this research included the employees, human resource management and management within the selected organisation. Participants were given the freedom to decide whether to participate according to the information provided about the research.

Sample size

The choice of the sample size is governed by the confidence needed to give the level of certainty that the characteristics of data collected will represent the characteristics of the total population. The target group was randomly selected and limited to 250 participants out of the estimated total population of 515 employees, and in line with the general rule (Welman *et al.*, 2005:71).

Sampling frame

The sampling frame in which each unit of analysis is mentioned is included in the study in Annexure A.

Sampling procedure

Because the elements or members of the population that were included in the sample could be determined, the study followed the simple random probability sampling method.

The participants included in this research are directly involved in the 360-degree evaluation and helped to answer the research questions because they have first-hand knowledge of its impact.

1.5.2.3 Measuring instrument(s)

The attitude scale was used to measure the variables. The attitude is the disposition towards a particular issue. The attitudinal object may refer to human behaviour, economic or social issues (Welman *et al.,* 2005:156).

The summated or Likert scale was used consisting of a collection of statements about the perceptions of participants relating to the attitudinal object. The coding will be 1 to 4, representing the rating scale of strongly disagree to strongly agree.

Table 1-1: Example of measuring instrument

Likert scale

	Strongly agree	Agree	Disagree	Strongly disagree
360-degree feedback is successful in helping employees plan their IDP	*1*	*2*	*3*	*4*

The reliability of the scale is concerned with the findings of the research and relates to the credibility of the findings (Welman *et al.,* 2005:145). In the scale chosen above, comparable measurements can be obtained for the same attitude objects irrespective of who is administering and scoring.

The validity of the scale is the extent to which the research findings accurately represent what is really happening in the situation (Welman *et al.,* 2005:142). The scale chosen will provide construct validity.

1.5.2.4 Research procedure

Survey questionnaires were used for the collection of the data for the study. The questionnaires were personally administered by the researcher to the target group members who are identified as professional people currently employed full time, including management and HR consultants within the organisation. Anonymity was maintained by means of sealed responses with no names of participants or the company.

Major advantages of questionnaires (Anonymous, 2013)

− Practical
− Can be administered by the researcher or by any number of people with limited affect to its validity and reliability
− Large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost effective way
− When data have been quantified, it can be used to compare and contrast other research and may be used to measure change

1.5.2.5 Statistical analysis

The statistical procedures that were employed in the analyses of the data included coding to identify the variables that were to be analysed statistically. The statistical technique and instruments, such as the correlations, reliability analysis, mean and standard deviation, were used to answer each research question using advanced computer Excel software.

1.6   LIMITATIONS OF THE STUDY

This study is limited to the South African context in the selected manufacturing environment and the findings can therefore not be generalised to the whole of the South African work environment.

In terms of study population, the study was limited to the supervisory and specialist level of the organisation.

1.7 LAYOUT OF THE STUDY

The layout of this mini-dissertation will consist of the following chapters:

Chapter 1: Nature and scope of the study

- Introduction
- Problem statement
- Specific objectives of the study
- General objectives of the study
- Research methodology
- Limitations of the study

Chapter 2: Employee evaluation and feedback systems

- Introduction
- Conceptualising and defining major concepts
- Major and other performance evaluation and feedback systems
- Discussion of the study variables
- Conclusion

Chapter 3: Research findings and discussion

- Introduction
- Data gathering
- Statistical analysis and results
- Discussion of finding
- Conclusion

Chapter 4: Conclusions and recommendations

- Introduction
- Conclusion
- Recommendations for the organisation
- Recommendations for future research

CHAPTER 2: EMPLOYEE EVALUATION AND FEEDBACK SYSTEMS

2.1 Introduction

Employees are evaluated for several reasons. These reasons are not limited to reward and punishment, but may include aiding in human resource decisions, planning recruitments, giving incentives for employees who achieve the desired level of productivity, staff development, improved communication and discovering hidden talent in the organisation (Huang *et al.,* 2011:272).

In this chapter, the focus is on the literature behind the concept of performance appraisal; exploring the different types of performance appraisal systems, including the 360-degree appraisal central to this research.

The 360-degree performance evaluation system is discussed as the major system, because it is currently being used by the organisation in this research study. Other performance appraisal systems include the behavioural-anchored rating scales, human resource accounting methods, assessment centres and management by objectives method.

There are other traditional performance appraisal systems, such as the straight ranking method, critical incidents, pair comparison, graphic rating, field review, essay appraisal method and forced distribution (Mehrotra & Phillips, 2013:45); however, this study focuses on the modern systems as well as their advantages and disadvantages.

Finally, the measures of a successful and effective performance appraisal as outlined earlier in Chapter 1 under the objectives of the research are considered. These are employee motivation, employee performance, employee job satisfaction, training and development, and succession planning.

2.2   CONCEPTUALISING AND DEFINING THE MAJOR CONCEPTS

2.2.1   Performance appraisal

Mulvaney *et al*. (2012:505) state that organisations seek to provide feedback to employees, develop their competencies, enhance performance and distribute rewards through a performance appraisal. Citing Robbins *et al.* (2000), Jafari *et al.* (2009:93) provide the definition for performance appraisal as "the evaluation of an individual's work performance in order to arrive at objective personnel decisions".

A performance appraisal system affects an employee and the organisation by prompting decisions regarding compensation and salary increases, training and development, promotions, termination of employment, performance improvement, organisational climate and financial management (Mulvaney *et al*., 2012:505). According to Jafari *et al.* (2009:93), an effective performance appraisal system should be reliable, trustworthy, free from error and address clarity, openness, fairness as well as recognise productivity through rewards.

Human resource management should select the most efficient appraisal method for the organisation, because there are many appraisal methods suitable for different situations and organisational characteristics (Jafari *et al*., 2009:92). A poor selection of a performance evaluation system by human resource management will lead management and employees to resist the process (Mulvaney *et al*., 2012:505).

According to Sudarsan (2009:47), there are three approaches to performance appraisal. The first approach is the results-focused approach, and employees are compensated based on meeting or exceeding the pre-set performance targets. The second approach is behavioural and is focused on employee behaviour; whether an employee is doing things the right way or wrong way based on the amount of output. An analysis is done on what is going wrong and corrective action steps are suggested. The third approach is person-centred and it considers personal strengths such as ability, skill and knowledge. A person with higher formal qualifications will be rated higher, for example.

Kuvaas (2006:504) states that in order for a performance appraisal to positively influence the employee behaviour and future development, employees must experience positive reactions, otherwise the appraisal system will be destined to failure.

Sudarsan (2009:52) suggests the following model that can be used to select a suitable performance appraisal system.

Can the results be quantified?
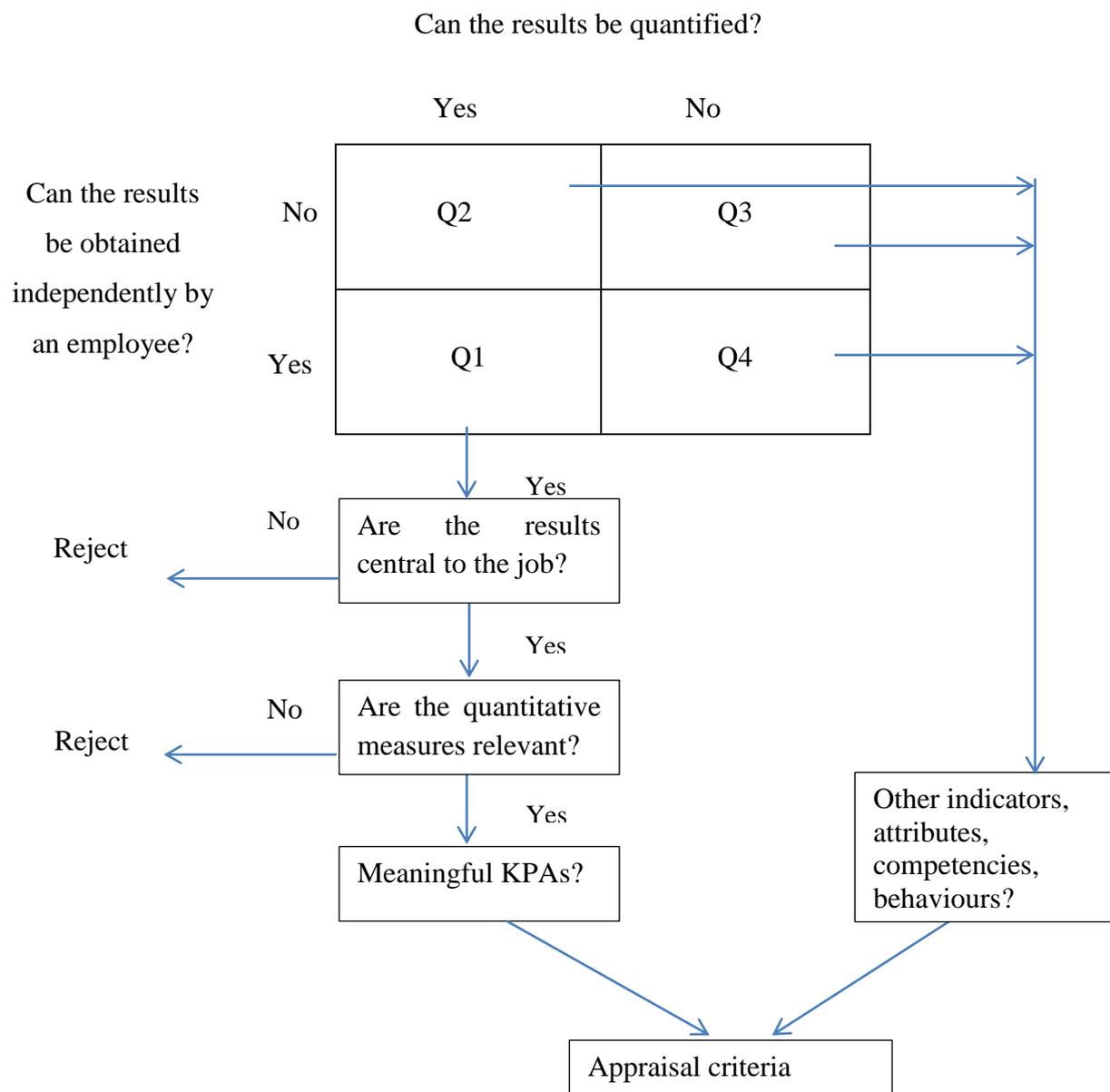
Figure 2.1: A model for the analysis and selection of appraisal criteria
Source: Sudarsan (2009:52)

According to E-Scan Newsletter (2011:6), a good performance appraisal system gives employees a constructive and unbiased feedback on their jobs. Studies indicate that employees

view performance appraisals as unpleasant because of having to choose between giving an honest feedback and inflating performance during appraisal to get the best salary increase. Other reasons are that they perceive it as being a paper exercise in order to comply with deadlines, and they view the process as unfair and biased (E-Scan Newsletter, 2011:6).

The following section discusses the 360-degree evaluation as the major evaluation and feedback system and other available evaluation systems used in the industry. These include behavioural-anchored rating scales, human resource accounting methods, assessment centres and management by objectives method.

2.3   Major and other evaluation and feedback systems

According to Mehrotra and Phillips (2013:45), there are two methods of performance appraisals, i.e. the traditional method and the modern method. The traditional methods include the straight ranking method, critical incidents, pair comparison, graphic rating, field review, essay appraisal method and forced distribution. The modern methods, on the other hand, include the 360-degree performance appraisal method, behavioural-anchored rating scales, human resource accounting methods, assessment centres, and management by objectives method. This study will discuss in detail only the modern methods.

2.3.1 Major system: The 360-degree performance evaluation

According to Baroda *et al.* (2012:1), the 360-degree performance appraisal system was introduced when employees needed to be equipped with information to deal with and respond quickly to growing customer needs and leverage on employee talent to meet the organisational objectives. In addition to a focus on customers, it became necessary for organisations to dive deeper into other dimensions of performance, such as leadership, strategic thinking, innovativeness and teamwork; therefore, they had to perform multiple assessments for a more objective assessment (Meenakshi, 2012:91)

The 360-degree evaluation and feedback system is a tool that uses information from all the sources that interact with the appraisee on his job. Figure 2 below illustrates 360-degree sources of feedback (Meenakshi, 2012:93).
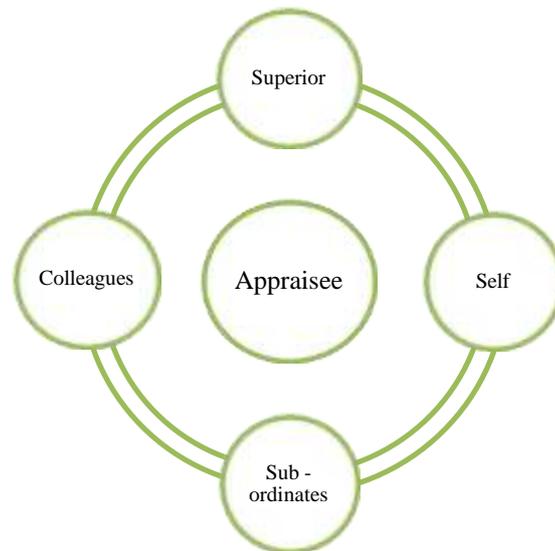
Figure 2.2: 360 degree sources of feedback (Source: Meenakshi, 2012:93)

The system takes a holistic multi-input approach incorporating views and opinions from different angles that imply a full circle, from there the name 360-degree assessment (Meenakshi, 2012:92).

Interest in this method of performance appraisal has grown significantly over the years. While in the late 1990s only approximately 8% of industries were using the 360-degree evaluation, in 2008, this percentage had increased to 52% (Meenakshi, 2012:92).

According to Nel *et al*. (2008:499), there have been many successes reported on the 360-degree performance appraisal system, with one noted example as the World Bank. Most of the Fortune 500 companies are using the 360-degree performance appraisal system to evaluate their employees (Rao & Juneja, 2007:10). It has also been found to be extremely useful and effective (Khan, 2013:80)

According to Alexander (2006:9), research has also shown that there are both benefits and problems associated with the 360-degree review when it is used as an evaluation system.

Previous studies on the 360-degree feedback system and its effectiveness made the following findings (Rao & Juneja, 2007:10):

- The 360-degree feedback system will not solve an organisational system that does not work.
- If the organisational culture fails to support the objectives of the appraisal system, it will be difficult and frustrating to successfully provide 360-degree feedback, even though it can identify skills sets required for success.
- The 360-degree performance appraisal system should be implemented as a tool to assist employees and not as a weapon to punish. Feedback on performance is most effective when it is used for goal-setting.
- The readiness of the appraisee to accept 360-degree appraisal plays an important role. This refers to whether employees see the system as constructive, and used by the organisation to them improve or whether they see it as a process to justify removing them from the organisation.

Nel *et al*. (2008:499) state the following as advantages and disadvantages of the 360-degree performance appraisal system:

Advantages
- Each individual employee benefits from a holistic perspective of his/her performance.
- Employees' strengths and weaknesses are identified
- Critical key performance areas are re-emphasised
- The impact of one employee's behaviour on others is highlighted

Disadvantages
- Feedback is followed by a lack of adequate response from management
- The 360-degree performance evaluation can be bureaucratic and cumbersome
- It can be intimidating to respondents, and
- There can be a lack of confidentiality leading to a lack of honesty in providing feedback

According to Alexander (2006:9), leaders who choose to use the 360-degree performance appraisal system in their organisations, must accept the fact that some employees will reject the system and the fact that implementing the system will likely improve the performance behaviour

and outcomes of a certain percentage of employees who are willing to change and believe that it is the right tool for them.

Previous studies have shown that the use of a feedback coach is vital if an organisation is using the 360-degree appraisal system to positively affect performance (Alexander, 2006:7). Other studies also revealed that combining 360-degree feedback with coaching improves the effectiveness of the feedback, and impacts on employee self-awareness, attitude, job satisfaction and organisational commitment (Alexander, 2006:7).

According to DeNisi and Kluger (2000:138), the 360-degree performance appraisals are costly to implement, and therefore companies should evaluate the effectiveness of the system before it is implemented. The perceived benefits of choosing to implement this system will only be realised if it is used in a good organisational climate where proper training of feedback coaches and raters exits with appropriate expectations for success (Alexander, 2006:10).

2.3.2 System B: Behavioural-anchored rating scale

The behavioural-anchored rating scale, sometimes abbreviated as BARS, was developed by Smith and Kendall in 1963 out of concern for the reliability and validity of performance ratings (Aggarwal & Thakur, 2013:618). It is a technique developed by combining the traditional methods of the graphic rating scale and critical incident method (Sharma *et al.,* 2012:11)

In BARS, the appraiser ranks the employee based on recognisable behavioural attributes on a numerical scale (Jafari *et al.,* 2009:93). There are predetermined critical areas of job performance that describe important job qualities as good or bad (Sharma *et al.,* 2012:11).

According to Taylor (2014:2), the behavioural-anchored rating scale is an effective evaluation tool that overcomes common errors such as recency effect error, central tendency error and halo effect error, and helps to reduce the supervisor avoidance of performance evaluation task. BARS has unique strength in that the rating is anchored to descriptions of specific behaviours that are unique to each level of performance.

BARS is also perceived by users to be more accurate and valid, useful in giving feedback to employees during performance appraisal interviews and finally, it improves the attitude of supervisors towards performance reviews.

Aggarwal and Thakur (2013:619) state the following as advantages and disadvantages of behavioural-anchored rating scales of performance appraisal.

Advantages

- It is a more objective system
- Job behaviours describe employee performance in a better way
- It is more acceptable due to the participation of managers and employees

Disadvantages

- The scale independence may not be valid or reliable
- It is very time consuming to generate the behavioural-anchored rating scale
- Each job requires generating a separate BARS scale
- Behaviours are activity oriented rather than results oriented

2.3.3 System C: Human resource accounting method

The human resource accounting method was developed by Sir William Petty back in 1691. In 1960, Rensis Likert conducted research that led to the human resource accounting methodology as we know it today (Aggarwal & Thakur, 2013:618).

In the human resource accounting method, the employee's performance appraisal is evaluated in terms of the employee's cost versus the employee's contribution. The employee's cost is the total cost to company expensed on the employee including all other costs such as training costs, while the employee's contribution refers to the total value added by the employee, in monetary terms, to the organisation (Sharma *et al.,* 2012:11). The human resource accounting system recognises people as valuable resources of an organisation; therefore, information on the investment in and value of employees is important with regard to decisions in the organisation (Aggarwal & Thakur, 2013:619).

Aggarwal and Thakur (2013:619) state the following as advantages and disadvantages of the human resource accounting methods of performance appraisal.

Advantages

- It assists to ascertain the cost of labour turnover
- It contributes to the development of human resources
- It improves the efficiencies of employees
- It assists with planning and execution of personnel policies
- It helps to measure the return on investment on human resources

Disadvantages

- There are no specific and clear guidelines to obtain the cost and value of human resources of an organisation
- The life of human resources is uncertain and therefore, performing evaluations under uncertain condition seem unrealistic

According to Cherian and Farouq (2013:76), to effectively implement the human resource accounting method, it is crucial to focus on the human resource cost, values and outcomes, high management demands and high target settings.

2.3.4 System D: Management by objective method

The theory of management by objective (also referred to as MBO) was promoted by Peter Drucker in the mid-1950s and he advocated the use of objectives as performance standards (Sudarsan, 2009:47).

In the management by objectives performance evaluation, employees are evaluated in terms of how well they meet specific goals that are classified as critical in the successful completion of their work. The system is distinguished by four steps, which are, goal setting, action planning, self-control and periodic reviews (Jafari *et al.*, 2009:93). An employee has autonomy in the areas being evaluated; therefore, efficiency or inefficiency of other employees has no effect on the candidate's performance results (Huang *et al.,* 2011:273).

According to Huang *et al*. (2011:275), management by objective can be useful to evaluate change over time for employees doing routine work. It can also be useful where decision-making is not a major function of the job, such as in the lower-level tasks (Huang *et al.,* 2011:272). It is likely to be inappropriate in evaluating managers where senior management

lacks the time to do an in-depth appraisal or expertise to make a good judgement of a fellow manager (Huang *et al.,* 2011:272).

Aggarwal and Thakur (2013:619) state the following as advantages and disadvantages of the management by objective performance appraisal:

Advantages
- MBO system is easy to implement and measure
- An employee is motivated because he is aware of expected roles and accountabilities
- It facilitates employee counselling and guidance
- It is a performance-oriented evaluation system

Disadvantages
- It is difficult for employees to agree on the goals
- It does not give assurance on intangible issues such as honesty, integrity and quality
- It is time consuming, lengthy, complicated and expensive
- Interpretation of goals may vary from manager to manager and from employee to employee

Some researchers, however, have argued against the management by objective system, stating that it is a system to manage the organisation's business units and not individual employees (Sudarsan, 2009:51). The MBO results cannot be used for a single person's performance appraisal, because the MBO objectives are used to measure a group of individuals and not to measure a single person's performance (Sudarsan, 2009:52).

2.3.5 System E: Assessment centres

According to Gayathri (2013:10), the assessment centre method was developed in 1974 as a result of AT&T's management progress study conducted by Bray, Campbell and Grant. It consists of the evaluation of behaviour based on multiple inputs under the observation of specially-trained observers. Once the assessment is finished, the observers sit together to share their data, which are scientifically captured on a set of evaluation forms. The observers then come to a conclusion on the assessment of each candidate, and consideration for promotion, placement or special training and development in management is made (Rao & Juneja, 2007:3).

The assessment tools entail interviews, an in-basket exercise, business games and leaderless group discussions (Rao & Juneja, 2007:4). The assessment centre method is used to evaluate the likely performance and behaviour of the person at a level higher than the one he or she currently occupies in the hierarchy and is very useful to supplement promotion decisions. This method also helps to eliminate biases in the promotion process as it communicates more transparency and fairness to all who are involved (Rao & Juneja, 2007:5)

Aggarwal and Thakur (2013:620) state the following as advantages and disadvantages of assessment centre method of performance appraisal:

Advantages
- The concepts of assessment centres are simple
- It is a highly flexible methodology
- It helps in selection and promotion decisions and to diagnose employee development needs
- It allows for the measurement of different attributes
- It is hard to fake the exercise

Disadvantages
- It requires a large staff to manage
- It is expensive and difficult to manage
- It is time consuming
- Only a limited number of people can be processed at a time.
- It puts too much load on the assessor.

The assessment centre methodology is known for high validity when used for promotions in first-level supervisory and middle management levels (Rao & Juneja, 2007:5).

2.4 Employee motivation

Hughes (2012:6) defines motivation as "the act of providing motive that causes someone to act". According to Daoanis (2012:58), employees will always be motivated to finish their work successfully if they are given recognition and rewards for doing an excellent job.

According to Nohria *et al*. (2008:2), there are four drives that underlie employee motivation. These are the drive to acquire, the drive to bond, the drive to comprehend and the drive to defend. Because employees need to fulfil these drives, companies have at their disposal organisational lever to use to gain the most out of employees. For the drive to acquire, the primary lever is reward system and the actions that an organisation can take include differentiating between good performers and average and poor performers, as well as linking performance to rewards. For the drive to bond, the primary lever is culture and the actions that an organisation can take include encouraging sharing of best practices and valuing collaboration and teamwork. For the drive to comprehend, the primary lever is job design and the actions that an organisation can take include meaningful job designs that foster a sense of contribution to the organisation. Finally, for the drive to defend, the primary lever is performance management and resource allocation processes, and the actions that an organisation can take include the increased transparency of processes and fairness (Nohria *et al.,* 2008:4).

According to Dobre (2013:59), employee involvement and empowerment increase employee motivation and trust in the organisation. Motivated employees contribute by increasing productivity and profits in the organisation (Dobre, 2013:58).

According to Khan (2013:66), on average, positive feedback from a performance appraisal motivates an employee more than negative feedback does.

Performance appraisals serve to provide feedback that improves performance; therefore, it is important to determine factors that are related to a performance appraisal system to enhance positive employee reactions to performance appraisal in order to motivate employees to improve performance (Selvarajan & Cloninger, 2011:2).

2.5   Employee performance

According to Nurse (2005:1178), performance appraisal is a tool used to evaluate employee performance and is ultimately intended to provide information in terms of how effective employees are pertaining to job performance. It is an element of managerial control and a tool of communicating correctly determined performance standards and expectations.

Performance appraisal may assist a poor performer to improve performance by giving him or her specific feedback on the gaps, and may also help employees who perform well to continue excelling by providing positive reinforcement (Mani, 2002:141).

According to Daoanis (2012:56), "the most valuable strategy implementation and delivery of organisational strategic target is best accomplished through high performance people and it is the development of these people which performance appraisal seeks to advance". The goal of the performance appraisal approach is to effectively enable the employee to achieve his/her performance targets to the organisation through motivated self-learning and that employees understand that their contribution assists the organisation to achieve and exceed its strategic target by linking their individual performance targets to the organisation's strategic targets (Daoanis, 2012:56)

According to Daoanis (2012:58), committed employees feel attached to the organisation and that makes them more willing to perform. Committed employees are often those who feel motivated, challenged and satisfied with their work. Performance appraisal affects employee commitment either positively or negatively. Since the main goal of the performance appraisal system is to improve employee performance and service quality, the organisation should implement a combination of incentives that enable employees to perform in the best interest of the organisation (Daoanis, 2012:58)

A study conducted by Daoanis (2012:59) revealed that employees' technical skills, knowledge and understanding of their work, leadership skills, productivity and initiative to pursue further education are strongly impacted by the performance appraisal system. Performance appraisal is essential to highlight employee development needs, which, in turn, enable the employee and manager to act. The knowledge and skills acquired then result in enhanced employee efficiency and excellence in performance.

2.6   Job satisfaction

According to McShane and Von Glinow (2010:108), satisfied employees have a better outcome on the evaluation of their jobs. Job performance leads to job satisfaction when performance is linked to rewards (McShane & Von Glinow 2010:111),

According to Asmub (2008:409), there is a relationship between performance appraisal and employee job satisfaction. The performance appraisal interview, the rating system and the interpersonal relations all play a critical role in an employee's satisfaction.

2.6.1 Fairness of performance appraisal

According to Munir *et al.* (2013:121), studies have shown that the fairness of performance appraisal is significantly related to employees' commitment, satisfaction and motivation in an organisation. Munir *et al.* (2013:121) also state that researchers such as Cook *et al*. (2004) confirm that the performance evaluation will not be effective if it is perceived as unfair by those involved in the process.

The following model suggests that the fairness of performance appraisal has a positive relationship with the organisational commitment and that the satisfaction in performance appraisal mediates the relationship between fairness of performance appraisal and the organisational commitment (Munir *et al.*, 2013:122).

Figure 2.3: The conceptual framework of the relationship between performance evaluation justice and organisational commitment (Source: Munir *et al.,* 2013:122)

For performance evaluation to be more successful in influencing the organisation positively, employee satisfaction as well as fair performance management should enjoy priority (Munir e*t al*., 2013:121).

Research by Kuvaas (2006:504) showed that performance appraisal satisfaction is directly related to affective commitment and turnover intention.

2.6.2 Feedback

Performance appraisal conveys information to employees about how the organisation views their performance (Ritchie & O'Malley, 2009:2). According to Mishra (2013:31), communicating with employees about their performance enhances their efficiency and productivity. However, according to Ritchie and O'Malley (2009:2), the manner in which a performance feedback is communicated has implications for its effectiveness. Providing negative and disapproving performance feedback adversely impacts on the employee's self-efficacy and goal setting.

2.7   Training and career development

"Performance appraisal is part of career development," according to Sharma *et al.* (2012:9) and is critical in linking the organisational goals and the employees' personal career goals.

Organisations get a good sense of their employees' training and development needs based on information generated from a performance appraisal. These training and development needs are identified in line with the organisation's objectives and strategic needs (Nurse, 2005:1182). Effective performance appraisals inform the development of managerial strategies for training and development and influence the organisation's policies governing promotions (Nurse, 2005:1187).

According to Wilson and Western (2001:94), some of the things that can reduce the effectiveness of performance appraisal in relation to training and development includes training and development plans that are the same year after year, courses, strategies and action plans that are unreliable and unachievable, enthusiasm towards training and development dropping following the appraisal, training plans that are left un-reviewed after being written, and identified training and development needs that bear no relation to the business plan of the department concerned.

Wilson and Western (2001:97) argue that the appraisee is the most knowledgeable person about the work performance and has the most important information about areas of development.

Giving employees more responsibility for the appraisal is likely to lead to stronger commitment and higher levels of appraisee motivation. Wilson and Western (2001:97) acknowledge, however, that the responsibility for the success of the performance appraisal in relation to training and development also lies with the organisation and the appraiser.

Management should be able to rely on the results of the performance evaluation as an indicator of how effective the human resource practices are, including training and development of employees, and management should be able to access the contribution that the human resource strategy is making to accomplish the business objectives (Nurse, 2005:1182).

According to Nurse (2005:1182), when performance appraisal results suggest a training need for an employee, recommendations made to that effect should be implemented so that the employee's expectations regarding training are met.

2.8   Succession planning

According to Garima *et al.* (2013:282), succession planning refers to "a process for identifying and developing internal people with the potential to fill key business leadership positions in the company". Succession planning increases a pool of experienced and capable employees who are available to fulfil duties at the next level positions when they become vacant (Garima *et al.,* 2013:282). Key issues that need to be addressed for the successful implementation of a succession plan include training and development as well as performance appraisal. Training and development requirements need to be determined. The skills of a potential successor must be moulded through challenging assignments and then evaluated.

According to Aberdeen Group (2006:11), the best-in-class organisations deploy succession planning company wide, and succession is addressed at floor, departmental and divisional levels. Succession planning is also evaluated annually, quarterly or monthly.

Aberdeen Group (2006:5) acknowledges that succession planning is part of performance management, and plans for succession arise in the performance appraisal stages. Effective succession planning focuses on consistently and systematically developing leaders within the organisation (Aberdeen Group, 2006:7). A lack of assessment tools has been cited as one of the major challenges to succession planning (Aberdeen Group, 2006:6).

Groves (2007:254) suggests that organisations should incorporate leadership development and succession planning responsibilities into job expectations and performance appraisal criteria as these are effective means of ensuring that succession planning is a top priority for all managers at all levels of the organisation.

2.9   Conclusion

The concept of performance appraisal has come a long way; first, with the traditional methods and later evolving to modern methods, which include the 360-degree performance appraisal system. The 360-degree system has grown in popularity among top companies over recent years, and some of the big organisations, such as the World Bank, have implemented the system successfully. Other modern methods, such as the behavioural-anchored rating scale, the management by objective method, the human resource account and assessment centres have been used for a wide variety of different reasons as well.

One of the important recommendations made is that an organisation should evaluate the effectiveness of the method it wants to implement and should ensure that it will support its strategic objectives before such method is implemented. It has generally been noted that the cost of implementing an appraisal method is high and a great deal of effort needs to be put in to ensure success. It has also been observed that employees will react differently to the outcomes of the performance evaluation. Some appraisal systems offer advantages over others in terms of being easily accepted by employees.

Effective systems are those that can assist the organisation to reach its performance objectives, and the 360-degree system has been cited to improve employee attitude, job satisfaction and organisational commitment (Alexander, 2006:7).

In the next chapter, we will consider the effectiveness of the 360-degree performance appraisal system as well as the empirical study.

CHAPTER 3: RESEARCH FINDINGS AND DISCUSSION

3.1   INTRODUCTION

In Chapter 2, the focus was on the literature study of the 360-degree performance appraisal and other systems as well as the literature on the underlying constructs of the study, being the employee motivation, employee performance, job satisfaction, training and development, and finally succession planning.

This chapter presents the empirical study and it focuses on the gathering of data, the statistical analyses and results, and finally, the discussion on the findings. Under data gathering, the research population, the measuring instrument, ethical consideration, and sample and respondents are discussed. The section on statistical analysis presents the demographic information of the respondents and the results obtained, including the reliability values. The final section discusses the presented findings in relation to the objectives of the study.

3.2   GATHERING OF DATA

3.2.1   Research population

Participants for this research were sourced within the selected organisation. It was decided to target respondents in the management and skilled specialist positions in the junior and middle management (G to D) levels, where level A represents the highest level in the organisation's hierarchy. The total population of employees who were exposed to 360-degree appraisal was estimated to be 515 at the time of the research. The most important consideration was the sample size, which is discussed later in 3.2.4 of this chapter.

3.2.2 Measuring instrument

The approach followed was a quantitative cross-sectional approach where questionnaires were used. The four-point Likert scales were included for the respondent to indicate his or her agreement or disagreement with the given statements. Few sources of information (questionnaires) relating to this study were reviewed. These sources included Parker (1998:27), Brooks (1999:71), SHRM (2000:21), Baroda *et al.* (2012:2), and Alexander (2006). The

research questionnaires from these sources were then reconstructed and expanded to achieve the objectives of this study.

The questionnaire was divided into seven sections (See **Annexure A**):

- <u>Section A</u> requested the demographic information of respondents and these included the gender, job title, job category, highest qualification, home language, age and years in current position.

- <u>Section B</u> consisted of three statements aimed to test the question of whether the 360-degree performance appraisal was effective in improving the overall organisational performance.

- <u>Section C</u> consisted of seven statements aimed to assess the effectiveness of the 360-degree performance appraisal on improving employee performance and employee motivation in the selected organization.

- <u>Section D</u> consisted of five statements intended to evaluate the impact of the 360-degree performance appraisal system on the level of employee job satisfaction.

- <u>Section E</u> consisted of ten statements intended to assess the effectiveness of the 360-degree performance appraisal system in identifying training and development needs for employees as well as the implementation.

- <u>Section F</u> consisted of three statements aimed at assessing the effect of the 360-degree performance appraisal system on succession planning, and lastly

- <u>Section G</u> consisted of six statements assessing the overall satisfaction of employees with the 360-degree evaluation system and one statement testing the need to explore other performance appraisal systems as well as the commentary box.

3.2.3 Ethical consideration

Permission was requested to conduct this research and to approach the company employees. The approval was granted by the general manager of operations as well as the human resource general manager. The intended research approach was also reviewed by the North-West University Research Ethics Committee. To maintain the anonymity of the research participants, no names or identification of the participants were requested on the questionnaire and no questionnaire was returned with any indication of who completed it. It is the researcher's opinion that this improved the chances of questionnaires being completed honestly. The risk of confidentiality loss was eliminated by distributing some questionnaires in an envelope. There were also no duplicate copies of the completed questionnaires and all original questionnaires were analysed at the same time. Only the collective data are reported.

3.2.4 Sample and respondents

A total of 250 hard-copy questionnaires were administered to target employees. From this, 121 usable responses were received back and analysed. This constitutes a response rate of 48.4%. Three incomplete questionnaires were discarded from the total of 124 returned questionnaires, because it was impossible to trace who the respondents were. The following formulas were used to calculate the margin of error and the confidence interval (Godden, 2004:1):

$$n1 = Z^2 \left\{ \frac{p(1-p)}{ME^2} \right\} \qquad \text{and} \qquad n = \frac{n1}{\left(1 + \left(\frac{n1-1}{P}\right)\right)}$$

In the above mentioned formulas, the elements represent the following:

P = Population
p = population proportion (50%)
n1 = Sample size for infinite population
n = Sample size (actual returned questionnaires)
Z = z-score for 95% confidence interval = 1.96
ME = margin of error

For this research, a confidence level of 95% and a margin of error of 7.8% were attained. This is in line with the acceptable standard where the confidence interval of 90% and the margin of error of 10% are still considered good enough (Steiger, 2004:168).

3.3   STATISTICAL ANALYSIS AND RESULTS

3.3.1   Demographical information

3.3.1.1 Gender participation

The pie chart below in Figure 3.1 shows the distribution between male and female respondents. The greater number of respondents was males, with 89%.
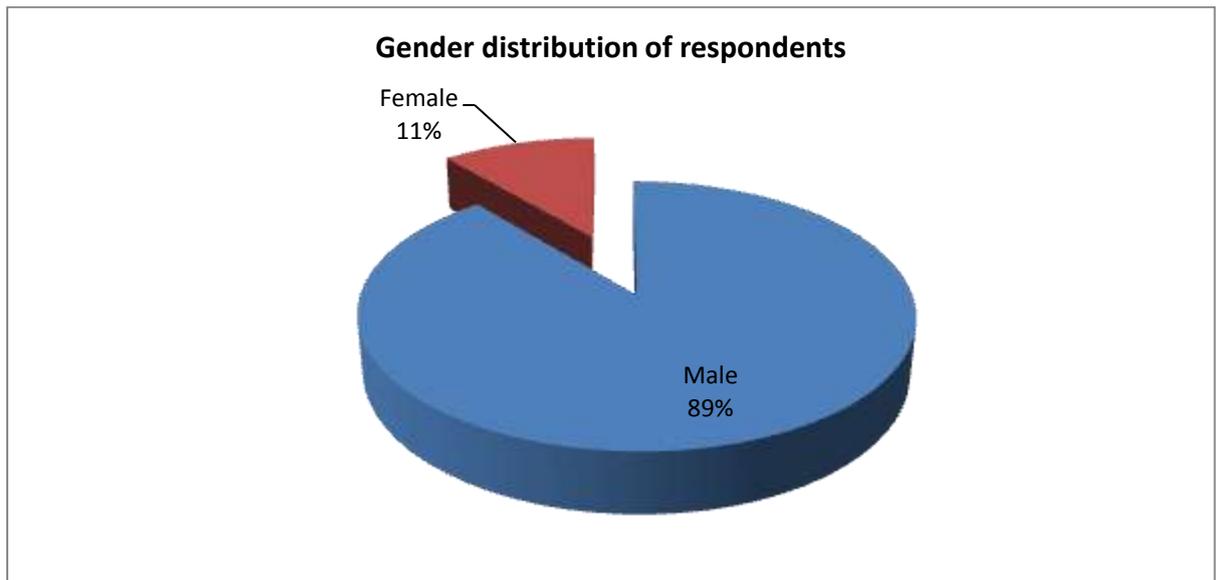
Figure 3.1: Gender distribution

3.3.1.2 Age of participants

The age distribution of respondents ranged from 25 years to 62 years. Table 3.1 below illustrates the age distribution. The majority of the respondents are aged between 41 and 50 years, representing 30.7% of the sample.

Table 3.1: Age distribution

Age distribution in years	25-30	31-40	41-50	51-60	61+
% of respondents	14.9%	27.2%	30.7%	24.6%	2.6%

3.3.1.3 Participants time in current position

The respondents' number of years in current positions varied widely from under one year up to 33 years. Figure 3.2 below illustrates the distribution grouped in intervals of five years. Most of the respondents (81.6%) were fewer than 10 years in their current positions.
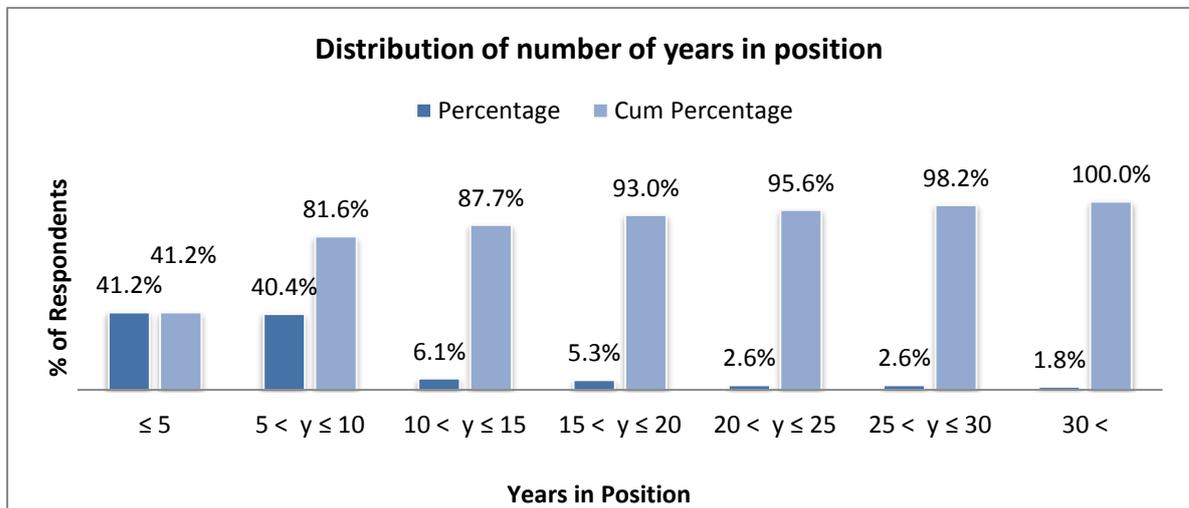
Figure 3.2: The distribution of respondents by years in position

3.3.1.4 Job titles

The following pie chart in Figure 3.3 illustrates the distribution of respondents by job title. The largest numbers of respondents were managers, at 21%, followed by engineers and technicians at 17.6% and 16%, respectively. The group named 'others' consists of analysts, accountants, senior planners and consultants.
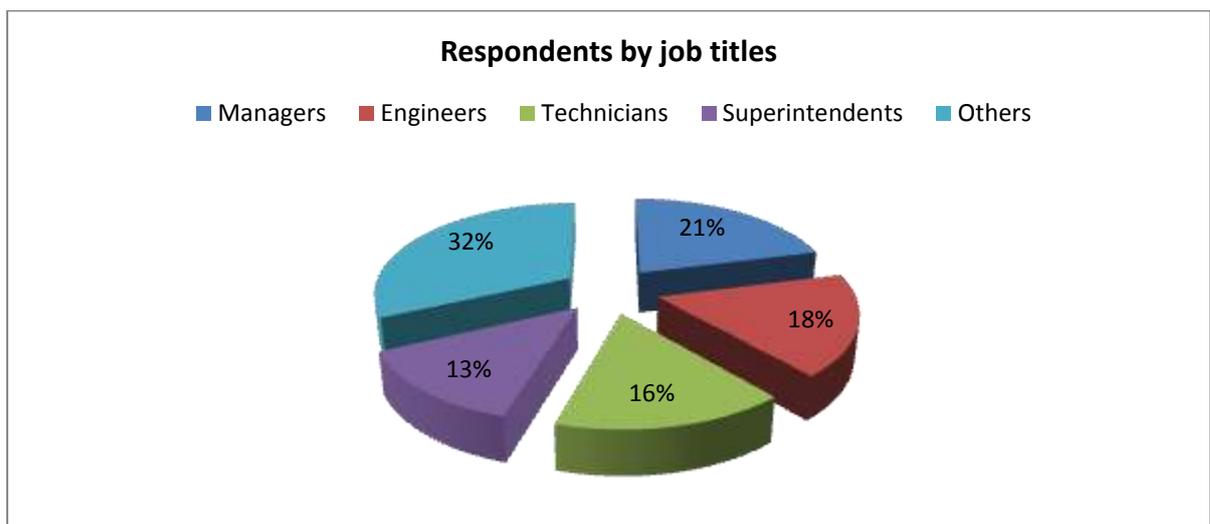
Figure 3.3: The distribution of respondents by job title

3.3.1.5 Job category of participants

The following pie chart in Figure 3.4 illustrates the distribution of respondents by job category. The majority (42%) of the respondents work in the maintenance environment. The group named 'others' consists of human resources, procurement, finance, sales and marketing.
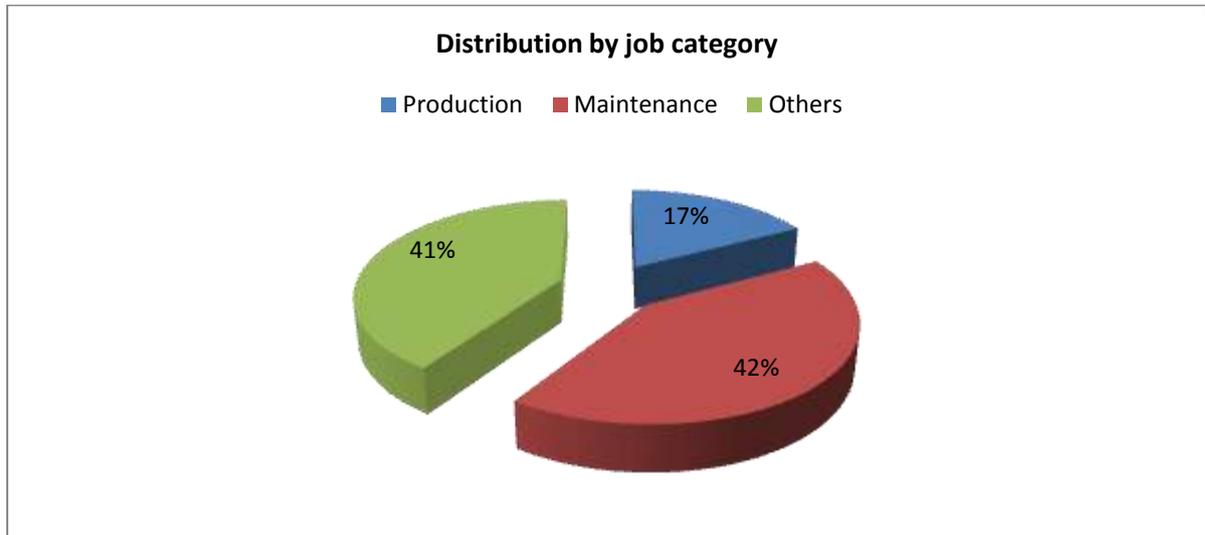
Figure 3.4: The distribution of respondents by job category

3.3.1.6 Highest qualification

Table 3.2 illustrates the distribution of respondents by the level of their education. The highest percentage of respondents (30.8%) has diplomas, followed by 27.4 % with post-graduate degrees. Cumulatively, 51.6 % of the respondents have a degree qualification or higher.

Table 3.2: Respondents' qualification levels

Highest qualification attained	Percentage	Cum percentage
Post-graduate degree	27.4	27.4
Degree	23.9	51.3
Diploma	30.8	82.1
Matric	12	94.1
Others	5.9	100

3.3.1.7 Language/race distribution of participants

Almost half of the respondents were Afrikaans-speaking employees. Figure 3.5 illustrates the distribution of respondents by language background.
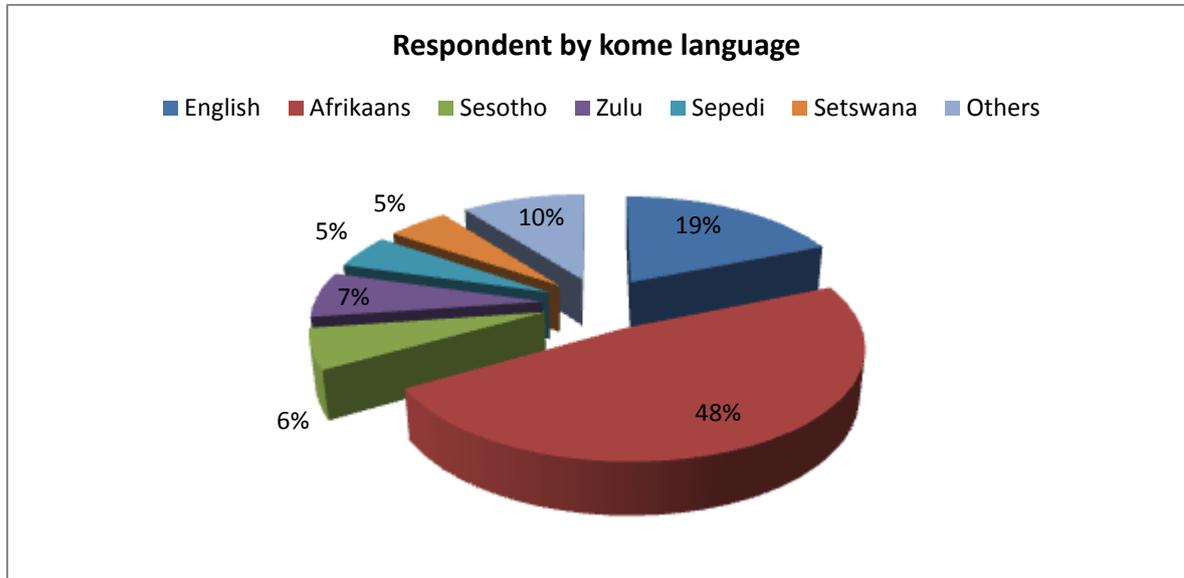
Figure 3.5: The distribution of respondents by home language

3.3.2 Reliability

As discussed in Chapter 1, the validity of the scale is the extent to which the research findings accurately represent what is really happening in the situation (Welman *et al*., 2005:142).

Also discussed was reliability, which is concerned with and relates to the credibility of the research findings. Reliability refers to the extent to which the research findings can be generalised to different measuring occasions, forms and users (Welman *et al.*, 2005:145). Cronbach's coefficient alpha is the mostly used method of measuring the reliability of the scale (Tavakol & Dennick, 2011:53). The acceptable values of the Cronbach's alpha range between 0.70 and 0.95. A low value of alpha coefficient could be as a result of low numbers of questions, poor interrelatedness between items or heterogeneous constructs. On the other hand, a very high value of the alpha could suggest that some items are redundant and are testing the same question from different angles. The maximum recommended value of alpha coefficient is 0.90 (Tavakol *et al.*, 2011:54).

3.3.3 Results

The effect of the 360-degree performance appraisal on the organisation's performance, employee motivation and performance, job satisfaction, training and development as well as succession planning was measured using a four-point Likert scale (1=Strongly agree and 4=Strongly disagree).

Annexure B shows the descriptive statistics per sample item. Table 3.3 at the end of this discussion indicates the figures for the reliability, the mean and the standard deviations.

- **Measuring the impact on organisational performance**

  In measuring the effectiveness of the 360-performance appraisal system on the organisational performance, a reliability coefficient of 0.835 was obtained. This indicates that the scale was very reliable. The average mean for all the sample items is 2.61, indicating a negative response toward the effectiveness of the 360-degree appraisal system on organisational performance.

- **Measuring the impact on employee motivation and performance**

  The scale measuring employee motivation and performance also yielded a Cronbach's alpha coefficient of 0.835. The average mean for the sample items is 2.45, indicating a positive trend, supporting the fact that the 360-degree performance appraisal is effective in the improvement of employee motivation and performance. In the next section of the discussion, a closer look is made by splitting motivation and performance to see in which one the 360-degree appraisal system has a greater contribution.

- **Measuring the impact on job satisfaction**

  For this construct, the reliability coefficient was stated as 0.748. This is also within the acceptable limits for which generalisations can be made. The average mean for the sample items is 2.34, a strong indication that the 360-degree performance appraisal system has a positive impact on employee job satisfaction.

- **Measuring the impact on training and development**

  The reliability coefficient calculated for training and development was 0.745. Although the scale was reliable, the average mean for the sample items is 2.51. This is slightly leaning

toward an indication of a lack of effectiveness of the 360-degree performance appraisal on the training and development of employees.

- **Measuring the impact on succession planning**

  The impact of the 360-degree performance appraisal system on succession planning recorded a Cronbach's alpha coefficient value of 0.614. This is slightly below the acceptable 0.7 threshold; however, it is not too far off to be discarded. he average mean for the sample items is 2.40. It is also a strong indication that the 360-degree performance appraisal system has a positive impact on the organisation's succession planning.

- **Measuring the overall satisfaction and the employees' perception of the system**

  In measuring the overall satisfaction and perception of employees on 360 performance appraisals, the Cronbach's alpha coefficient of 0.848 was obtained. This indicated that the scale was very reliable. The average mean for the sample items is 2.46. This is a strong indication that the employees perceive the 360 degree performance appraisal as a good system that should be continued.

Table 3.3: Reliability, mean and standard deviation values

Category	Cronbach's alpha	Overall mean	Overall average Std deviation
Organisation's performance	0.835	2.61	0.691
Employee motivation and performance	0.835	2.45	0.684
Job satisfaction	0.748	2.34	0.720
Training and development	0.745	2.51	0.680
Succession planning	0.614	2.40	0.708
Overall satisfaction	0.848	2.46	0.704

3.4   DISCUSSION OF FINDINGS

3.4.1   The effectiveness of the 360-degree appraisal system on employee motivation

In the literature study, it was discussed that there are four underlying drivers to employee motivation. These are the drive to acquire, the drive to comprehend, the drive to defend and the drive to bond (Nohria *et al*., 2008:4).

- The primary lever for the drive to acquire is reward systems, and the actions that an organisation can take include linking the performance appraisal to rewards (Nohria *et al.,* 2008:4). The sample item from the questionnaire was: "360-degree evaluation is attached to the company's reward system". 57% of the respondents disagreed, indicating that the 360-degree appraisal system was failing to support the drive to acquire and therefore not effective in employee motivation.

- The second motivation driver is to comprehend and it is linked to the organisational job designs that foster a sense of contribution to the organisation. The results showed that 58.3% of the responses felt that the 360-degree evaluation system motivated them to contribute to the success of the organisation.

- The action an organisation can take for the primary lever of the third driver, drive to defend, is to increase the transparency of the process. Most respondents (85.8%) indicated that they are personally involved in their 360-degree performance appraisal system. This result indicates a high level of transparency in the process, which, in turn, supports the drive to defend and therefore increasing employee motivation.

- The response relating to the drive to bond was measured by the impact of the 360-degree evaluation on teamwork and collaboration. A marginal 53.8% agreed that the 360-degree appraisal system was supporting the drive to bond and therefore effective in motivating them.

Research conducted by Brooks (1999:33) on the effectiveness of the 360-degree performance appraisal system indicated limited support for the 360-degree performance appraisal being tied to pay in any way. This research indicated little support for Brooks' (1999:33) finding, with only a few respondents commenting that 360-degree performance appraisal should not be tied to pay. The reason cited by Brooks (1999:33) was that 360-degree appraisals should be used for development purpose only in order to get honest feedback, and money must be detached from the evaluation. This research study did not inquire into a correlation between getting an honest feedback and attaching reward to the 360-degree system.

All other factors driving motivation, besides rewards, as tabulated in Table 3.4 below, gave a positive indication that there is employee motivation. The 360-degree performance appraisal system supports the drive to defend, the drive to comprehend and the drive to bond. It is concluded that the 360-degree performance appraisal system is effective in increasing employee motivation in the selected organisation under study.

3.4.2 The effectiveness of the 360 degree appraisal system on employee performance

Performance appraisal is a tool used to evaluate employee performance and is ultimately intended to provide information in terms of how effective employees are in terms of job performance (Nurse, 2005:1178). The outcome of this study indicates that 57% of the respondents agree that 360-degree evaluation is a good method to evaluate employee performance. However, 60.3% of them stated that their performance did not improve following the 360-degree assessment. This finding is not consistent with the literature above, suggesting the possibility that information is not provided effectively to employees, even though they stated that they are responsible for the outcome of the evaluation, as will be discussed in section 3.4.3 below.

Several reasons may be attributed to this result. As discussed in Chapter 2, performance appraisal may assist a poor performer to improve performance by giving him or her *specific feedback* on the gaps (Mani, 2002:141). One of the reasons may be that feedback is not specific on what needs to be done to close the gaps. The subject of closing the gaps will be discussed later under training and development in 3.4.4 below.

Brooks (1999:41) indicated that although it could not be concluded directly from participants that productivity and performance increased as a result of the 360-degree performance appraisal, there was a positive indication from the respondents that, due to an increase in communication attributed to the 360-degree performance appraisal, the performance and productivity of employees improved. Respondents in this research commented that the 360-degree evaluation improves communication, which is consistent with Brooks' findings.

Other negative results were also observed from 62.8% of the respondents stating that the 360-degree performance appraisal did not bring about continuous improvement in the performance of their departments.

It is concluded in this research that the ineffectiveness of 360-degree appraisals on employee performance does not stem for the 360 degree appraisal system in itself, but from other factors not tested in this research.

3.4.3   The impact of the 360-degree appraisal on employee job satisfaction

Munir *et al.* (2013:121) confirmed that the performance evaluation will not be effective if it is perceived as unfair by those involved in the process. The results show that the 360-degree evaluation is seen as an unfair process by the 52.9% majority of the organisation's employees. The fairness of performance appraisal is significantly related to employees' commitment and job satisfaction in an organisation (Munir *et al.,* 2013:121). However, 60.3% of the employees stated that the 360-degree system is used as a tool to assist employees and not as a weapon to punish them.

The manner in which a performance feedback is communicated has implications for its effectiveness. Providing negative and disapproving performance feedback can adversely affect the employee's self-efficacy and goal setting (Ritchie *et al*., 2009:2). This study found that employees have divided views in the way their 360-degree performance feedback is communicated to them. 52.9% of the sampled employees stated that they are satisfied with the manner in which they receive their 360-degree evaluation feedback. This finding is much more positive than the finding in the research conducted by SHRM (2000:8), which showed that only 33% of the respondents were satisfied or very satisfied with the 360-degree feedback.

An overwhelming 87.6% majority of employees who participated in this research are knowledgeable about their work performance and 60.3% stated that they are responsible for the outcome of their 360-degree evaluation. This implies that employees have some control over the performance feedback they receive.

It is concluded that the 360-degree evaluation is positively affecting employee job satisfaction for the organisation under study.

3.4.4   The effectiveness of 360-degree appraisal on employee training and career development

Aspects that can reduce the effectiveness of 360-degree performance appraisal in relation to training and development include training and development plans that are the same year after year, action plans that are unreliable and unachievable, training plans that are left un-reviewed

after being written, and identified training and development needs that bear no relation to the business plan of the department concerned (Wilson & Western, 2001:94)

The results of this research indicated by means of a 64.5% positive response that 360-degree appraisal is useful to identify employees training needs. This also supports the response discussed earlier under 3.4.2 (employee performance) that this appraisal method is good. This finding is consistent with the literature by Daoanis (2012:59), discussed in Chapter 2. The results also indicated that 68.6 % of the employees state that the system is successful in helping them plan their individual development programmes.

Only by a marginal amount of 51.2% is it agreed that management uses the 360-degree evaluation results to decide strategies for employee development. This low figure highlights the possible deficiency in management (the human effect) rather than the 360-degree system itself. The results also favour by 51.7% the stand that there is no link between the training needs identified and career goals. Over half of the respondents at 52.1% state that the gaps identified by the 360-degree evaluation for them are the same year after year. This explains to some extent the lack of improvement in employee performance as well as a lack of continual improvements in the employees' departments discussed earlier in the employee performance section above.

The statistical results also showed a 56.2% rate of agreement that the action plans identified by the 360-degree evaluation are reliable and a higher 78.3% rate that they are achievable. A very important point to note is that 60.3% of the employees stated that training plans identified by the 360-degree evaluation are left unimplemented after being written. Furthermore, 66.7% of the employees under study stated that recommendations made for their training needs are not implemented to full satisfaction. The training and development plans identified bear a relation to the business plans of their department as stated by 60.3% of the respondents.

In a study by Brooks (1999:36), the results indicated that the 360-degree performance appraisal somewhat improved supervisory and leadership skills in supervisors. The study highlighted that if supervisors can take feedback seriously, the appraisal can have a significant impact on the development of communication, supervisory skills and performance.

It is clear that the 360 degree performance appraisal is effective in terms of identifying training and development needs; however, there is poor follow-up regarding implementation. This

corresponds with the finding by Rao and Juneja (2007:10), discussed in Chapter 2 that 360-degree appraisal feedback will not solve the organisational system that does not work.

3.4.5   The effectiveness of the 360-degree appraisal on succession planning

In Chapter 2, we stated that effective succession planning focuses on consistently and systematically developing leaders within the organisation. A lack of assessment tools has been cited as one of the major challenges to succession planning (Aberdeen Group, 2006:7). In evaluating the effectiveness of the 360 degree assessment tool on succession planning, three study items were used. These were the 360 degree usefulness for identifying potential successors for higher positions, its influence on the organisation's policies governing promotions and whether specifically the leadership development is addressed by that system.

The results show that 65% of the respondents agreed that the 360-degree system was useful in identifying successors for higher positions in their departments. The systems, however, does not have much influence of the policy development of the organisation governing promotions. It was found that (by 63.3%) there is a general consensus that leadership development is specifically incorporated and addressed by the 360-degree system. This is a positive outcome in comparison with the results from a previous research study conducted by SHRM (2000:8), which indicated that 38% of the respondents were satisfied or very satisfied with the leadership development plans.

It is concluded that although the 360-degree performance appraisal does not influence the organisation's policies on promotion, it is effective in terms of overall succession planning, because it supports leadership development and it helps to identify successors for high positions.

Table 3.4: Summary of findings on the effectiveness of 360-degree performance appraisal

Items	The effectiveness of 360-degree appraisal	
	Positive impact %	Negative impact %
Organisation's performance		
Helped organisation achieve its major goals	42.1	57.9
Increase the organisation's productivity	43	57
Was worth the investment	44.2	55.8
Employee motivation		
Attached to company reward system	42.9	57.1
Encouraged teamwork and collaboration	53.8	46.2
Involved employee in the evaluation (transparent)	85.8	14.2
Encouraged employee contribution to company success	58.3	41.7
Employee performance		
A good method for evaluating performance	57	43
Brought about continuous improvement in the department	37.2	62.8
Help to improve employee performance	39.7	60.3
Job satisfaction		
Fair process	47.1	52.9
A tool to assist employees and not punish	60.3	39.7
Feedback is communicated satisfactory	52.9	47.1
Employee's knowledge of his performance	87.6	12.4
Employee responsibility	60.3	39.7
Training and development		
Useful for identifying training needs	64.5	35.5
Successful in helping to plan IDP	68.6	31.4
Help in the decision for strategic training and development	51.2	48.8
Links training needs and career goals	48.3	51.7
Identified gaps the same year after year	52.1	47.9
Action plans reliable	56.2	43.8
Action plans achievable	78.3	21.7
Training plans implemented after being written	39.7	60.3
Training recommendations are implemented	33.3	66.7
Training needs bear a relation to the departments business plans	60.3	39.7
Succession planning		
A useful tool for identifying potential successors	65	35
Influences policies for promotion	42	58
Part of leadership development	63.3	36.7
Overall satisfaction with the 360-degree system		
Satisfaction with the process	41.3	58.7
Satisfaction with the feedback received	46.3	53.7
Satisfaction with the training needs identified	47.5	52.5
Satisfaction with the team members participation	57.9	42.1
Satisfaction with the managers participation	71.9	28.1
Satisfaction with the subordinates participation	69	31
The company should continue using the system	53.4	46.6

3.5 EMPLOYEES' GENERAL PERCEPTION OF THE 360-DEGREE APPRAISAL SYSTEM

The questionnaire was formulated to test whether employees would prefer another system over the 360-degree performance appraisal system. The results indicated that preference to continue using the 360-degree system is split almost in the middle with only 53.4% wanting the company to continue using the system. The basic principles of the 360-degree model are preferred; being the participation of the team members in the employee's evaluation (57.9% in favour), the participation of the manager in the employee's evaluation (71.9% in favour) and finally the participation of the subordinates in the employee's evaluation (69% in favour).

Feedback received, however, is unsatisfactory and this has possibly led to the overall dissatisfaction with the 360-degree evaluation process.

3.6 CONCLUSION

The results showed that the majority of the sampled employees were managers. In terms of gender participation, males were by far the majority. Most of the participants were between the ages of 41 and 50 years. The higher composition of respondents hold a diploma, degree or post-graduate qualification, which can be translated in people who are highly knowledgeable of their work environment and performance measures that are expected of them. The service department accounted for only 41% of the respondents, while the majority were from production and maintenance business units.

From the Cronbach's alphas calculated, it is clear that the instrument used in the empirical study was reliable and information provided can be trusted. The highest Cronbach's alpha achieved was on the instrument measuring the overall satisfaction with the 360-degree system and the lowest was on the instrument measuring succession planning.

As will be discussed in Chapter 4, some of the research hypotheses were also supported by the outcome of this research study. The overall conclusion of the study's findings is also discussed in Chapter 4.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1   INTRODUCTION

This chapter covers the conclusion and the recommendations to the organisation under study and for future research studies. The previous chapter dealt with the empirical results by focusing on the statistical analysis and the discussion of the findings.

4.2   CONCLUSION

4.2.1   Review of study objectives

The primary objective of this research study was to determine whether the current performance evaluation system is effective or whether there is a need to explore various employee evaluation and feedback systems across industry to identify the current best practice. The specific research objectives were:

- To investigate whether the 360-degree performance appraisal and feedback system improves employee motivation and work performance:
- To determine whether 360-degree feedback contributes to employee job satisfaction.
- To determine whether the 360-degree assessment and feedback system influences the organisation's succession planning.
- To determine whether the 360-degree performance evaluation contributes to the organisation's performance.
- To investigate whether the 360-degree performance evaluation contributes to employee training and development.
- To assess the perceptions of employees on the 360-degree performance appraisal system

Summary of findings

The research indicated no statistical evidence that the 360-degree performance appraisal system helped the organisation to increase its performance. A strong inter-item correlation of 0.611 suggested that the lack of evidence to prove that 360-degree appraisal supports the

organisation's performance led to the perception that the 360-degree evaluation system was not worth the resources invested in it.

The results suggested that the 360-degree system is effective in improving the employees' motivation, but there was no indication that employee performance improved. It was found that the 360-degree system has a positive impact on teamwork and collaboration, and encouraged employees to contribute to the success of the organisation. The research also indicated that the system is a good method to evaluate performance.

Furthermore, research indicated statistically that the 360-degree appraisal system is effective in enhancing employee job satisfaction. Employees perceive the system as a tool to assist them and not as a weapon to punish. The research also suggested that the 360-degree performance appraisal system has to a limited extent contributed effectively to the training and development of employees. The system has been effective in identifying training needs and has been successful in helping employees plan their individual development programmes.

Although identified action plans for training and development are achievable, they are not implemented after being written. Recommendations made are also not implemented to full expectations. Most importantly, the unimplemented actions are related to the business plans. This explains to an extent the reason why the 360-degree appraisal is seen to be ineffective in contributing towards employee and organisational performance. The implementation of identified training action plans is a management problem and therefore cannot be attributed to lack of effectiveness in the 360-degree system.

There is also statistical evidence that the 360-degree performance evaluation system is effective in supporting the succession planning of the organisation. It is useful in identifying successors for higher positions and it is integral to leadership development.

The research clearly indicated that the organisation under study should continue using the current 360-degree performance appraisal system. It is also clear that there are deficiencies in the management of the 360-degree process, which led to the dissatisfaction with process. In the following section, recommendations are made to the organisation to mitigate the identified deficiencies in the process. Before looking at the recommendations, the research hypotheses are tabulated.

4.2.2 Research hypotheses

The research hypotheses and well as their outcomes are tabulated below:

Table 4.1: The research hypotheses and outcomes

Employee motivation and performance	H_o	360-degree performance appraisal and feedback improve employee work performance.
	H_1 (do not reject H_o)	360-degree performance appraisal and feedback *do* improve employee motivation and work performance
Job satisfaction	H_o	360-degree feedback enhances employee job satisfaction.
	H_1 (do not reject H_o)	360-degree feedback does enhance employee job satisfaction
Training and development	H_o	360-degree performance evaluation is beneficial to employees training and development.
	H_1 (do not reject H_o)	360-degree performance evaluation is beneficial to employee training and development
Succession planning	H_o	The organisation's succession planning has been informed by the outcomes of 360-degree performance and feedback.
	H_1 (do not reject H_o)	The organisation's succession planning has been informed by the outcomes of 360-degree performance and feedback
Organisational performance	H_o	360-degree performance evaluation contributed to the organisation's performance.
	H_1 (reject H_o)	360-degree performance evaluation *did not* contribute to the organisation's performance
Continuing to use the 360 degree system	H_o	Employees believe that the 360-degree performance appraisal and feedback system should continue to be used.
	H_1 (do not reject H_o)	Employees believe that the 360-degree performance appraisal and feedback system should continue to be used.

It is concluded that the objective of this research has been achieved. From the results, there is no need to explore other performance appraisal systems; however, deficiencies in the current system need to be addressed.

4.3   RECOMMENDATIONS FOR THE ORGANISATION

The findings of this research study highlighted some areas that need to improve in order for the organisation to reap the benefits from the opportunities presented by the 360-degree performance appraisal system. The following recommendations are made to the organisation:

- It is recommended that the company employs monitoring systems to check and make sure that identified gaps are filled effectively. This means that training and development actions are implemented as planned. This can be done by tying action plans as key performance areas (KPA) for all managers and supervisors throughout the organisation. The results suggest a strong possibility that some departments have tied employee development as a key performance indicator to some managers and supervisors' performance.

- There is an indication that feedback is not specific on what exactly needs be done to improve from previous performances. It is recommended that the 360-degree feedback be specific to each employee and identified areas of improvement be actively managed with a timeline of when the milestones set need to be achieved. Progress review meetings need to be held between an employee and his supervisor to adjust the programme or action plans accordingly

- The majority of the employees agreed that the 360-degree appraisal process is unfair because they are being evaluated by other employees who do not know anything about their work performance or even exposed to their work area. It is recommended that management performs a careful selection of raters (especially colleagues/customers) who know the work conditions of the employee and have interacted with the employee beforehand. The employee can also be requested to list possible raters based on previous work interaction.

- It is recommended that policies governing promotion be aligned with the 360-degree evaluation outcomes. The promotion policy should encourage that employees who do well in their 360-degree evaluation be preferred for promotion opportunities.

- Finally, there should be a financial incentive for the effort employees make to fill the gaps, otherwise the process is just seen as a paper exercise. As Daoanis (2012:58) stated, employees will always be motivated to finish their work successfully if they are given recognition and rewards for doing an excellent job.

4.4 RECOMANDATION FOR FUTURE STUDIES

This study was limited to a single selected steel organisation within the South African context and the results can therefore not be generalised to the whole of South Africa's work environment, neither to other steel organisations. In terms of the research population, the study was limited to the middle management, supervisory and specialist levels of the organisation.

It is recommended that future studies test whether there is a relationship between getting honest feedback and linking rewards to the 360-degree appraisal system. Future studies could also investigate whether there is a relationship between the lack of closing the gaps identified and the overall performance of the organisation.

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ANNEXURE A: QUESTIONNAIRE

QUESTIONAIRE ABOUT 360˙DEGREE PERFORMANCE APPRAISAL   **Code** [   ]

Introduction

The purpose of this questionnaire is to determine the effectiveness of the 360-degree performance appraisal system in this company. 360-degree performance appraisal system is a tool that uses information from all the sources (people) who interact with the appraisee on his/her job, to measure his/her performance. The performance qualities being evaluated include, among others, the ability to: formulate strategies, deliver on stakeholders' expectations, plan and organise, initiate action as well as to lead and supervise.

Your participation in this research will help to understand whether this performance evaluation system has a positive impact on the company or not.

All information contained in this questionnaire will be **STRICTLY ANONYMOUS.** No duplicate copies will be made and only the overall statistics will be discussed in the report.

Contact Person :

Eugene Lithakong

Cell no: 0833047357

Your assistance in completing this questionnaire is highly appreciated.

It will take not more than **25 MINUTES** to complete the questionnaire.

Please answer all questions**.** Each page is printed on both sides.

Biographic information

The following information is required to help with the descriptive analysis of the data. *Please tick* ☒ *to indicate your answer*.

Section A					
Gender	**Job title**	**Job category**	**Highest qualification**	**Home language**	Coding
Male	Manager	Production	Matric	English	1
Female	Engineer	Maintenance	Diploma	Afrikaans	2
	Technician	HR	Degree	Sesotho	3
	Superintendent	Procurement	Post-graduate	isiZulu	4
	Consultant	Finance	Other (please specify):	isiXhosa	5
	Analyst	Sales & Marketing		Xitsonga	6
	Senior planner	Other (please specify):		Tshivenda	7
	Other (please specify):			Sepedi	8
				Setswana	9
				isiNdebele	10
				SiSwati	11
				Other (please specify):	12

Age (in years) _____

Time in current position (in years)_____

Please tick ☐ x   to indicate your answer: To what extent do you *agree* or *disagree* with the following statements:

	Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
Section B					
B1	360-degree performance appraisal helped the organisation to achieve its major goals	1	2	3	4
B2	360-degree evaluation helps to increase productivity in this organisation	1	2	3	4
B3	The 360-degree process was worth the resources committed to it.	1	2	3	4
Section C					
C1	360-degree is a good method to evaluate employee performance	1	2	3	4
C2	My job performance improved as a result of 360-degree assessment	1	2	3	4
C3	360-degree evaluation brought about continual improvements in my department.	1	2	3	4
C4	360-degree evaluation is attached to the company's reward system	1	2	3	4
C5	360-degree assessment encourages teamwork and collaboration	1	2	3	4
C6	360-degree evaluation encourages me to contribute to the success of the organisation	1	2	3	4
C7	I am involved in my performance evaluation	1	2	3	4
Section D					
D1	360-degree evaluation is a fair process	1	2	3	4
D2	360-degree evaluation is used as a tool to assist employees and not a weapon to punish	1	2	3	4
D3	Feedback from the 360-degree evaluation is communicated in a satisfactory manner	1	2	3	4
D4	I am knowledgeable of my work performance	1	2	3	4
D5	I am responsible for the outcome of my 360-degree evaluation	1	2	3	4
Section E					
E1	360-degree appraisal is useful in identifying my training needs	1	2	3	4
E2	360-degree evaluation is successful in helping employees plan their IDP (Individual Development Plan)	1	2	3	4
E3	Management uses the 360-degree evaluation results to decide on strategies for employees' training and development	1	2	3	4
E4	There is a link between the training needs identified by the 360-degree evaluation and my personal career goals	1	2	3	4
E5	Training and development gaps identified by the 360-degree evaluation are the same year after year for me.	1	2	3	4
E6	Action plans identified by the 360-degree evaluation are unreliable	1	2	3	4

E7	Action plans identified by the 360-degree evaluation are unachievable	1	2	3	4
E8	Training plans identified by the 360-degree evaluation are left unimplemented after being written	1	2	3	4
E9	Recommendations made for my training needs are implemented to my full expectations	1	2	3	4
E10	Training and development plans identified by the 360-degree evaluation bear no relation to the business plans of my department	1	2	3	4
Section F					
F1	360-degree is a useful tool to identify potential successors for higher positions	1	2	3	4
F2	360-degree influences the organisation's policies governing promotions	1	2	3	4
F3	In this organisation, leadership development is part of the performance appraisal.	1	2	3	4
Section G					
G1	***I am satisfied with:***				
	a) the 360-degree evaluation process?	1	2	3	4
	b) the feedback I receive from the 360-degree evaluation	1	2	3	4
	c) the training needs identified by the 360-degree evaluation	1	2	3	4
	d) the participation of my team members in my evaluation	1	2	3	4
	e) the participation of my manager in my evaluation	1	2	3	4
	f) the participation of my subordinate in my evaluation	1	2	3	4
G2	The company should continue to use 360-degree performance appraisal.	1	2	3	4
	Please motivate your answer ………				

"Thank you very much for your participation"

ANNEXURE B: Descriptive statistics

Sample item code	Mean	STD deviation
B1	2.61	.637
B2	2.61	.700
B3	2.61	.737
C1	2.34	.690
C2	2.68	.733
C3	2.67	.638
C4	2.62	.689
C5	2.45	.710
C6	2.37	.733
C7	2.00	.594
D1	2.59	.727
D2	2.35	.771
D3	2.51	.708
D4	1.95	.575
D5	2.32	.819
E1	2.27	.707
E2	2.27	.695
E3	2.54	.719
E4	2.58	.740
E5	2.44	.684
E6	2.53	.646
E7	2.83	.575
E8	2.31	.742
E9	2.75	.625
E10	2.60	.664
F1	2.31	.776
F2	2.56	.672
F3	2.33	.678
G1A	2.68	.710
G1B	2.60	.653
G1C	2.55	.606
G1D	2.45	.719
G1E	2.23	.642
G1F	2.26	.661
G2	2.45	.936