

## Traps in using 360 feedback for incentive payments

### Consider this scenario

Sally was an assertive senior manager in a “go get it” service based business. Her team was responsible for running several of the highest profile projects and, just like the other executives, Sally was smart, fiercely independent and didn't tolerate things that disrupted project progress. The new CEO recognised the tension these behaviours created between staff at all levels and decided to change things. He implemented a 360 feedback process which would account for 50% of annual bonuses. Unexpectedly, Sally and all her colleagues performed with flying colours and full bonuses were paid out. But the tension remained, staff turnover grew and project performance began to slip.

What had happened? Collaboration and intimidation! Sally and her colleagues agreed “you score me high and I'll do the same for you”. Each executive also let their direct reports know that the 360 was about to occur and the “stakes were high”. Nothing intimidating, but enough to let staff know they should “do the right thing”.

### Impacting productivity through incentivising workplace behaviours

We all know that people with poor workplace behaviours (like Sally's) effect morale and reduce everyone's productivity. In the medium to long term, *how we behave* is just as important as *what we deliver*.

How, then, can we impact workplace behaviours, create an incentive for improvements, but not encounter the “Sally factor”? 360 degree feedback can do it, but only if it is used very carefully.

Here are some options to consider.

- To deal with peer collaboration, remove peer scores from the calculation or weight them lower than the others.
- Stress to all observers the confidentiality of results. Get the CEO to guarantee it, and make sure your provider can comply. You are more likely to get honest feedback this way.
- Do not allow participants to nominate their own observers – when a bonus is at stake they will pick people who will score them high, not necessarily those whose judgment they *really* value.
- Apply the bonus to selected behaviours only – not the entire diagnostic. Find the (few) behaviours that most require improving in each manager and target these. Observe their behaviour and discuss any issues with their manager. Even better, get them to self identify their weak behaviours.
- If the process has been applied before, remember that it takes time for some (less observant) observers to recognise changed behaviours! So do not set the improvement bar too high (the behaviour might have improved, but not everyone will recognise it).
- Limit the size of the bonus at stake. This will reduce performance anxiety and is more likely to allow some focus on the real benefit of 360 – development.

Overall, make sure there are open, regular communications about the purpose of the 360 and the results it will deliver if conducted properly. The CEO may be the only person who can deliver this message convincingly.