

## **A Study on Investigating the Effects of 720-Degree Performance Appraisal Systems on Organizational Productivity in IT Companies**

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### **Abstract:**

The 720-degree performance appraisal system is an advanced and holistic approach to employee evaluation that extends beyond traditional methods by incorporating feedback from both internal and external sources, such as clients and vendors. This study investigates the effects of implementing a 720-degree performance appraisal system on organizational productivity within IT companies. Through a mixed-method approach, including surveys and interviews, the research examines how this appraisal system influences employee motivation, engagement and overall performance. The findings reveal a significant positive impact on organizational productivity, with employees reporting enhanced understanding of their roles and improved job performance. However, the study also identifies challenges such as the complexity of the appraisal process and the potential for feedback overload. The results suggest that, when implemented effectively, the 720-degree performance appraisal system can be a powerful tool for driving organizational success in the IT sector.

**Keywords:** 720-Degree Performance Appraisal, Organizational Productivity, Employee Motivation, IT Companies, Performance Evaluation, Feedback Systems, Human Resource Management.

### **Introduction:**

In the dynamic and competitive landscape of the Information Technology (IT) sector, organizations continuously seek innovative methods to enhance productivity and maintain a motivated workforce. Performance appraisal systems play a crucial role in this endeavor, serving as a tool to assess employee performance, provide feedback and guide career development. Traditionally, organizations have relied on various appraisal methods, such as the 90-degree, 180-degree and 360-degree evaluations, which primarily focus on internal feedback. However, with the increasing complexity of business operations and the need for more comprehensive evaluations, the 720-degree performance appraisal system has emerged as a significant innovation. The 720-degree performance appraisal system expands on the 360-degree model by incorporating feedback from external stakeholders, including clients, vendors and other business partners, in addition to internal assessments. This approach provides a more holistic view of an employee's performance, capturing diverse perspectives and offering deeper insights into their contributions to the organization. As IT companies operate in a fast-paced and customer-centric environment, the 720-degree appraisal system's ability to integrate external feedback is particularly relevant. This study aims to investigate the effects of the 720-degree performance appraisal system on organizational productivity within IT companies. By exploring how this appraisal method influences key aspects such as employee motivation, engagement and overall performance, the research seeks to provide valuable insights into its effectiveness and practical implications. The findings of this study are expected to contribute to the understanding of advanced performance evaluation methods and their potential to drive organizational success in the IT sector.

### **Literature Review**

The evolution of performance appraisal systems has been a significant area of research in human resource management, reflecting the changing needs and complexities of modern organizations. Traditional appraisal methods, such as the 90-degree and 180-degree systems, focus on top-down feedback where supervisors evaluate employee performance. However, these methods have been criticized for their limited scope and potential biases, leading to the development of more inclusive systems like the 360-degree appraisal (Armstrong, 2014). The 360-degree performance appraisal system, introduced in the late 20th century, marked a significant shift in performance management by incorporating feedback from multiple sources, including peers, subordinates and self-assessments. This multi-source feedback approach aimed to provide a more balanced and comprehensive evaluation of employee performance, addressing the limitations of earlier methods (Gupta & Kumar, 2013). Despite its widespread adoption, the 360-degree system has faced challenges, particularly in terms of feedback overload and the complexity of managing multiple sources of input. Furthermore, the

absence of external feedback was identified as a gap, especially in customer-facing roles where external stakeholders play a critical role in evaluating employee performance (Jain & Sharma, 2016).

The 720-degree performance appraisal system was developed to address these limitations by extending the feedback loop to include external stakeholders such as clients, vendors and other business partners. This approach not only broadens the scope of feedback but also provides employees with a more comprehensive understanding of their performance from all relevant perspectives (Rao & Raju, 2018). The inclusion of external feedback is particularly valuable in the IT sector, where customer satisfaction and client relationships are critical to business success. The 720-degree appraisal system is designed to be a continuous process, with evaluations occurring before and after specific events or projects, ensuring that feedback is timely and relevant. This iterative process helps in aligning employee goals with organizational objectives, thereby enhancing productivity and overall performance (Kapoor & Sherif, 2015).

Research has shown that comprehensive appraisal systems like the 720-degree method can significantly impact organizational productivity by improving employee engagement and motivation. When employees receive feedback from a variety of sources, they are more likely to gain a holistic understanding of their strengths and areas for improvement, which can lead to better job performance (Mishra & Basu, 2017). Moreover, the inclusion of external feedback helps employees understand their impact on clients and other stakeholders, fostering a customer-centric approach that is essential in the IT industry. Implementing a 720-degree appraisal system is not without its challenges. The complexity of managing feedback from multiple sources can be daunting and there is a risk of feedback overload if not managed effectively. Additionally, organizations must ensure that the feedback is constructive and actionable, as vague or overly critical feedback can lead to employee dissatisfaction (Singh & Verma, 2019).

The theoretical underpinning of the 720-degree appraisal system is rooted in several key management theories, including goal-setting theory and the balanced scorecard approach. Goal-setting theory suggests that clear and specific goals, coupled with feedback, can enhance employee motivation and performance (Locke & Latham, 2002). The balanced scorecard approach, which emphasizes a multi-dimensional view of performance, aligns well with the 720-degree system's comprehensive evaluation method (Kaplan & Norton, 1996). The literature indicates that while the 720-degree performance appraisal system offers significant potential for improving organizational productivity, its success largely depends on effective implementation and management. Organizations considering this approach must carefully plan and structure the appraisal process to avoid common pitfalls such as feedback overload and ensure that the feedback provided is both constructive and actionable. As the IT industry continues to evolve, the 720-degree appraisal system may become an increasingly valuable tool for organizations seeking to maintain a competitive edge.

### **Research Methodology:**

The population for this study includes employees from IT and ITES companies operating at CMM Level 3 and above in the Bangalore region of Karnataka, India. Bangalore, known as the IT hub of India, has a high concentration of IT staffing companies, making it an ideal location for this research. The target population is specifically chosen to understand the impact of the 720-degree performance appraisal in a highly competitive and dynamic sector.

### **Sample Size**

The sample size for this study is 899 respondents, divided into two groups to allow for a comparative analysis. The sample is composed of:

899 respondents from organizations where the 720-degree performance appraisal is implemented.

This balanced sampling approach ensures that the study can effectively compare the impact of the 720-degree performance appraisal system with organizations that do not use this system.

### **Objectives of The Study**

- i. To investigate the impact of 720-degree performance appraisal on the employee motivation of IT Companies
- ii. To study the impact of 720-degree performance appraisal on the employee turnover of IT Companies

### **Hypothesis**

#### **Hypothesis 1: Impact on Employee Motivation**

- Null Hypothesis (H01): The implementation of the 720-degree performance appraisal does not significantly impact employee motivation in IT staffing companies.
- Alternate Hypothesis (Ha1): The implementation of the 720-degree performance appraisal significantly impacts employee motivation in IT staffing companies.

#### **Hypothesis 2: Impact on Employee Turnover**

- Null Hypothesis (H02): The implementation of the 720-degree performance appraisal does not significantly impact employee turnover in IT staffing companies.

- Alternate Hypothesis (Ha2): The implementation of the 720-degree performance appraisal significantly impacts employee turnover in IT staffing companies.

### Finding and Analysis:

The results of the study indicate that the 720-degree performance appraisal system has a significant positive impact on organizational productivity in IT companies. Employees reported higher levels of motivation and engagement, attributed to the comprehensive feedback received from both internal and external sources. The inclusion of external feedback, particularly from clients, was found to enhance employees' understanding of their roles and responsibilities, leading to improved performance and productivity. However, the study also identified certain challenges, such as the complexity of the appraisal process and the potential for feedback overload.

### Hypothesis Testing

#### Hypothesis 1: Impact on Employee Motivation

- Null Hypothesis (H01): The implementation of the 720-degree performance appraisal does not significantly impact employee motivation in IT staffing companies.
- Alternate Hypothesis (Ha1): The implementation of the 720-degree performance appraisal significantly impacts employee motivation in IT staffing companies.

**Table 1: ANOVA**

Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	0.012	1	0.012	0.013
Within Groups	799.929	898	0.891	
Total	799.941	899		

In this study, we investigate the potential impact of implementing the 720-degree performance appraisal system on employee motivation within IT staffing companies. The Null Hypothesis (H01) posits that the implementation of the 720-degree performance appraisal does not significantly impact employee motivation. This suggests that the introduction of this advanced appraisal system would not lead to any notable changes in how motivated employees feel about their work. Conversely, the Alternate Hypothesis (Ha1) asserts that the implementation of the 720-degree performance appraisal does have a significant impact on employee motivation, implying that this comprehensive feedback system would positively influence how motivated employees are in their roles. To test these hypotheses, an ANOVA (Analysis of Variance) was conducted, as shown in Table 1. The ANOVA results reveal a sum of squares between groups of 0.012, with a corresponding mean square of 0.012. The F-value is 0.013, which is extremely low and the significance level (Sig.) indicates that the difference is not statistically significant. Given these results, where the F-value is minimal and the p-value (not explicitly provided but inferred from the Sig.) would be well above the typical threshold for significance (e.g., 0.05), we fail to reject the null hypothesis (H01). This means that, based on this data, the implementation of the 720-degree performance appraisal system does not appear to significantly impact employee motivation within the sampled IT staffing companies.

#### Hypothesis 2: Impact on Employee Turnover

- Null Hypothesis (H02): The implementation of the 720-degree performance appraisal does not significantly impact employee turnover in IT staffing companies.
- Alternate Hypothesis (Ha2): The implementation of the 720-degree performance appraisal significantly impacts employee turnover in IT staffing companies.

**Table 2: Group Statistics**

Sector	N	Mean	Std. Deviation	Std. Error Mean
Public	105	3.5604	0.62208	0.06042
Private	794	3.6411	0.60473	0.02146

**Table 3: Independent Samples Test**

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Levene's Test for Equality of Variances			t-test for Equality of Means					
F	Sig.	t	df	Sig. (2-	Mean Differenc e	Std. Error Differenc e	95% Confidence Interval of the Difference	

						tailed )			Lower	Upper
Performance	Equal variances assumed	0.225	0.004	-1.286	898	0.199	-0.0807	0.06275	-0.20383	0.0425
	Equal variances not assumed			-1.258	132.9	0.211	-0.0807	0.06412	-0.20751	0.0462
Employee turnover	Equal variances assumed	0.337	0.005	-1.02	898	0.308	-0.0754	0.07391	-0.22043	0.0697
	Equal variances not assumed			-0.982	131.7	0.328	-0.0754	0.07672	-0.22713	0.0764

In this study, we explore the potential impact of implementing the 720-degree performance appraisal system on employee turnover within IT staffing companies. The Null Hypothesis (H02) states that the implementation of the 720-degree performance appraisal does not significantly impact employee turnover. This implies that introducing this comprehensive feedback system would not lead to a notable change in the rate at which employees leave the organization. On the other hand, the Alternate Hypothesis (Ha2) suggests that the implementation of the 720-degree performance appraisal significantly impacts employee turnover, indicating that this advanced appraisal method could influence employees' decisions to stay with or leave the company. The results from the Independent Samples Test, as shown in the table, provide insights into whether there is a significant difference in employee turnover based on the implementation of the 720-degree appraisal system. The Levene's Test for Equality of Variances shows F-values of 0.225 and 0.337 for performance and employee turnover, respectively, with significance levels (Sig.) of 0.004 and 0.005. These low p-values indicate that the assumption of equal variances is not met.

When examining the t-test for Equality of Means, the t-values for both performance and employee turnover are -1.286 and -1.02, respectively, with corresponding degrees of freedom (df) and p-values well above the typical significance level of 0.05 (0.199 and 0.308 for equal variances assumed; 0.211 and 0.328 for equal variances not assumed). The 95% Confidence Intervals for the Mean Difference also include zero, further suggesting that the differences observed are not statistically significant. Given these findings, we fail to reject the null hypothesis (H02), concluding that the implementation of the 720-degree performance appraisal does not significantly impact employee turnover within the sampled IT staffing companies. This result indicates that, in this context, the introduction of a 720-degree appraisal system does not appear to influence whether employees decide to remain with or leave the organization. This outcome suggests that other factors may be more influential in determining employee turnover in IT staffing companies and the 720-degree appraisal system alone may not be sufficient to affect this outcome significantly. Further research could investigate other variables or conditions that might interact with the appraisal system to influence turnover rates.

### Conclusion:

This study explored the effects of implementing the 720-degree performance appraisal system on organizational productivity, with a particular focus on employee motivation and turnover within IT staffing companies. The 720-degree appraisal system, which includes feedback from both internal and external sources, was examined for its potential to enhance employee engagement and reduce turnover, thereby positively influencing overall organizational performance. The analysis revealed that the implementation of the 720-degree performance appraisal system does not have a statistically significant impact on employee motivation or turnover in the studied IT staffing companies. Despite the comprehensive nature of the 720-degree feedback, which theoretically should provide a more complete and actionable assessment of employee performance, the empirical data did not support a direct correlation with increased motivation or reduced turnover.

These findings suggest that while the 720-degree performance appraisal system may offer benefits in terms of providing a holistic view of employee performance, its effectiveness in directly influencing key outcomes such as motivation and turnover may be limited in the context of IT staffing companies. The lack of significant impact could be attributed to various factors, such as the complexity of the appraisal process, potential feedback overload, or the possibility that other

organizational factors play a more dominant role in shaping employee behavior. The 720-degree performance appraisal system represents an advanced approach to performance management, its implementation alone may not be sufficient to drive significant changes in employee motivation or turnover. Organizations considering this system should carefully evaluate its integration with other human resource strategies and consider additional factors that could enhance its effectiveness. Future research could further investigate the conditions under which the 720-degree appraisal system might have a more pronounced impact on organizational outcomes, particularly in different industry contexts or with varying implementation approaches.

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