

## Executive Summary

### Research Question

Does data show that organizations or groups that have a feedback culture outperform, innovate more, have higher levels of engagement, and have lower levels of attrition?

### Introduction

As the workplace and employee dynamics shift in preparation for the future, so too do the methods that companies use to manage performance and assess their workforce. Companies have begun to move away from traditional performance appraisal methods, instead opting for the next new buzz term: a feedback culture. A survey of 300 HR leaders reported that 21% are either planning to or have done away with performance ratings.<sup>1</sup> Meanwhile, companies such as Microsoft, Deloitte, and Adobe have turned to continuous feedback systems as a means for managing performance.<sup>2</sup>

### Results of Feedback Culture

While data is scarce regarding the definitive impact of a feedback culture, we will examine the results of such endeavors within four potential impact areas.

#### Performance

- Favorable feedback environments foster a culture of continuous learning, which is shown to result in more concrete behavioral changes and improved performance.<sup>3</sup>
- In a survey of 200 global companies, 70% reported revenue increases after investing in continuous performance management.<sup>4</sup>

#### Innovation

- Of 13 key leadership practices identified to be connected to innovative behavior, four include organizing feedback, recognition, monitoring, and stimulating knowledge diffusion.<sup>5</sup>
- Feedback systems, when deployed in a way that allow employees and leaders to have their ideas discussed more often, challenge people to think deeply about the work they do, which in turn produces better ideas.<sup>6</sup>

#### Employee Engagement

- Managers giving little to no feedback results in 4 out of 10 workers being actively disengaged.<sup>7</sup>
- Feedback practices of 22,000 worldwide leaders show that those leaders that score within the top 10% on giving feedback had employees that were 3 times more engaged than employees with leaders scoring in the bottom 10%.<sup>8</sup>

## Attrition

- A performance management study reported a 72% increase in retention following implementation of continuous performance management.<sup>9</sup>
- After implementing a feedback-focused performance management system, Adobe reported a 30% decrease in voluntary turnover.<sup>10</sup>

## Pitfalls

Although continuous feedback can provide numerous benefits to an organization, there are certain pitfalls that can undermine the benefits and create counterproductive consequences. If firms are aware of these pitfalls, they can take necessary countermeasures to mitigate their risks.

- I. Misguided focus on frequency of feedback instead of quality: A survey of 10,531 employees concluded that employees in organizations with no formal ratings felt that manager feedback was 14% less valuable than that of their peers with formal appraisals.<sup>11</sup> This can be attributed to managers focusing on repeat interactions instead of meaningful ones. Organizations can counteract this phenomenon by constantly gauging the effectiveness of feedback via pulse and employee surveys. It is essential that firms assess the quality of continuous feedback and then take proper countermeasures, such as training and guidance, should quality be lacking.
- II. No follow up<sup>12</sup>: More often than not, managers and companies as a whole do not follow up on previously issued feedback. As a consequence, employees feel no incentive to a) correct poor behaviors as they perceive management places no importance on them or b) continue positive behaviors as there is no positive affirmation. Continuous feedback is more than just providing feedback daily. It is about closing the loop concerning identifiable behaviors.
- III. Incorrect use of 360-degree feedback: Although 360-degree feedback is a great way to get a holistic view of employee performance, there are certain risks that can undermine a continuous feedback culture. Common mistakes with 360-degree feedback include but are not limited to focusing on isolated events instead of long term patterns, falling prey to office politics, and having irrelevant criteria skew results.<sup>13</sup> Firms need to assure that if peer to peer feedback is a component of a feedback culture, that it is well defined and constructive.

## Conclusion

The substitution of a continuous feedback culture for traditional performance methods is a recent phenomenon. As such, it needs to be acknowledged that there is not much external data to conclusively validate its benefits. That said, the data currently out there shows that if implemented properly, a continuous feedback culture can generate numerous positives for firms. Like any new initiative, a continuous feedback culture requires arduous monitoring to correct for any mistakes that can undermine the initiative.

## References

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