

“The Gerlisberg Case”

360 Degree Feedback Method Incident in a Multinational

“If you ignore the human element in management, you are sentenced to failure.” said Mr. Selim Uğur. Before being appointed as General Manager of Gerlisberg Turkey, he has worked 6 years in different positions of the company. He was a member of the initial Gerlisberg team that took part in founding of Gerlisberg Turkey. He was sent to other Gerlisberg organizations in Europe back then, in order to have an idea about the Gerlisberg culture, Gerlisberg values and the Gerlisberg way of operating. Gerlisberg entered Turkish Market by acquiring a Turkish firm operating in the sector for fifteen years: Akkazan Elektrik
Mr. Uğur remembered those days with good memories, but also confessed the difficulties they faced: resistance to change, aligning two corporate cultures, applications of new HRM practices and working with people from different cultural backgrounds.

I. Gerlisberg

I.I History

With its 145 years of experience, Gerlisberg has made several strategic choices that brought remarkable achievements to the company which in turn placed it amongst leaders of the electrics sector. The Gerlisberg story dates back to 1864 when The Gerlisberg Brothers took over the Presquet foundries. Then they founded Gerlisberg & Cie. in three years time. In the first half of the 20th century, Gerlisberg spread its operations over Europe, beginning with Germany. Its first strategically successful attack was the association with the home appliance giant Tescington. With this association Gerlisberg -enlarging its activity- started manufacturing electrical motors, electrical equipment for power stations and electric locomotives.

The success story incrementally continued with the decision of abandoning non-strategic activities and acquiring Telmomacq in 1988, Pressomaq in 1991, Stellint in 1992 and Level in 1997. The company was given its present name ‘ Gerlisberg Macq ‘in April 1998. The following year Gerlisberg has made a strategic decision about expanding operations to developing countries. The initial step was acquiring Akkazan Elektrik in Turkey, by the end of 1999.

In 2000s, Gerlisberg, with its new name and focus, increased its competitiveness through organic growth, international operations and serving new market segments. Today, it delivers solutions to its various customers including architects, solution partners, electricians, electrical equipment distributors, super stores and even the end users.

I.II General HRM Practices of the Company

As a multinational company with 145 years of experience and more than 123.000 employees in nearly 100 countries, the company practices distributive leadership in its global operations.

Distributive leadership is utterly different from the traditional concept of leadership which can be summarized as one person leading and motivating others. This new understanding involves distribution of value, vision, competence and concern for the well being of the system as a whole and intelligence across the organization. (Elmor, 1999-2000.) In brief, distributive leadership is not merely what one person does (Henley, June 2005).

As Gerlisberg's corporate culture is based on local autonomy and distributive leadership practices, local managers are given freedom in their decisions as long as the organization reaches the predetermined targets. Considering HR operations, headquarters declares the targets to local organizations' HR departments and how to attain them are the managers' initiative.

I.III Gerlisberg Turkey HRM Operations

Gerlisberg's Turkey operations are based on two main locations: Izmir and Adana. Production facilities are located in Adana and sales, marketing and management functions are in Izmir. Human resources operations are jointly run by Izmir & Adana staffs, the charges are equally divided. HR department of Izmir is responsible for the "sales staff", whereas Adana HR department carries out the operations of "production staff".

As a result of the leadership strategy of the company, local HR managers work with high autonomy. Targeted performance outcomes related to human resources operations are notified by the headquarters to local HR departments and each local department is free to develop its own selection, induction, performance appraisal and continuous training programs and methods.

II. 360 Degree Feedback Method

360 Degree Feedback (360 DFS; Multisource Feedback-MSF ; Multi-rater Feedback) is a performance appraisal methodology that obtains information utilizing internal and external multi sources related to the employee such as employee himself, supervisors, peers, colleagues, subordinates and customers for both organizational and individual development purposes (Carson, 2006; Gillespie, 2005; Bracken & Timmreck, 1999; Tornow, 1993). Depending on the relationship, the feedback obtained from different sources reflects various aspects of the subject. Therefore this method conceives a wider and fuller profile about subject's competencies and performance (Prideaux & Van Rensburg, 2006). 360 Degree Method is an effective quality improvement tool. Competencies of the employee are evaluated in multiple domains and thus, improvement in all domains is possible (Sargeant et al, 2005). The original idea that differs the method from traditional appraisal methods is that it utilizes all possible sources of information related to the employee. Peers, customers, managers, subordinates and sometimes even the task itself are used as sources of feedback. However in traditional methods the employee is evaluated on the basis of available information supplied to the supervisors (Jackson & Greller, 1998). Despite the difference between traditional methods and 360 degree ratings, the two are inter-correlated and represent an employee's extensive performance (Beehr et al, 2001).

360 Degree feedback method is basically used for two main purposes: the results may either be used for the development of appraised individuals in succession planning or for performance evaluations (Heneman, 1992). The method is named differently according to its different purposes of use: For personal or organizational development reasons '360 Degree

Feedback?; for performance appraisal, Multi Source Assessment (London & Smither, 1995; Waldman & Atwater, 1998; Mamatoğlu, 2008).

360 Degree feedback method is consistent with many modern organizational and environmental trends such as growing emphasis to team work, autonomy, lateral relations, hierarchical structures and uncertainty (Jackson & Greller, 1998; Handy, 1994; Meyer, 1991). It is a valuable multisource feedback means both for performance appraisal and individual/organizational development.

III. 360 Degree Feedback Method as a Leadership Development Tool

Due to its complex and longitudinal implementation, 360 Degrees Feedback method is mostly used to support feedback for development of talented employees within the organization. According to the survey of Rogers et al (2002) organizations which take advantage of this method most, use it for individual development planning.

IV. Application of 360 Degree Feedback Method: Gerlisberg Horizons

At the eve of the new millennium, Gerlisberg has targeted creating and supporting leaders who can cope with the new dimensions and terms of the forthcoming century. In this direction, with the assistance of an UK based HR Consultancy Company, a novel program “Gerlisberg Horizons” is initiated... “The program was developed to support and train future leaders that we believe to be Gerlisberg’s major sources of competitive advantage in global arena.” Mr. Uğur continued his words: “Even though we try to support a caring and motivating environment to our people and closely examine them; we may sometimes fall short of keeping track as we are a growing multinational. This program would enable us to screen Gerlisberg’s major source with all aspects: People”

The initial phase of the program included ‘identifying’ leaders of the new millennium Identification process was run with the following sequence: Six leadership competencies in three dimensions were designated. Exploiting those competencies, the desired leadership profile was generated. Next step was to see if the managers possessed those competencies and if they did, how much progress is needed.

The English consultancy firm has developed a general (to be used in all countries that the company operated, regardless of cultural differences) survey examining leadership proficiencies and competencies of the managers. And 360 Degrees Method was selected as the leadership development tool. (It is highly necessary to point out that 360 Degrees Method was not chosen as a performance appraisal tool.)

Headquarters, in spite of company’s general tendency towards local autonomy, declared the application of this new program (Including the application of 360 Degrees Method) and sent the surveys (questionnaires) to local organizations. Each local organization’s top management selected managers to be included in this ‘Leadership Development Program’

All four top managers of Turkey branch participated the ‘Leadership Development Program’. As required by the method, each manager was evaluated by his/her superiors, subordinates and peers through the questionnaires. Given that superiors and peers were specific and small in numbers, and the number of subordinates were too many, each manager selected six subordinates to evaluate his/her leadership competencies. Selected subordinates, superiors, peers and the managers filled out the questionnaires, put them in envelopes which were then sent to UK for assessment.

This process was executed throughout the world simultaneously. Surveys were evaluated in the headquarters with consultancy of the English HR firm. And the final assessments of managers regarding their leadership competencies were sent back to the evaluated managers. As soon as they received their assessments, managers arranged a three phased briefing with peers, superiors and subordinates. The aim of this briefing was to discuss how the evaluated manager perceived himself and how he was perceived by others. The point was to state the differences between actual evaluations of managers and the predetermined six leadership competencies and eventually to design routes of improvement.

V. Results of the Application

Considering the results of the first application, Mr. Uğur said: “Although the original motive of the program was constructive, final results were not as expected.”

The program was designed to continue with a series of ‘Leadership Academic Trainings, designed to involve a special content to improve the poor competencies of attendant managers. As Mr. Uğur mentioned above, the results were not constructive but rather quite destructive. Assessments of subordinates were far from expected, they were fairly cruel and they reflected subjective feelings. Thus the briefings were stressful and tense, which affected the organization activities poorly. Managers were despaired and this reflected on their motivation. Shared criticism towards the application was based on the fact that attendants could not manage to get free of personal feelings and biases and make objective judgments.

Successfully applied and profited by many companies, 360 Degrees Method has given reverse results in this case. Regarding this specific case, despite somewhat unfavorable results, Gerlisberg continued applying this method with some changes. Each year results were more enviable and more rewarding.

Teaching Notes

Case Heading: “The Gerlisberg Case”

Aim of this case is to let the readers replace Mr. Uğur to analyze the situation with all its aspects and determine the antecedents and consequences of this application in order to suggest future improvements. The other objective is to provide readers with the chance of familiarity in 360 Degree Feedback Method and Distributive Leadership.

Brief Synopsis of the Case:

360 degree performance appraisal has gained its popularity by the beginning of 1990s. While organizations welcomed the new application with a great excitement and aspiration, academicians merely proposed studies where they tried to explore the pros and cons of the method (Uyargil et al, 2008). “ With flattened structures and the need to respond quickly to customer demand, 360-degree feedback ("360 feedback") was introduced to equip employees with the information needed to deal with change and to leverage individual talent to meet organizational goals” (Rogers et al, 2002). Despite the enthusiasm and interest towards the method its efficiency is not yet proved to be satisfying (Uyargil et al, 2008). This case study is prepared to reflect the real life experience of Gerlisberg Turkey’s 360 Degree Method Application.

This case depicts the 360 Degree Feedback Method application of a multinational via focusing on its Turkey operations. It touches upon the distributive leadership practices of this multinational. A brief description of both concepts -360 Degree and Distributive Leadership- is provided to the reader. In order to let them make a thorough analysis of the application both the negative and the positive sides are given. The main issues a multinational should consider when applying certain HRM practices are also pointed out in the case.

Main Issues:

Cultural Adaptation as a crucial point in HRM applications of multi-national; resistance to change; local autonomy (Distributive Leadership) and dictated applications, possibility of subjective and emotional assessments in 360 Degree Feedback Method; the need for trainings before applications.

Teaching Objectives:

A complete understanding of 360 Degree Feedback Method in Multinationals and Distributive Leadership with its pros and cons.

Suggested Assignments:

- As the HRM manager in corporate headquarters, please redesign the 360 Degree Feedback process for this company. Please remember to discuss the changes you've made with your reasons. (Hint: What kind of changes made on the application might have concluded with better and improved results in the following implementations?)
- What caused the unexpected results in the first application of 360 Degree in Gerlisberg? Please discuss the reasons both from the assessors and the assesses perspective.
- Please discuss distributive leadership practices in multinationals with its pros and cons.
- Which issues should be considered by a multinational when entering a new market regarding HRM applications?
- How is 360 Degree Method applied in multinational corporations where authority is delegated to the local managers?

Suggested Additional Readings:

- "Saying It Like It Isn't: The Proc and Cons of 360-Degree Feedback", Carson, Mary., *Business Horizons*, Vol.49, 2006, 395-402
- Culture's Consequences, Hofstede, Geert, Sage Publications, ISBN: 0-8039-1306-0, 1980, 21
- "Rob Parson at Morgan Stanley", Burton, Diane; Harvard Business School, 1998

Issues of Discussion:

Cultural differences at the workplace; introducing a new application and coping with resistance to change; uses of 360 Degree Feedback Method; distributive leadership practices: the suitable conditions for use.

Suggested Time Plan:

- Reading: 20 minutes
- Report preparation in groups of two, max three: 20 minutes
- In class discussion:30 minutes
- Evaluating results in teams: 15 minutes.

Level of Difficulty: Medium.

This case can be utilized in the following courses: Human Resource Management, Leadership, and Organizational Behavior.

Suggested answers for the assignment questions:

The points covered below should be included in team reports and in-class discussion, but further suggestions and ideas that would improve the understanding and analysis are welcomed.

- Gerlisberg, a company that practices distributive leadership, has violated its own understanding and did not incorporate local organizations in the application. This resulted in resistance in local organizations. Also, the application was run in cooperation with an English Consultancy firm, but all cultural differences, sensitivities and characteristics were ignored. A monotype application was practiced in all local organizations. Thus, the six competencies identified by the consultancy firm and the headquarters did not fit some cultural characteristics of local organizations. As Turkey has a collectivistic culture and people do not directly criticize others but rather they imply, 360 Degree method was misused.
- In the second and other following applications, Gerlisberg might have incorporated local organizations in the process; they might have considered cultural differences in defining leadership competencies. *(Today Gerlisberg applies 360 Degree through a totally new procedure: The supervisors can require managers to start the 360 Degree application, or managers themselves can start it for any relevant reason (For training purposes or self-evaluation). The application is run via intra-organizational network. In this new procedure, assesses select minimum 9 individuals including 4 subordinates, 4 peers and a supervisor. But in some cases the supervisor may directly choose the assessors. The assessments are made online and the results are directly send to the supervisor.)*
- Although Gerlisberg was known for its distributive leadership strategy, it did not involve local organizations in the preparatory stage of the program. The local organizations were declared to apply the program without any hearing. The exclusion of local organization ruled out cultural differences. Thus the application did not meet diverse understandings of leadership competences among different cultures (Gillespie, 2005). Although local organizations did their best for contribution, the compelling nature of the program caused underlying resistance to change. Finally, lack of training before the application resulted in rule of thumb regarding 360 degree method.
- To gain and maintain competitive advantage, multinationals should by all means well manage their human resources (Gillespie, 2005). Thus, 360 degrees method is both a comprehensive and strong tool for utilization of human resource management. However the key point is to prepare a well defined and well prepared program whilst keeping in mind the issues stated above. In this manner, multinationals can manage human resources activities in such a way that balances home and host country employee needs and organizational objectives.

Notes for the lecturer to be touched upon during discussions:

- 360 Degree method discloses the interdependence between organizational growth and individual growth which is linked to self-awareness (Tornow & London, 1998). As stated by previous studies, it provides feedback that enhances self-awareness (Argyris, 1970; Bion, 1959; Lewin, 1958). As today's organizations are increasingly becoming leaner, employees' self-motivation is coming into question as the key factor for growth. Employee initiative, follow-through and self-motivation are the corner stones of growth in lean organizations. (Tornow & London, 1998)
- The main point for the success of this method is that it should not be seen merely as an independent tool but rather as a process. A process which should by all means involve trust, sponsorship of management, and a trained facilitator. If mismanaged, the process may result in fear, anger, denial and other destructive feelings (Tornow & London, 1998). Research has shown that majority of organizations that applied 360 Degree method has stopped the practice. (Lepsinger & Lucia, 1997) To avoid unwelcomed results, organizations must structure the application keeping in mind that *'The type of specific behavioral feedback most valuable for development is not necessarily useful for evaluation'* (Yukl, 1998; Lepsinger & Lucia, 1997)
- Carson (2006) suggested certain ropes for the success of applications with development target such as:
 - Link the process to organizational goals and strategies
 - Limit use of results to professional development
 - Train all participants on the process and use of measurement instruments
 - Promote an environment of trust and protect confidentiality
 - Provide coaches or mentors to help participants process and act upon the feedback
- In addition to the guidelines stated above, individuals that are involved in the process should refine themselves from their subjective thoughts about the appraised person.
- Before applying the method, organizations should carefully analyze the uncertainties of the market and their own unique cultural values as well as structural elements to evaluate the degree of fit with 360 Degree feedback method (Jackson & Greller, 1998).
- For organizations that operate in volatile markets where customer tastes, needs, wants and market conditions change rapidly, it is essential to obtain information -regarding their product and service- from external stakeholders. At this point, 360 Degree method, which involves all -external and internal- stakeholders as well as managers and subordinates, provides the external information necessary and thus is a valuable method for contemporary organizations.
- *' ... Understanding discrepancies between how we see ourselves and how others see us would enhance self-awareness and lead to personal development'* (Rogers et al, 2002)
If organizations adopt the above statement as the motto in using this method, favorable results may be obtained. But if both the organizational culture and employees are not ready to support and adopt the method, then the results may fall distant from expected and conflicts may occur.

- Globalization increased the number of multinational corporations all around the world, and this emerged the adaptation of all managerial functions to local culture as an obligation. Additionally cultural differences have an effect on employee expectations which should be taken into consideration by management (Gillespie, 2006). If well structured and correctly applied, 360 Degree Method should be an appropriate way of overcoming cultural differences in performance appraisal and managerial development for multinationals.

As Hofstede defined in his 1980 study, culture is '*Collective programming of the mind which distinguishes the members of one human group from another*'. Thus, a multinational company using this method should take into account the cultural differences.

Those differences inevitably influence organizational culture that reflects on beliefs, everyday practices and expectations of home country employees. A study conducted by Robie et al (2001), interpreted that the effective leadership practices conceptualized by US based company's 360 degree feedback survey, did not match with the perceptions of leadership practices in different cultures. Another study by Peterson & Hunt (1997) also states that leadership effectiveness understandings of USA based companies may be seen improper by different cultures.

Prepared by:

Şebnem Penbek, is a PhD student in the field of Business Administration. She is currently working as a research assistant at the Department of Business Administration, Izmir University of Economics. Her research area of interests include international assignment (expatriates), cultural adaptation, organizational technology and alienation

Ela Burcu Uçel, is a PhD student in the field of Business Administration. She is currently working as a research assistant at the Department of Business Administration, Izmir University of Economics. Her research areas of interests include, organizational theory, Marxist Theory and employee attitudes.

*** Names of the multinational, general manager, firms acquired, acquisition dates, foundation date and number of employees are changed because of the continuing authorization process with the original company.**

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