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360-DEGREE FEEDBACK AS A TOOL  
FOR EMPLOYEE DEVELOPMENT IN ESTONIAN STARTUPS

Bachelor's thesis

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I have written this Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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## Introduction

*“There are two things people want more than sex and money...  
recognition and praise.” (Mary Kay Ash)*

As the global workforce evolves and adopts a different perspective on careers and success, the role played by salaries slowly reclines when determining people’s choice of jobs. Employee development, especially with regard to leadership skills, has become one of the key aspects attracting gen Z to employers (Mawhinney & Betts, 2019). The development of employees’ skills and qualities is not only relevant to the employers’ reputation but to the individuals and their future managers, subordinates and peers (Eva, Cox, Tse & Lowe, 2019; Yammarino, Salas, Serban, Shirreffs & Shuffler, 2012). It is without a doubt that a company should invest in the personalised growth of its people in today’s increasingly demanding, fast-paced and risky decision-making environment.

Amongst various employee development tools, 360-degree feedback, where ideas for a person’s improvement from a wide range of entities surrounding that individual are gathered, has been historically used for said purpose since the 1980s (Day, Fleenor, Atwater, Sturm & McKee, 2014). It is suggested by the same authors that feedback from multiple parties allows for a holistic understanding of the impact of the person’s actions on others, thus enabling systematic introspection.

Estonia takes pride in being a small nation with a strong startup ecosystem and success stories such as Skype, Wise (formerly known as TransferWise), Playtech and Pipedrive. While much information is available about the employee count, salaries and investments received by Estonian startups through the work of notably Statistics Estonia and Startup Estonia, not much is known about this group of organisations’ internal operations. This study is the first to thoroughly examine 360-degree feedback practices in Estonian startups, thus helping to deepen the understanding of these successes.

The thesis aims to identify 360-degree feedback practices for employee development in Estonian medium and large-sized startups and offer necessary recommendations for the companies in the future.

The following research tasks were set in order to achieve the aforementioned aim:

- To analyse definitions and the importance of 360-degree feedback for employee development in startups,
- To analyse previous empirical studies on 360-degree feedback practices,

- To conduct an empirical study with Human Resources (HR) managers and senior specialists in Estonian startups,
- To identify practices of 360-degree feedback for employee development in Estonian startups,
- To recommend improvement points to Estonian startups based on the findings.

Understanding the practice and effectiveness of 360-degree feedback methods in established Estonian startups will be helpful to not only startups but also traditional companies in applying techniques and nurturing a feedback-friendly culture, not just in Estonia but also Nordic and Baltic countries. The results of this study will also contribute to expanding existing research on 360-degree feedback's relevance and practices. While there are many factors influencing the successful employment of the feedback processes, such as organisational culture (Baker, Perreault, Reid & Blanchard, 2013; Day, Fleenor, Atwater, Sturm & McKee, 2014) technology (Church, Bracken, Fleenor & Rose, 2019), individual aspects of the participant such as personality, feedback orientation or beliefs (Smither, London & Reilly, 2005), the author will not cover these influences in detail in the paper.

In addition, the author would like to point out that the terms “leader” and “manager” will be used interchangeably in this thesis, for a successful manager must be able to also lead the team in the right direction and support their subordinates in growing themselves as individuals. Similarly, the words “ratee” and “employee” will also be used as substitutes, as employees are the subject of rating in this work.

The theoretical section of the thesis consists of two parts, subchapter 1.1 will provide the reader with an understanding of the concept of 360-degree feedback, and how it can play a crucial role in the development of employees in startups. In subchapter 1.2, an analysis of previous empirical literature related to feedback for development purposes in startups will be presented.

The empirical part of the paper, which consists of two subchapters, will start with the methodology, that lays the foundations for the interviews and an overview of the interviewees and organizations researched. In the second subchapter, an analysis of the results will be included about 360-degree feedback practices in Estonian startups, as well as suggestions for their future development.

**Keywords:** feedback, 360-degree feedback, employee development, startups, Estonia

## **1. Theoretical framework on feedback in startups**

### **1.1. Definitions and importance of 360-degree feedback in startups**

As children learning how to use utensils, students obtaining grades at school or as employees in annual performance reviews, we have unconsciously and proactively given and received feedback from a very young age. It is an integral activity in our daily lives, yet we often do not have a concrete grasp of this concept. Feedback can be defined as the “dynamic communication process occurring between two individuals that convey information regarding the receiver’s performance in the accomplishment of work-related tasks” (Baker, Perreault, Reid & Blanchard, 2013, p. 260). Organizations have employed individual feedback for personal and collective advancement for a long time, and much research has been done on the subject matter (Levy & Williams, 2004). Successful businesses place great importance on feedback, expecting dedication from their employees and even candidates, for example, Netflix (2021) wrote on their career page “We work hard to get people to give each other professional, constructive feedback - up, down and across the organization - continually”.

Among the different processes of employee behaviour monitoring and improvement, 360-degree feedback is regarded as one of the most standard human resources practices on individual, team, and organization-wide levels (Bracken, Rose & Church, 2016). Different authors expressed their views and definitions of the concept of 360-degree feedback, which are presented in Table 1.

Since its birth and popularization in the 1980s-1990s, 360-degree feedback has been referred to under many names, such as “multisource feedback”, “multi-perspective ratings” (Garavan, Morley & Flynn, 1997), or variants, namely “270-degree feedback”, “450-degree feedback”, dependent on whether certain parties are included in the feedback process, particularly customers.

One of the earliest definitions of 360-degree feedback was provided by Tornow (1993), even though the term circulated well before this was compiled (Tornow, 1993). The author stated broadly that the process calls for a wide group of raters, specifying that the individual providing the rating must be aware of the ratee and whose opinions are of value (Tornow, 1993). This ambiguity in rater selection is a reflection of the phenomenon where the concept is used to address a large variety of activities and subprocesses, due to the wide application in industry of the method (Bracken, Rose & Church, 2016).

In the definition by Lepsinger and Lucia (2009), the individual’s behaviour and its impact are pointed out as factors upon which feedback should be given. With the major

technological and economic changes happening during the 16-year gap between the two definitions, particularly with the emergence of project-based work and the theme of internal customers, the authors have provided more context to co-workers, expanding this group to also include members of project teams and people who directly benefit from an individual's contribution (Lepsinger & Lucia, 2009).

Table 1

*Definitions of 360-degree feedback*

Authors	Year	Definition
Tornow	1993	“It refers to the practice of involving multiple raters, often including self-ratings, in the assessment of individuals. Typically, feedback about a target individual is solicited from significant “others,” using a standardized assessment instrument. These “others” typically include the individual’s co-workers, subordinates, and managers, as well as customers. The requirement is that they are knowledgeable about the individual and are people whose opinions are valued by the individual and the organization.” (p.211)
Lepsinger and Lucia	2009	“The feedback process [...] involves collecting perceptions about a person’s behavior and the impact of that behavior from the person’s boss or bosses, direct reports, colleagues, fellow members of project teams, internal and external customers, and suppliers.” (p.6)
Bracken, Rose and Church	2016	“360° Feedback is a process for collecting, quantifying, and reporting coworker observations about an individual (i.e., a ratee) that facilitates/enables three specific data-driven/based outcomes: (a) the collection of rater perceptions of the degree to which specific behaviors are exhibited; (b) the analysis of meaningful comparisons of rater perceptions across multiple ratees, between specific groups of raters for an individual ratee, and for ratee changes over time; and (c) the creation of sustainable individual, group, and/or organizational changes in behaviors valued by the organization.” (p. 764)
Church et al.	2018	“The process of collecting behaviorally based feedback from others to increase self-awareness and enhance individual development and organizational decision-making” (p.50)

Source: compiled by the author, based on Tornow (1993), Lepsinger and Lucia (2009), Bracken, Rose and Church (2016) and Church et al. (2018).

Bracken, Rose and Church (2016) contributed to the modern, recent understanding of 360-degree feedback through a novel definition of 360-degree feedback, which calls for the achievement of certain outcomes for the feedback method. The group of authors, unlike previously analysed definitions, did not include the different groups of raters in their definition of 360-degree feedback, but instead, addressed the need for sustainable

development to occur for the method to be successful, which was not mentioned in prior definitions of the term.

The goal attainment is further elaborated in the definition by Church et al. (2018), who expanded the changes as brought about by 360-degree feedback to comprise a heightened self-understanding, personal growth and organization-wide decision-making. Behaviour-based feedback is addressed by Bracken, Rose and Church (2016) and Church et al. (2018), as well as Lepsinger and Lucia (2009).

In this thesis, 360-degree feedback will be addressed as the process of gathering behaviour-based feedback from multiple raters, including but not limited to the individual’s supervisor(s) or manager(s), direct reports, co-workers, fellow team members in project groups, customers both within and outside the organization and suppliers. The requirements are that the feedback must be able to be compared and analysed against that of other groups, and that positive, long-term development in the rated individual’s behaviours, self-awareness and decision-making should be observed. However, to limit the scope of the raters, the author will not consider external customers and suppliers in the empirical study (see Figure 1).

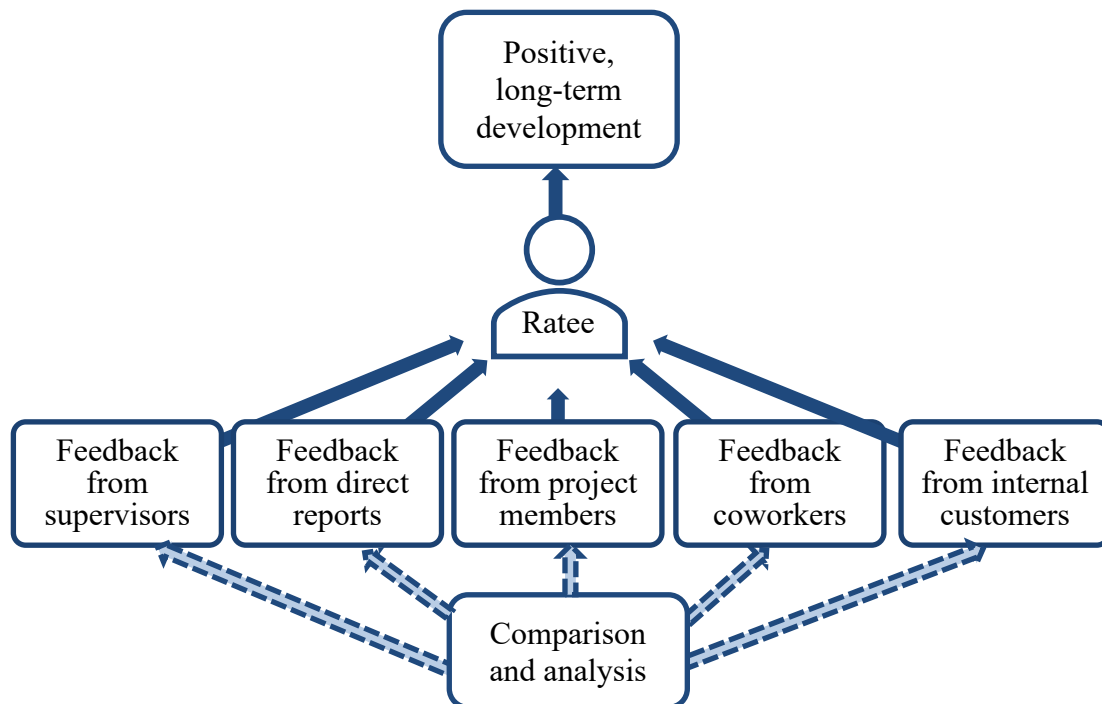


Figure 1. Visualisation of the 360-degree feedback concept.

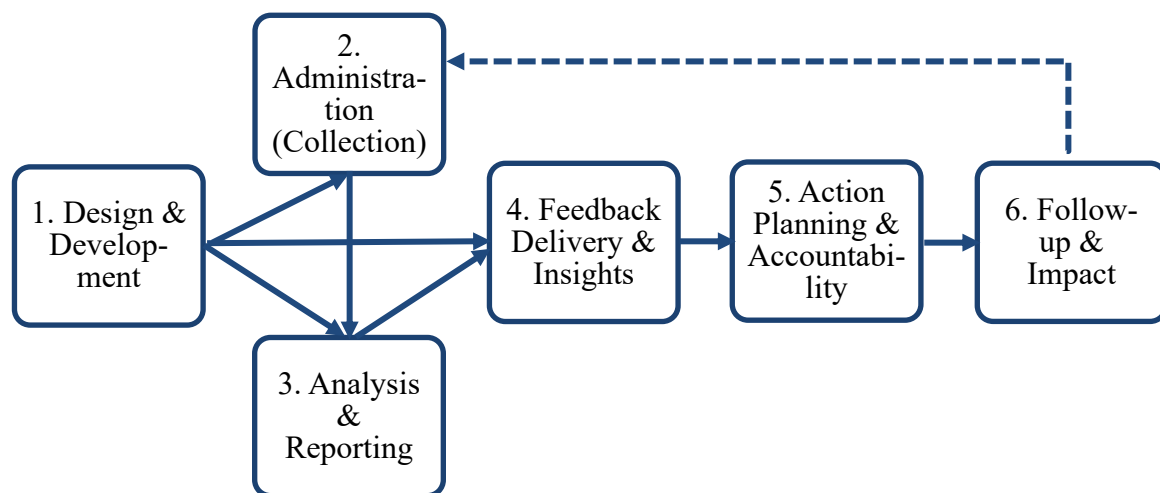
Source: compiled by the author, based on Lepsinger and Lucia (2009), Bracken, Rose and Church (2016) and Church et al. (2018).

Having gained an understanding of 360-degree feedback, it is important to see also how the tool can be successfully implemented in organisations. Church and Waclawski



(2001) suggested that the implementation of 360-degree feedback follow a framework of different phases, which was then adapted by Church et al. (2018), as visible in Figure 2.

Gaining an overview of the organisational context in which 360-degree feedback takes place and the development of the instrument is the essence of the first step, while the administration phase comprises of how the data can be collected, followed by analysis and reporting, which is no less important, for that, how the report of the data collected in the second step will be generated. The delivery of the report to the ratee and relevant stakeholders is the next phase to be considered. The final step of the process involves follow-up actions to ensure the success of 360-degree feedback. (Church & Waclawski, 2001)



*Figure 2.* Phases of 360-degree feedback implementation

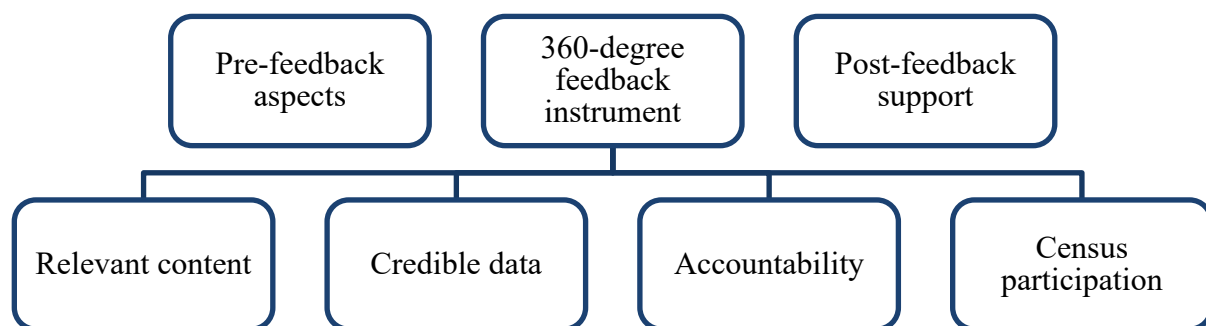
Source: adapted from Church et al. (2018).

To maximise its efficiency and ensure that the use of 360-degree feedback is impactful, much consideration needs to be dedicated to the design of the process, that is the start of the implementation of the tool in an organisational context. Elements from pre-feedback aspects such as data protection, to the actual instrument, with the choice of raters to the delivery of the feedback to the recipient, and follow-up actions need to be well thought through (McCauley & Brutus, 2019). While the development of the process itself is a challenging aspect, this has a substantial influence on the success of the process in organisations. Bracken and Rose (2011) established a framework with four critical factors to consider when designing the 360-degree feedback methodology:

1. Relevant content
2. Credible data
3. Accountability
4. Census (organisation-wide) participation

The relevance of the content begins with whether an organisation should resort to an externally created, standardised set of questions, or create one fitting to their own needs (Bracken & Rose, 2011). While it is tempting to draft custom questionnaires, resources such as time and finances pose a constraint that must be taken into account when preparing for the 360-degree feedback process. The nature of the data to be collected is also of great concern, as a balance between quantitative and qualitative should be achieved (Bracken, Rose & Church, 2016). A great number of questions arise with the second criterium, intending to ensure the data collected is sufficiently credible for analysis and use in leadership development. Relevant issues include items, number of raters, the selection of raters, response scale and frequency of assessment amongst others (Bracken & Rose, 2011; Nowack & Mashini, 2012). Some other concerns with regard to the 360-degree feedback instrument also include the reporting format, especially visualisations of the feedback (McCauley & Brutus, 2019),

The paper will focus on the practices of 360-degree feedback under the 360-degree feedback instrument (see Figure 3).



*Figure 3.* Elements considered when designing the 360-degree feedback process.

Source: compiled by the author, based on Bracken and Rose (2011), Nowack and Mashini (2012), McCauley and Brutus (2019).

According to McCauley and Hezlett (2001) as well as Day, Fleenor, Atwater, Sturm and McKee (2014), 360-degree feedback is a commonly adopted procedure in employee development programs or as an HR practice for developing employees in organizations. It is,

therefore, important to gain an understanding of employee development in the theoretical chapter of this thesis. McCauley and Hezlett (2001, p.314) defined employee development, or individual development in the workplace, as “the expansion of an individual’s capacity to function effectively in his or her present or future job and work organization”. The same authors also highlighted five elements to which effective, long-term employee development should conform:

1. Awareness of developmental needs
2. Self-efficacy for learning
3. New experiences
4. Examination of self-in-experiences
5. Valuing of individual development

Traditionally, employers especially HR departments are responsible for the direction of employee development in their respective organisations (Dachner, Ellingson, Noe & Saxton, 2019), nevertheless, it is highly anticipated that employees will be more proactive in controlling and determining their growth, as the difficulty in both business and the labour market increases drastically due to constant technological development, high competition and legal challenges.

The most significant impact of 360-degree feedback’s on employee development is highlighted to be raising the employee’s attention on the potential areas that should be worked on (McCauley & Hezlett, 2001). A systematic view of the employee’s skills, knowledge or behaviors is made possible through the identification and comparison of their competencies as perceived by different raters (Day, Fleenor, Atwater, Sturm & McKee, 2014). The holistic assessment of these skills can be achieved best through the contribution of those, to whom the behaviours are demonstrated. Trainings, learning experiences and support from managers and peers are essential to further the benefit of 360-degree feedback, as mere awareness cannot guarantee long-term growth.

The context in which the author analyses 360-degree feedback and employee development is Estonian medium and large-sized startups, to understand which, there is a need to attain a working definition of startups. Blank and Dorf (2012, p.16) wrote “A startup is a temporary organization in search of a scalable, repeatable, profitable business model”. While being an inspirational definition, this open term allows for many organisations to fall under the category of a startup. Skala (2019) elaborated on the characteristics differentiating startups from traditional businesses: their young age, limited resources, innovation,

scalability and the industry to which they belong, most often technology. Only half of the founded startups survive the five-year mark (Bureau of Labor Statistics, 2016), regardless of how brilliant the original idea might be. This highlights the importance of the execution of this idea, which must ensure the scalability of the people organisation beyond the profit-making process.

It is crucial to point out that startups are not small versions of traditional businesses or a synonym for Small and medium-sized enterprises (SMEs) (Csorba, 2020; Blank & Dorf, 2012). The European Commission (2003) defined SMEs as enterprises with a staff headcount under 250 and turnover of less than or equal to 50 million euros, or a balance sheet total of less than or equal to 30 million euros. Considering this, a lot of startups fall into the economic classification of SMEs. However, a startup environment is strongly innovation-driven and focused on growth, where the organisational structure, vision and financing significantly differ from those of traditional businesses (Csorba, 2020; Pöllänen, 2021).

Nicknamed the “Silicon Valley of Europe” (Cassidy, 2014), Estonia is the birthplace of many innovative and disrupting startups, such as Bolt, the world’s fastest-growing mobility platform (Bolt, 2021), or Veriff, an AI-driven identity verification platform. Over 1200 startups are based in Estonia, employing almost 7000 individuals and attracting over 200 million euros in investments in the first half of 2021 (Startup Estonia, 2021b). In Estonia, startup employees earn on average twice as much as the nationwide average salary, while being very young professionals (Wright, 2021). According to Peeterson, head of Startup Estonia, “the average Estonian startup employee is a young highly qualified top specialist with higher education in technology” (Wright, 2021). The need to develop one’s skills and qualities in Estonian startups is more than an organisational matter but is often taken into the hands of ambitious, educated employees, who strive for individual professional development faster than previous generations (Bottomley & Burgess, 2018; Mawhinney & Betts, 2019).

In this paper, the author chose to analyse Estonian medium and large-sized startups, which have an employee count of at least 50. While there are approximately 1300 startups in Estonia (Startup Estonia, 2021a), less mature startups, reflected partly through the staff headcount, might not have established HR processes, in particular, 360-degree feedback practices. Estonian medium and large-sized startups considered are technology-driven companies based primarily in Estonia, younger than 10 years old, with an innovative and scalable business model aiming for global growth, and an employee count of higher than 50. The definition includes, thus, companies that do not belong in the SMEs category and

companies which have locations outside of Estonia. An elaboration of the selection of companies for analysis will be provided in the empirical part of the complete thesis work.

With regards to feedback, Baker, Perreault, Reid and Blanchard (2013) suggested that the environment in which feedback is given and delivered influences its success in the organization, as well as the other way around: the culture existing in a company defines the process. This is a common consensus shared among researchers, such as Day, Fleenor, Atwater, Sturm and McKee (2014). A feedback culture, or one that allows individuals to continually go through the feedback cycle and utilize it to develop themselves, can be characterised by three categories of practices on an organisational level (London & Smither, 2002):

1. Quality of feedback
2. Importance of feedback in the organization
3. Support for feedback

An organisation that employs techniques in order to reinforce the importance of high-quality feedback and provide sufficient support for the process to thrive is one that enhances employees' attitudes towards feedback and encourages them to develop leadership skills (London & Smither, 2002). Day, Fleenor, Atwater, Sturm and McKee (2014) proposed that the success of 360-degree feedback exists only in innovative cultures with an open mind and a proactive team willing to participate in the process. These are some of the aspects famously characterising the startup environment according to popular media beliefs, where many individuals are stakeholders of different processes and collaborate actively in the fast-track growth of the company. In addition, Skala (2019) suggested that solid leadership serves as a foundation for the organisational culture of startups, therefore, culture is not only a factor leading to the success of feedback, thus contributing to employee development, but likewise, the opposite direction, where effective individual development has an impact on the environment in the startup itself.

To conclude, 360-degree feedback is a commonly used HR tool that utilises feedback from multiple sources, allowing the ratee to receive holistic feedback about their behaviours' impact on others. The implementation process of the tool follows six steps, where design and development is the first and crucial stage to be considered. 360-degree feedback has been historically and is continually used for employee development, which is an important topic to be considered in the context of startups, particularly Estonian startups, where the environment is characterised by limited resources, constant changes and technological challenges.

## **1.2. Overview of empirical literature on the use of 360-degree feedback for employee development.**

To understand the practices of 360-degree feedback and their impact, it is important to acquire an overview of previous empirical results on the subject matter. Even though there has been much scientific literature dedicated to 360-degree feedback, most are theoretical and/or written around the 1990s and 2000s, such as visible through the work of Fleenor and Prince (1997). A possible reason attributing to this is that the method was novel back then and is now more of a standard procedure used in leadership development (Bracken, Rose & Church, 2016), where great emphasis is put on the practical daily employment of the method. It was also highlighted by multiple authors such as McCauley and Hezlett (2001) that research on the results of 360-degree feedback as a practice for employee development is lacking.

The author has chosen to include several studies in this analysis, some of which do not share the focus of understanding practices enforced in the companies, however, still shed light on relevant issues connected to 360-degree feedback and leadership development. The studies were found after keyword search on platforms such as the search engine Google Scholar, scientific databases ScienceDirect and JSTOR, and selected covering many different countries, as the topic has been researched for an extended period around the world. The studies chosen are not older than 10 years old, for that much has changed during the past decade. The summary of the studies is given in Table 2.

Previous empirical literature written on 360-degree feedback as a tool for employee development was primarily based on qualitative research methods, namely semi-structured interviews.

Concerning the practices of 360-degree in use, several empirical studies were considered. In North America, 3D Group conducted one of the most extensive practical research series on the use of 360-degree feedback. The 2013 studies presented results of the North American firms' procedural approach to the feedback method, with noteworthy points, such as questionnaire standardisation for all participants, with the typical number of questions ranging from 11 to 40 and on a 5-point rating scale (3D Group, 2013). The same author suggested anonymity is rated as a crucial factor in the success of the 360-degree feedback method, which is also shared in Indian and German organizations, as suggested by Bhattacharya and Sharma (2020). In addition, 3D Group (2013) reported that companies still used paper surveys, which is probably due to the date of the studies conducted. The author

expects the result to be different in Estonian startups, where electronic methods and tools are likely to be used.

Table 2

*Summary of previous empirical studies on 360-degree feedback practices and their impact on leadership development*

Authors	Target country	Main relevant results	Methods used
3D Group (2013)	North America	Anonymity is crucial to the success of 360-degree feedback in North American companies. The benchmark study also presents valuable results for 360-degree feedback practices.	Interviews
Externbrink and Inceoglu (2014)	International, majority based in Europe	The most accurate source of feedback regarding leadership competencies in 360-degree feedback process is peers.	Case study, questionnaire
Megheirkouni (2016)	Syria	360-degree feedback is used for developing adaptability to change, a holistic overview of the situation, self-awareness and strategic thinking in Syrian companies.	Semi-structured interviews, Miles and Huberman (1994) framework of analysis
Gupta and Agrawal (2019)	Not specified	360-degree feedback, along with organisational support, brought about positive behavioural changes in employees' communication levels, teamwork and attitude when approached with difficult challenges.	Questionnaire, exploratory factor analysis
Bhattacharya and Sharma (2020)	India and Germany	Participants prefer qualitative feedback. While different cultural factors lead to the difficulty in standardising 360-degree feedback in unique cultures, the process is useful in matrix organisation structures.	Interviews, interpretative phenomenological analysis

Source: compiled by the author, based on 3D Group (2013), Megheirkouni (2016), Gupta and Agrawal (2019) and Bhattacharya and Sharma (2020).

More process-related results were also demonstrated by Bhattacharya and Sharma (2020), including the preference of participants towards qualitative delivery of feedback, either to boost the growth of the recipient or to aid the understanding of the rating given. In the North American context, the responses to open-ended questions are more often reported verbatim to the recipient, with an increasing trend where companies identify organisational

themes through an initial analysis (3D Group, 2013). Moreover, it is suggested that in “less hierarchical organisations and flat teams” (Bhattacharya & Sharma, 2020, p. 7429), feedback is more welcome and treasured.

Specifying the rater choice decision point, Externbrink and Inceoglu’s (2014) findings shed some light on the accuracy of the feedback given. Comparing the results delivered by raters through the 360-degree feedback process and those gained through the assessment centre (AC) ratings, it is derived that peers provide the most accurate overview of managers’ leadership competencies, and thus, should be considered in the pool of raters in the instrument. The practices of 360-degree feedback in North America as reviewed by 3D Group (2013) demonstrate that a balance of raters between the groups can be achieved through a combination of both rater appointment by the participant themselves, and the choice of the HR personnel based on the organisational chart.

With regard to the impact of 360-degree feedback on leadership development, Megheirkouni (2016) provided an analysis of leadership development methods in Syria, a crisis-ridden business environment not often mentioned in the literature. According to Megheirkouni (2016), it is interesting to note that 360-degree feedback is especially helpful for developing adaptation to unfamiliar situations and growing a sense of strategic thinking, due to its holistic nature. While Estonia is not in a state of instability, the rapidly evolving technology startup sector of the country also demands great adaptation skills, an ability to think analytically at all organisational levels and great tolerance for change.

Gupta and Agrawal (2019) agreed with the notion that the appropriate implementation of 360-degree feedback leads to positive behavioural changes in employees, with noticeable results such as a higher level of proactive communication between employees, increased team synergy and improved readiness towards problem-solving. The 30-respondent sample size provided the employees’ perceptions of the 360-degree feedback’s impact on their own development, which is the common method shared by Megheirkouni (2016) when measuring the success of the tool. Hooijberg and Choi (2000)’s research showed that the effectiveness of leadership development depends on the eye of the beholder, thus, the choice of personal perception is appropriate. Nevertheless, it must be brought out that the analysis of Gupta and Agrawal (2019) is unfitting, administering the positive improvements in leadership skills of participants solely to 360-degree feedback. Bracken, Rose and Church (2016) claimed that this overgeneralisation of the result, i.e., whether 360-degree feedback as a method is effective or not, is fallacious.



Being an HR process, an actionable approach has been taken by many authors to suggest useful practices of 360-degree feedback. Through the empirical studies review and analysis of the practical literature, the author identified 12 following items to be considered while designing the 360-degree feedback instrument (see Table 3). This will serve as the theoretical background against which the studies of the 360-degree practices in Estonian startups will be compiled and compared.

Table 3

*Decision points of 360-degree feedback instrument development as identified through previous literature analysis*

Nr	Decision points	Author
1.	Instrument design	3D Group (2013), Bhattacharya and Sharma (2020) Bracken, Church and Rose (2016), Bracken and Rose (2011)
2.	Mandatory participation	3D Group (2013), Bracken and Rose (2011)
3.	Nature of feedback (data type)	3D Group (2013), Bhattacharya and Sharma (2020), Bracken and Rose (2011)
4.	Language	Bhattacharya and Sharma (2020), Bracken and Rose (2011)
5.	Anonymity	3D Group (2013), Bhattacharya and Sharma (2020)
6.	Item design	Bracken and Rose (2011), Bracken, Church and Rose (2016), McCauley and Hezlett (2001)
7.	Response scale	3D Group (2013), Bracken and Rose (2011), Nowack and Mashini (2012), Bracken, Church and Rose (2016)
8.	Rater selection	3D Group (2013), Bracken and Rose (2011), Externbrink and Inceoglu (2014), McCauley and Hezlett (2001)
9.	Frequency	3D Group (2013), Bracken and Rose (2011)
10.	Report format	3D Group (2013), Nowack and Mashini (2012), McCauley and Hezlett (2001)
11.	Report delivery	3D Group (2013), Bracken, Church and Rose (2016), McCauley and Hezlett (2001)
12.	Post-feedback support	3D Group (2013), Bracken and Rose (2011), Nowack and Mashini (2012)

Source: compiled by the author, based on 3D Group (2013), Bhattacharya and Sharma (2020), Bracken and Rose (2011), Nowack and Mashini (2012), Bracken, Church and Rose (2016) and McCauley and Hezlett (2001).

These existing results will be compared against the results gathered from the second part of the thesis, where data from Estonian startups will be collected and analysed.

## **2. Feedback as a tool for employee development in Estonian startups**

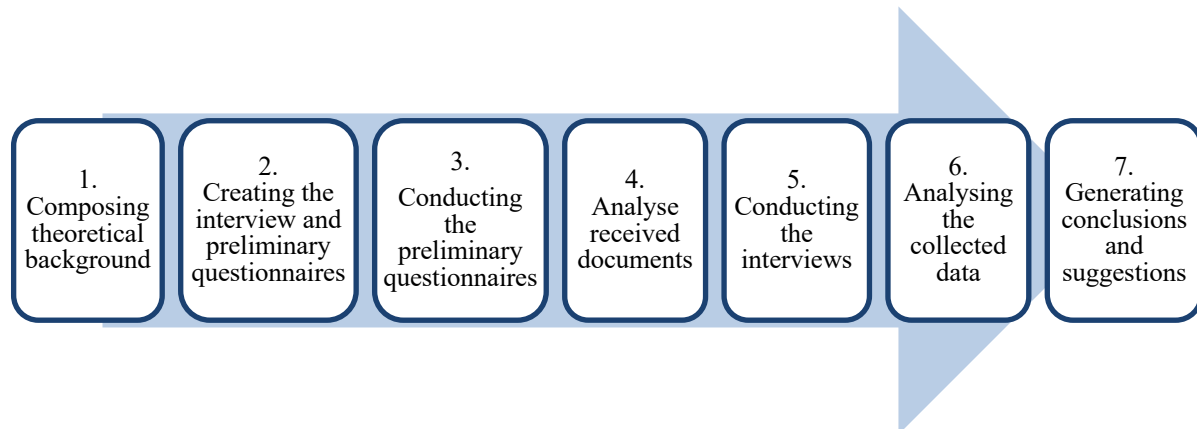
### **2.1. Methodology and sample**

The research to be performed in this study aims to identify practices of 360-degree feedback in Estonian startups and their impact on leadership development in Estonian startups. The author employed the qualitative approach in order to collect empirical data for analysis, as this method was chosen by the majority of the previous empirical studies conducted on relevant topics analysed in the theoretical part of the thesis. In particular, the tool to be chosen is document collection via an online questionnaire using content analysis and semi-structured interviews with HR managers or suitable personnel responsible for the 360-degree feedback process, followed by an interpretative analysis of the content. This method allows for an in-depth understanding of the subject matter, is simple enough that it does not demand complex instructions or training to conduct, as well as is suitable for a small sample size (Silverman, 2018; Rapley, 2006).

The criteria for selection of the participants are Estonian medium and large-sized startups HR personnel, who is responsible for and knowledgeable about the 360-degree feedback practice in their respective organisation. The questionnaire developed for HR personnel (see Appendix A) has a focus on gaining data related to the development of the instrument and organisational aspects, as well as a selection of questions to extract information regarding the impact of this method and the future direction as envisioned by the HR professionals. The 12 decision points as identified through previous literature analysis set out to be the theoretical background for the interview questions, nevertheless, the author reorganised them into themes, to ensure a smoother transition between sections as well as to allow for the continuous flow of conversation.

In addition, prior to the interview, the author sent out an optional pre-interview questionnaire in a survey format to collect necessary information about the 360-degree feedback practices and history in respective companies (see Appendix B). The questionnaire aims to collect initial data, from which the process of the interview can be adapted to ease the participant of answering questions which could be understood from the documentation the company has prepared prior, using the content analysis technique (Bell, 2005). Furthermore, the questionnaire also has a positive effect on the reliability of the data, as the participant is given time to collect the information. The participant is then asked to schedule a meeting automatically via the Calendly integration.

The empirical research process in this thesis was composed of the following steps (see Figure 4).



*Figure 4.* Steps to compose the empirical research

Source: compiled by the author.

According to Startup Estonia's (2021a) Estonian Startup Database, there are 20 startups registered in Estonia that fit the criteria of Estonian medium and large-sized startups, with the biggest in terms of employee count being Wise, with almost 1,120 staff members in Estonia. The author intended to interview employees of 5 different companies on the list as identified through the Estonian Startup Database. With this aim, the author contacted 43 individuals, including HR managers and senior professionals in Estonian startup companies, and personal connections via email, LinkedIn and other communication channels such as Slack, nevertheless, received little collaboration from potential interviewees. This is predominantly due to the participants' busy schedules, as well as different companies' policies regarding student research in their respective organisations.

Despite these challenges, the author secured four participants for the research, with the majority being the highest HR leaders in their respective companies. In addition, this represents 20% of the target companies, thus, the author deems this to be a sufficient sample size. That the saturation point is reached further emphasizes the claim. The sample is elaborated in Table 4. Company A is operating in the field of Communication since 2011, based in Estonia with multinational founders. Company B is a representative of the FinTech sector, operating from multiple locations, founded by Estonian founders in 2011. Company C is a five-year-old startup offering business software, headquartered in Tallinn with a fully virtual working mode, thus their employees are located in various European countries. Finally, company D is an Estonian-founded and based software startup with 10 years of operations. Regarding the interviewees, HR managers in the company A, C and D were

directly involved in the early formation of the 360-degree feedback process in their respective organisations, while the senior HR specialist in company B joined after the initial implementation, nevertheless is the principal point of contact for 360-degree feedback in this organisation.

Table 4

*Research sample description*

Interview nr.	Company	Staff count	Working mode	Position of interviewee
1.	A	50-250	Hybrid	HR manager
2.	B	500+	Hybrid	Senior HR Specialist
3.	C	50-250	Virtual	HR manager
4.	D	50-250	Hybrid	HR manager

Source: compiled by the author.

The preliminary questionnaire filled in prior to the interview also helped to contribute to this section. The information was received in the form of short paragraphs amounting to and accompanying media, which amounted to 3 pages of text (Font: Times New Roman, Font size: 12, Line spacing: 1.5) and 2 media files.

The interview begins with an introduction, where the history and purpose of the 360-degree feedback in the organisation were explored. The part is further analysed as *Theme 1*. The main content of the interview is split into five different sections, namely *Theme 2*. Relevant content, *Theme 3*. Credible data, *Theme 4*. Accountability, *Theme 5*. Census participation and *Theme 6*. Culture. The division of these themes is to the theory suggested by Bracken and Rose (2011), Nowack and Mashini (2012), McCauley and Brutus (2019), and London and Smither (2012), as well as the questions and decision items brought forward by other authors as elaborated in part 1.2 of this thesis. This framework allows for a comparison of different practices and processes in the companies researched, through interpretative analysis of the content as given in the pre-interview questionnaire and the interviews themselves. In addition to cross-comparison between the participating organisations, the data will be compared with the practices as suggested and reported by previous literature. Finally, *Theme 7*. Conclusion takes a closer look into the effectiveness of the 360-degree feedback method used in the researched organisations and prompts the interviewee to suggest improvement ideas based on their experience and knowledge.

The author tailored each interview after the content analysis of the documentation and information given in the pre-interview questionnaire. Thus, additional questions might arise with regard to the questions list provided in Appendix A, and some questions might be deemed unnecessary as already answered in other contexts or previously in the questionnaire.

The interviews were conducted virtually, using the platform Zoom, where it was possible to record both the audio and video with the participants' consent (see Table 5). The author continued to transcribe the data using the platform Otter AI, during the editing process of which, all personal and company-related data were removed for data privacy reasons. All the interviews were conducted and transcribed in English.

Table 5

*Research process*

Interview number	Interview date	Interview length
1.	22.04.2022	23 minutes
2.	02.05.2022	26 minutes
3.	09.05.2022	16 minutes
4.	03.11.2022	28 minutes

Source: compiled by the author.

The interviews lasted between 16-28 minutes. Total fieldwork resulted in 1 hour 33 minutes of audio and video data, and 38 pages of transcripts (Font: Times New Roman, Font size: 12, Line spacing: 1.5).

## **2.2. Practice of 360-degree feedback in Estonian startups and recommendations for future development**

The results from the preliminary questionnaire and the interviews shed light on the use of 360-degree feedback in Estonian startups. It appears that this is a popular technique when it comes to acquiring and distributing feedback for Estonian startup employees, regardless of the locations where the company is based, nationality of employees or company working mode (see Table 6).

Table 6

*Theme 1. Introduction, Basic data about the history and purposes of 360-degree feedback*

Interview nr.	Start year	Purposes
1.	2016	Both development and assessment purposes
2.	2016	Both development and assessment purposes, focusing mainly on development
3.	2021	Both development and assessment purposes, focusing mainly on development
4.	2019	Both development and assessment purposes, focusing mainly on development

Source: compiled by the author.

The author will analyse the results of the empirical research by the themes stated above in section 2.1.

### Theme 1. Introduction

The reason for the adaptation of 360-degree feedback in the sample companies was to accommodate the fast growth of the people organisation as part of the startup company, in accordance with the need to systemise the processes.

*“We were changing our processes. And among the trends of new review processes came the 360-degree [feedback] on the table. When we changed our approach, we also changed our HRIS [Human Resources Information System; author’s note], or system for HR that was providing an embedded system for requesting the 360-degree review.”* (Interview 1)

*“As we started to grow, we [understand] it is still a startup, you don't need as many processes. [...] But then things became complicated, you know, there are certain things and maybe [...] there are certain angles, what only your coworkers see, only your lead sees sometimes, there is this limited visibility. [...] We just realized that we need to gather this data, as well. And the first version was with Google Forms.”* (Interview 2)

This is in coordination with the findings shared by Megheirkouni (2016) in Syrian companies, as with the changes in the surrounding business environment, or in this case, with Estonian startups' internal growth, companies revolutionize their processes or begin to adapt them in their own organisations.

It is also interesting to point out that in the two companies where the process was started more than five years ago, the 360-degree feedback practices also underwent changes, as the organisational environment grew and learning points from the previous attempts were taken into account. Already here were the aspects of *scalability* and *feedback culture* mentioned by the participants.

Interviewee 1 mentioned, *“At the beginning, it was not like [how it is today]. In 2016, we had much more questions, much more detailed. But if there is a gap between the culture of feedback. [...] So when we change the system again, in 2018, we moved from our old system to something very, very modern, regarding the feedback.”*

While all companies use 360-degree feedback with both the aims to develop and assess the employee’s performance, the purpose of development is more highly emphasized. The common occurrence noticed is that there is frequently not a particular extended goal Estonian startups are aiming for with the employment of 360-degree feedback. In other terms, the process is used to gain a holistic understanding of the behaviours and their impact in the shorter term, but companies have not yet applied a long-term approach to analysing this data and using this for leadership development, with the exception of company B. This finding

aligns with Bracken, Rose and Church (2016), who had suggested previously more thorough pondering and analysis of the purpose as one of the aspects lacking in the current application of 360-degree feedback in companies. Nevertheless, it is understandable that younger companies have not yet put in place the process for prolonged feedback analysis and actions, due to the short length of company existence and the nature of employer-employee relationships.

In conclusion, Estonian startups have varying experiences when it comes to conducting 360-degree feedback. While all state that the main purpose of the method in their company is for employee development, most companies have not fully utilised the data for employees' long-term growth. Analysing further the practices of 360-degree feedback in Estonian startups, we move on to the second theme, where the relevance of the 360-degree feedback questions is examined.

## **Theme 2. Relevant content**

All interviewees report using purely qualitative questions in their surveys, which is according to Bhattacharya and Sharma (2020) and 3D Group (2013), the preferred method by employees across different cultures, nevertheless, strikingly uncommon in North America (3D Group, 2013). Interviewees brought up various benefits justifying the use of qualitative data, such as the ability to expand the limitations and cover all necessary points (Interviews 1 and 3), easiness of analysing when compiling action items by both managers and HR (Interviews 2 and 4), simplicity of the questions leading to higher participation rate (Interview 1 and 2) and notably, the reduction of pressure and stress in both management and employees, as mentioned in Interview 2 and 4:

*“There is the [360-degree feedback] conversation coming up, you're just so stressed about the numbers. So ‘We don't like this number, and ‘Oh, what's going to be my number?’ and ‘How it is going to impact my salary? Are we going to get that promotion or not?’ [Hypothetical thoughts by managers; author's note]” (Interview 2)*

*[In my previous company] it was a five or seven-scale [questionnaire] and for each question, you need to put a clear answer, and oftentimes, you know, it's the gut feeling and it might not be very accurate and for that reason, I do think that the way we have done it is better, specifically for the employee perspective. (Interview 4)*

However, Interviewee 4 also mentioned one disadvantage of this data type, which is that the unstructured nature of the answers can lead to vague and non-actionable feedback, depending on the position and the rater. Despite that there are currently no measures to

prevent this from happening, company D is confident that qualitative questions are much superior to their quantitative counterparts.

With regards to the designer of the questions, as a matter of fact, two of the interviewed companies, A and C, both use the same questions provided by the Human Resources Information System (HRIS) BambooHR, which are very simple (Interview 1):

1. *What are some things [name] does well?*
2. *How could [name] improve?*

The participants showed appreciation for the feature to also add additional questions and found the length of the survey to be suitable for their organisations. The fact that both companies A and C are smaller in staff (employee count between 50-250), likewise the size of the HR team (“micro” in the words of interviewee 1), explains the use of ready-made surveys. In contrast to this, company B’s HR department sets the foundation for all their 360-degree feedback surveys, in which they lay out the mandatory questions, and then come together with leadership from different departments and collaborate on the extension of the survey questions to tailor them to each department’s specific needs.

*“Some functions, for example, our operational teams, they were like the basic one works well [...]. A couple of functions, for example, engineering, marketing, they wanted to bring in their [internal career ladder].”* (Interview 2)

Company D also determines the 360-degree feedback questions themselves based on the proposal of another platform, Leapsome, but does not allow for modifying based on department or team-specific needs, which is justified by the staff count difference to company B. They are also aware of the BambooHR questionnaires being used, nevertheless opted for the solution more tailored towards feedback and performance management.

As two of the companies use two open-ended questions ready provided by the administrative system as stated above in their 360-degree feedback process, there is also a great similarity between them when multiple decision points such as item design, report delivery and anonymity are considered. A larger sample size needs to be covered to deduce that BambooHR’s 360-degree feedback feature is commonly used in Estonian startups, even though the fourth company, which designs its own process, also shares this HRIS.

Finally, with regards to language, while some of the companies have employees in multiple locations, unlike reflected by Bhattacharya and Sharma (2020), they share English as their language of communication in their respective organisations, thus, the survey questions sent out are also in English.



### Theme 3. Credible item

The third theme covers the credibility of items and data gathered during the 360-degree feedback process. The companies using open text-based questions (companies A and C) do not ask for specific types of items to be covered during the 360-degree feedback process, but behaviours are generally targeted. Company D extends this further in their questionnaire, by asking the participants to elaborate on their own and co-workers' competencies, as well as suggest how the ratee can improve their strengths and weaknesses

What is interesting to note about company D's process is that they have taken an extra step and asked for the rater's reflection on their own behaviours, particularly on how they can help the ratee achieve their development goals (see Figure 5). This approach is unique among all interviewed Estonian companies and not mirrored in previous results. Interviewee 4 elaborated on the choice, that the question encourages participants to be accountable and suggests mutual collaboration to arise from the feedback given.

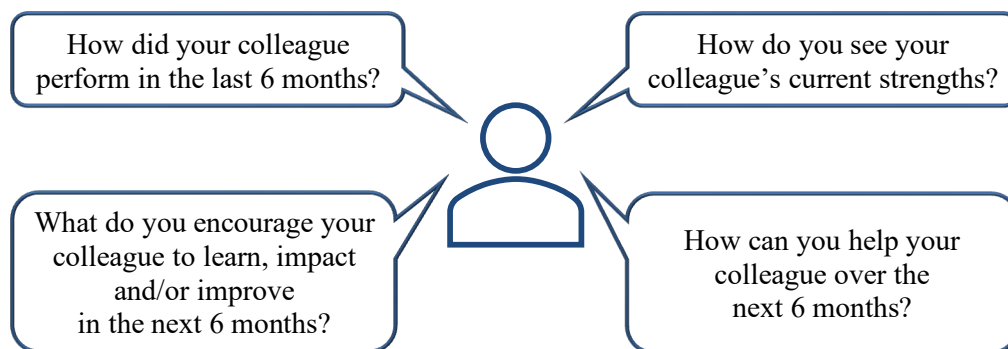


Figure 5. Company D's 360-degree feedback questionnaire addressed to peer/direct report.

Source: compiled by the author.

As opposed to this, company B, which is a representative of larger Estonian startups, goes beyond addressing behavioural and competency items. Other aspects, namely cultural fit and leadership attributes are also touched upon. Nevertheless, it is important to point out that company B is a distinctive example of an organisation of a larger size which also has its own developed leadership framework. This in turn allows for more tailoring of the 360-degree feedback items to specifically align with the framework, and as mentioned above, different departments add questions relevant to their own functions' career maps. As an HR process, 360-degree feedback is heavily tied to the rest of the people organisation, and it can be safely assumed that, as the remainder of the startups grow both in revenue and in headcount, the

improvement in HR processes will be accompanied by the growth in detail of 360-degree feedback procedures.

Coming to the necessary number and appointment of raters per cycle, all companies share the same notion that this number has to be limited, and the ratee's direct manager should be involved in the selection (see Table 7).

Table 7

*Rater selection*

Interview number	Number of raters	The appointer
1.	Up to 2	Manager, rarely ratee
2.	Up to 10	Ratee, with manager approval
3.	Up to 4	Manager
4.	Up to 7	Ratee, with manager approval

Source: compiled by the author.

While the participation of managers in the choice of raters is justified by their crucial role in delivering feedback in all interviewed companies, the upper cap for the number of raters, and especially the variety of this figure among companies, is intriguing. Interviewees explain that this limit reduces the workload placed on participants during the 360-degree feedback process (Interviews 1, 2, 4), which lead also to higher feedback quality (Interview 2):

*"[...] previously, there was no limit to how much feedback you might have to write. So, for example, if you're a manager that has a lot of peers, you might receive a lot of requests so easily [...]. They might end up with 20 or more forms that they need to fill."* (Interview 4)

*"[We encourage ratees to choose, author's note] who can give you detailed feedback and would be able to tell you what to do differently or what to continue."* (Interview 2)

While the consensus is reached that there is a need for an upper limit, the choice of numbers appears to diverge significantly across companies, with the highest number of raters in one cycle in company B being five times as many as that of company A. This can be partly rationalised through the headcount difference of the companies as well as the cadence of 360-degree feedback cycles, with company B conducting the process twice as often as the rest of the organisations.

In addition to the role of the manager in feedback delivery and follow-up (elaborated further in Theme 4), they also are assigned the responsibility of making sure that the raters

assigned are capable of delivering actionable feedback, as addressed by all interviewees. This reflects the theory as suggested by Bracken and Rose (2011), Externbrink and Inceoglu (2014) and McCauley and Hezlett (2001).

*“The appointer is the direct lead. So, the person who manages this person, he or she knows that who this person is working the most with, and then they are going to appoint these people.”* (Interview 3)

#### **Theme 4. Accountability**

Moving on to the fourth theme, Accountability, the author explores the practices of feedback delivery to participants as well as post-feedback support. Unsurprisingly, there is significant overlap between all companies, especially the former. As previously discussed, all feedback was given in a qualitative manner through digital platforms, which is then delivered to the manager of the ratee, followed by a dedicated one-on-one conversation between the manager and the ratee surrounding received feedback. Nevertheless, there are two options companies are faced with when it comes to how information is relayed to employees, as Figure 6 details. An even split was observed, with half of the companies believing employees should not see the feedback directly, and should any significant issues arise, they will be discussed during the one-on-one conversation mentioned above. The other half, however, is of the opinion that more transparency needs to be in place during the process by enabling employees to view the feedback after the manager’s assessment while encouraging raters to indicate their names while submitting the feedback.

The role of the manager in the 360-degree feedback process in Estonian startups is further enunciated by their control over the visibility of feedback. This centralized manner of feedback delivery is reflected in the studies by 3D Group (2013) in North America, which has its own negative sides: subject to the manager’s interpretation of feedback. In the companies where the feedback is channelled to the employee first-hand, employees are given more options as to how they process and utilise this information, as visible through the example of company D.

*“[...] before we have the talk with each of the employees, we will make [the feedback] visible to them. When I have this conversation with my team member, then a few days before I would make all this feedback visible to them, and that includes what I wrote and what their peers wrote. And then they have time to analyse that, summarize, see if they agree with everything.”* (Interview 4)

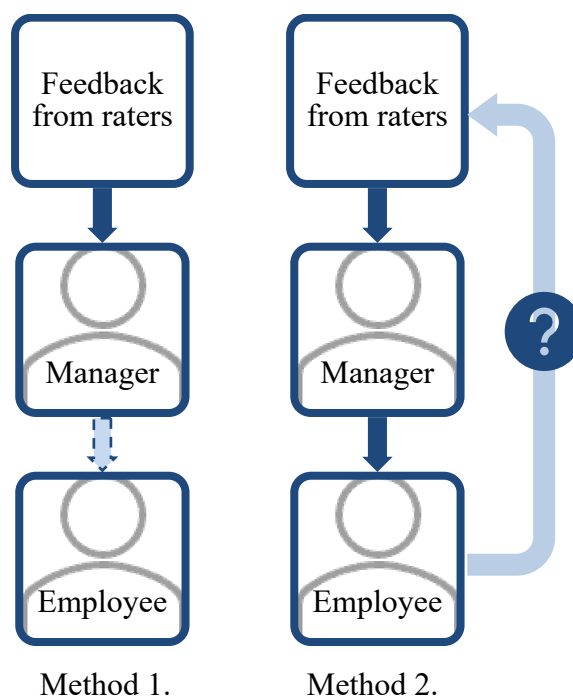


Figure 6. The methods of feedback delivery used in Estonian startups' 360-degree feedback process

Source: compiled by the author.

With regards to the content of the discussion, another similarity across all companies interviewed lies in the assessment perspective of past to future. Interviewee 2 explained:

*“Our leads are trained to have this conversation, that we are starting with the past, ugly, good, bad, anything you would want to discuss. But every conversation should end in the future, like ‘Okay, so with everything [the 360-degree feedback, author’s note], what’s next?’”*

In the instance of company D, a summary of action points compiled by both management and employees are brought up and discussed during the one-on-one, with the aim of creating a common action plan with both items for the employee to complete in the future, as well as how the manager can support them the most with the improvement. Such a framework was not addressed by other companies.

Lastly, it is important to point out a lack of training in Estonian startups prior to and following the 360-degree feedback process. One-on-one conversations appear to be the only targeted support given to employees in companies A, C and D. Taking a closer look into this group, the structured analysis that is carried out at company D as previously described, shows a more mature example of direct manager’s involvement in supporting the employees’ growth with the help of given information. While HR managers acknowledge the necessity of

such training, they often point to the lack of resources when asked about the known insufficiency (companies A, C and D). The interviews also pointed to the crucial role of continual individually tailored support, which does not mean training per se but indicates an unofficial form of coaching to be carried out by the manager. Interviewee 1 addressed the topic of post-feedback support with a smile:

*“It exists. Probably not enough that we do that.”*

### **Theme 5. Census participation**

The fifth theme deciphers the aspect of census participation, namely in examining the frequency, obligation to take part and the anonymity of participants in the 360-degree feedback process. All interviewed organisations conduct the 360-degree feedback process more often than once a year, with the majority having biannual cycles, called “*summer and winter cycles*” in companies B and C, and only company A opts for a quarterly basis. The routine comes from the perceived increased participation from employees (company A), and commitment to company-wide planning (company B), as opposed to North American companies who occasionally conduct 360-degree feedback out of necessity (3D Group, 2013). In the example of company A, the heightened frequency for 360-degree feedback also allows for more concentration and a reduced number of raters per ratee during one cycle, as previously brought up in Theme 3.

The organisations also ask all their employees to partake in the 360-degree feedback process, with the exception of new employees. Company B, being a larger company, designs tailored 360-degree feedback questionnaires for their own new joiners. However, as pointed out by the three remaining organisations, there exists a problem with the lack of engagement from the employees. This particular topic is addressed by all companies through the establishment of a feedback culture in their respective organisations, which will be elaborated on in the following theme.

While addressing the anonymity of feedback delivered, it is noteworthy that in two of the companies, ratees do not receive the feedback directly. In the others, however, participants are encouraged to include their names, to raise both transparency and accountability (company B and D), as well as offer the ratees a chance to get clarification on the received feedback (company B).

### **Theme 6. Culture of feedback**

Regarding the feedback culture in Estonian startups, interviewees reach the consensus that the importance of quality feedback can only be emphasized and guaranteed with the

commitment and example setting of management, both on the executive levels and middle management, together with the engagement of employees to develop themselves. In most organisations other than company B, the company leadership and direct managers of employees are at the core of these conversations and leading the giving and receiving of quality feedback:

*“We are constantly actually talking about this and trying to make sure that people understand that it's really important to give any kind of feedback.”* (Interview 3)

*“We encourage everybody to give feedback, we give feedback publicly to each other as well. We are quite transparent about how we are doing ourselves. I think leading by example would be one of the key things here because our management is typically quite transparent. Ultimately, it comes back to the values and the leadership of the company.”* (Interview 4)

This finding aligns well with Skala (2019) on the role of management in organisational culture. For company B, being of 1000+ employees and multiple management levels also indicate that the encouragement of quality feedback and the importance of it begins at an earlier stage. Stakeholders on a department level should be included in the design of 360-degree feedback timeframe, questionnaires and the analysis of feedback, in order to raise their buy-in, to ensure the completeness of the process at lower levels:

*“If you are not connecting well with your stakeholders, you will never reach your audience. [If you don't,] they will be like, “Why is HR pushing another process on me that I don't need?”, so you really need to be involved with them.”* (Interview 2)

While the highlighted role of managers in driving the 360-degree feedback process can be explained by that executive and mid-level managers are setting the foundations for their young organisations, this not only further exaggerates their responsibility, but also takes away from the employees' self-determination of the feedback culture. Companies A, B and D choose to promote the employee's position in seizing the feedback received, in addition to autonomy over crafting action points and utilising information. This starts with a detailed, genuine one-on-one conversation to encourage employee engagement rather than company-wide talks, followed by the employee's role in developing themselves with the knowledge acquired.

*“But I'm not scared, I guess to really explain personally to the person what the point was, this feedback, and why it will be beneficial in the long term for them and prepare the*

*feedback culture and nurture the feedback feature. This is something that is very important before we decide let's go for it, for it to be awesome.”* (Interview 1)

To conclude the theme of feedback culture, Estonian startups should acknowledge that while managers should continue to be at the forefront, employees are the heart of the whole process. More efforts should be put in to ensure that employees understand the crucial role of giving and receiving feedback, as well as provide them with support to deliver important, quality feedback to others and themselves.

### **Theme 7. Conclusion and discussion**

Coming to the end of the interviews, the author directed the conversation's focus towards the future iterations of 360-degree feedback, the technology that brings this all together, alongside the interviewed HR professionals' learnings regarding this process in their companies.

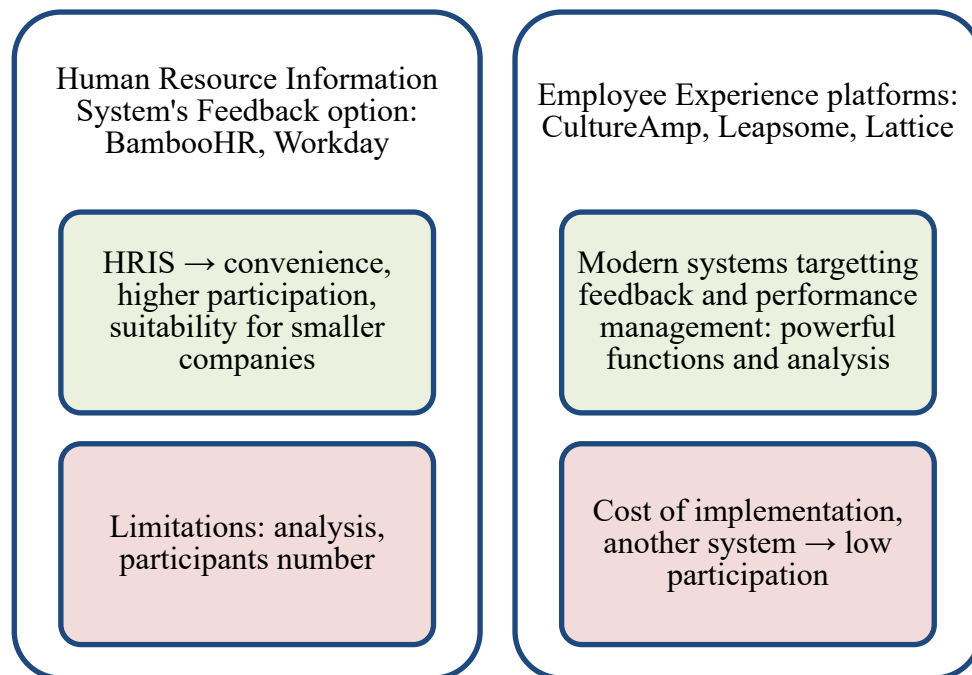
As for the direction of 360-degree feedback in Estonian medium to large-size startups, most companies foresee the process becoming more frequent and the growing role of employees in the 360-degree feedback process (companies B and D). More training and support are bound to be in place for the coming cycles, as (companies A, C and D). In addition, interviewees also address their interest in understanding the employees' perception of the 360-degree feedback process in their respective organisations, in order to reiterate and improve the process. There have been minimal to no efforts to measure the employees' satisfaction with the 360-degree feedback cycles, which all interviewees recognised as a weakness in their process.

An item that is frequently mentioned during the interviews is the technology for 360-degree feedback. While this component's influence on the employment of 360-degree feedback in Estonian startups was intentionally omitted as stated in the Introduction of this work, the topic proves a significant impact on smaller HR teams in the majority of Estonian startups. In the words of Interviewee 1:

*“But I need a system for that. [...] if there is no tech it's not going to work for us because we got a micro HR team.”* (Interview 1)

Thus, a brief analysis of the systems in use will also be included in this section. A comparison of the tools is presented in Figure 7. As a general suggestion, interviewees recommend integrating the 360-degree feedback platforms into the main communication channel, Slack in all the companies, in addition to the HRIS, such as BambooHR. This

implementation allows for more information to flow straight to the employees, thereby increasing participation and engagement.



*Figure 7.* Comparison of the current technologies (services) used by Estonian startups in the 360-degree feedback process

Source: compiled by the author.

To conclude the empirical analysis, a holistic understanding of the 360-degree feedback practices in Estonian startups will be presented, as well as the companies' projection of the outlook of 360-degree feedback in their companies. The author will also offer their suggestions for the future direction of 360-degree feedback in Estonian startups, based on the analysis done in previous themes.

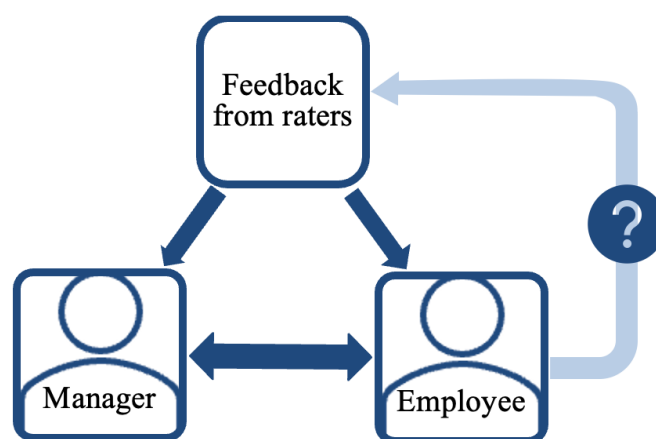
According to the 360-degree feedback instrument model showcased earlier in Figure 3, Estonian startups show early to medium adaptation of all necessary aspects, from the provision of pre-feedback training to the considerations regarding the 360-degree feedback instrument with the key components of relevant content, credible data, accountability as well as census participation. The typical 360-degree feedback cycle in Estonian startups takes place bi-annually, with questions either provided by their HRIS or an extension of those based on the internal framework. Most companies' feedback questionnaires include behaviour-oriented questions, ranging from retrospective to forward-looking. Little to no support is provided in advance or following the cycles to assist with employee development using the feedback, while the feedback culture is established via the example set of leadership



and internal communication. HR professionals acknowledged feedback culture as the basis for the success of the process in respective organisations.

Based on the findings and previous theoretical analysis, the author will provide some suggestions that align with HR professionals' vision for the growth of 360-degree feedback in Estonian startups. It is important to consider the level of maturity of the company and its HR processes, alongside the fact that employees should always be at the front and centre while developing the 360-degree feedback process. A clear purpose should be set before implementing 360-degree feedback in an organisation, accompanying other training and support to achieve the goal. The process should align with the rest of the HR framework, thus, if such is not yet developed, it might be more reasonable to start with something simple to meet internal needs, or not conduct this.

In addition, the feedback process should be decentralised, alleviating some of the responsibilities of managers, while returning to the employee the control role of the feedback they receive. The suggestion aligns well with scholars' vision of more proactive employee development that diverts away from managers and instructors' initiative and control (Dachner, Ellingson, Noe & Saxton, 2019). What this entails in practical terms, is to give employees the right to nominate their own raters, alongside the manager's nominees, and enable them a direct view of the feedback they received. Ratees should also be granted the chance to ask elaborating questions on the feedback, while companies should continuously encourage the discussion of the received feedback and compile action items together with the manager (see Figure 8):



*Figure 8.* The improved method of feedback delivery to be used in Estonian startups' 360-degree feedback process

Source: compiled by the author.

Finally, Estonian startups should build a more tangible feedback culture in their organisations, not only through the example setting of higher management, but through contextual training, accountable support, and most importantly, continuous feedback. 360-degree feedback is a method to systematically enable the exchange of feedback on a cycle basis, nevertheless, such a process will not be appreciated if not in a timely manner. In an environment where the feedback given is of high quality and serves a purpose to both the rater and the ratee, employees deserve a chance to record great doings and voice their concerns on a daily basis. HR professionals also need to listen to the wider team's input as to what can be improved to increase their engagement and wish to partake in this process. The importance of this topic was emphasised beautifully by interviewee 2 at the end of our conversation:

*“Always have this mindset that even though [HR professionals] are the subject matter expert, and [...] you need to stand your ground, but [the employees] need to see the value. Always listen to your customers who are the employees of the company, because otherwise, your process won't be successful.”*

### Conclusion

360-degree feedback is a popularly employed HR process in companies across the world, where feedback from multiple participants around the ratee, thus bringing visibility to an employee's behaviours and their impact on others during the collaboration. The implementation process of the tool follows six steps, where design and development is the first and a crucial stage to be considered. 360-degree feedback has been historically and is continually used for employee development, which is an important topic to be considered in the context of Estonian startups.

The analysis of previous empirical studies shows that 360-degree feedback brings advantages such as helping participants develop adaptability and analytical thinking (Megheirkouni, 2016). Companies conduct this process through standardised behaviour-oriented questionnaires, receive and deliver verbatim anonymous feedback on either a quantitative 5-point rating scale or in the form of open answers (3D Group, 2013). These existing results were compared against the results gathered from the second part of the thesis, where data from Estonian startups are collected and analysed.

The author collected preliminary information using a digital questionnaire, then examined the data prior to semi-structured interviews with four HR leadership in Estonian medium- and large-sized startups. The audio received was transcribed and analysed using the interpretative analysis method.

Estonian startups have adopted the use of 360-degree feedback in their HR processes, nevertheless, the development of such tool is still at an early stage, with insufficient support for employees to grow their skills and qualities utilising attained information. Companies conduct 360-degree feedback process using qualitative pre-defined questionnaires twice a year, with the managers having significant control over the feedback received. The feedback culture is created and maintained by company leadership, while the lack of training and post-feedback support is admitted. Organisations are suggested to decentralise the process, allowing for the employee to have control over their feedback, as well as to increase the frequency and autonomy in deciding the timeline of the process.

Naturally, there are limitations to this study that would benefit from further research in the future. A significant topic is to assess employees' perception of this process on their own development and utilise this input for further development of 360-degree feedback in Estonia. The author worked on the theories as well as the questionnaire for this purpose, nevertheless, had to neglect due to resource limitations. Another topic of interest is to analyse

the technical aspect by comparing the different Employee Experience platforms targeting specifically feedback and performance management. These are all fascinating themes awaiting to be explored further after this study.

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## Appendix A

## Preliminary questionnaire

**360-degree feedback in Estonian startups**

This questionnaire is part of research conducted by a Bachelor student of Business Administration, Diep Tran Ngoc, at the University of Tartu, Estonia. The research aims to identify 360-degree feedback practices and their impact on leadership development in Estonian medium and large-sized startups.

Questions	Theoretical background
What is your company's name?	Author's own point
How long has your company been conducting the 360-degree feedback process?	3D Group (2013)
What is the purpose of 360-degree feedback in your organisation?	Bracken, Rose and Church (2016)
How often are 360-degree surveys administered in your organisation?	3D Group (2013), Bracken and Rose (2011), Externbrink and Inceoglu (2014)
Please share a brief overview of the 360-degree feedback process in your organisation.	Author's own point
Please share any relevant documentation about the 360-degree feedback process (e.g., the survey questions used).	Author's own point
Have there been any efforts to measure the effectiveness of the practices in your company? Please elaborate in case the answer is yes.	Author's own point

Please view the questionnaire here: <https://forms.gle/nVvPXFCpWb7PWAS8>

## Appendix B

## Interview questions

**360-degree feedback in Estonian startups**

This interview is part of research conducted by a Bachelor student of Business Administration, Diep Tran Ngoc, at the University of Tartu, Estonia. The research aims to identify 360-degree feedback practices and their impact on leadership development in Estonian medium and large-sized startups.

Themes	Questions	Theoretical background
<b>1. Introduction</b>		
Basics	How long has your company been conducting the 360-degree feedback process?	3D Group (2013)
Purpose	What is the purpose of 360-degree feedback in your organisation? Is 360-degree feedback in your organisation development-oriented or for assessment purposes?	Bracken, Rose and Church (2016)
<b>2. Relevant content</b>		
Instrument design	Who designs your 360-degree survey?	3D Group (2013), Bhattacharya and Sharma (2020), Bracken, Church and Rose (2016), Bracken and Rose (2011)
Data type	Do you collect qualitative or quantitative feedback?	3D Group (2013), Bhattacharya and Sharma (2020), Bracken and Rose (2011)
Language	Do you use different language options?	Bhattacharya and Sharma (2020), Bracken and Rose (2011)
<b>3. Credible item</b>		
Item design	What type of item (behavioural, trait, competency and dimension) do you ask for feedback upon?	3D Group (2013), Bracken and Rose (2011), Bracken, Rose and Church (2016), Bhattacharya and Sharma (2020)
Response scale	In case of quantitative data, how many points are on your rating scale?	3D Group (2013), Bracken and Rose (2011), Nowack and Mashini (2012), Bracken, Church and Rose (2016)
Rater selection	Who appoints raters to provide feedback and how many raters are needed per participant?	3D Group (2013), Bracken and Rose (2011), Externbrink and Inceoglu (2014)

4. Accountability		
Report format	In what format does the feedback come to the participant? (Verbal, written)	3D Group (2013), Nowack and Mashini (2012)
Report delivery	How is the feedback delivered to the participant? (during a specially assigned meeting, usual 1:1s, email)	3D Group (2013), Nowack and Mashini (2012)
Post-feedback support	What kind of support do you give to feedback recipients to fully utilise the feedback? (coaching with TL or specialist, supporting courses)	3D Group (2013), Bracken and Rose (2011), Nowack and Mashini (2012)
5. Census participation		
Frequency	How often are 360-degree surveys administered in your organisation?	3D Group (2013), Bracken and Rose (2011), Externbrink and Inceoglu (2014)
Mandatory participation	Is the process mandatory for everyone?	3D Group (2013), Bracken and Rose (2011)
Anonymity	Is the feedback delivered anonymously?	3D Group (2013), Bhattacharya and Sharma (2020)
6. Culture of feedback		
Quality of feedback	How do you ensure the quality of feedback in your organisation?	London and Smither (2012)
Importance of feedback	How do you emphasize the importance of feedback in your organisation?	London and Smither (2012)
7. Conclusion		
Overall impact	How has 360-degree feedback practice had impact on your organisation?	Author's own point
Suggestions (plans)	How could 360-degree feedback be implemented differently in your organisation to improve its effectiveness?	Author's own point
Takeaway	What is the most important thing that I should bring with me after our discussion?	Author's own point

## Résumé

360-KRAADI TAGASISIDE TÖÖVAHENDINA  
TÖÖTAJATE ARENGUKS EESTI IDUETTEVÕTETES

360-kraadi tagasiside on populaarne personaliprotsess, mida on kasutatud ja kasutatakse jätkuvalt töötajate arendamiseks, mis on Eesti iduettevõtete kontekstis oluline käsitletav teema. Varasemate empiiriliste uuringute analüüs näitab, et ettevõtted viivad seda protsessi läbi standardiseeritud küsimustike kaudu, saades ja edastades sõnasõnalist anonüümset tagasisidet, kas kvantitatiivsel 5-pallisel hindamisskaalal või avatud vastuste kujul. Kasutades digitaalset eelküsimustiku ja poolstruktureeritud intervjuu meetodit nelja personalijuhiga Eesti keskmistes ja suurtes idufirma jõudis autor tulemuseni, et Eesti idufirmad on võtnud omaks 360-kraadi tagasiside kasutamise oma personaliprotsessides, kuid sellegipoolest on sellise töövahendi kasutamine alles varajases staadiumis, mille eesmärk ja töötajate toetamine oma oskuste ja võimete arendamisel saadud teabe abil on ebaselge. Ettevõtted viivad läbi 360-kraadi tagasiside protsessi, kasutades kvalitatiivseid etteantud küsimustikke kaks korda aastas, kusjuures juhtidel on saadud tagasiside üle märkimisväärne kontroll. Tagasisidekultuuri loob ja hoiab ettevõtte juhtkond, samas tunnistatakse koolituse ja tagasisidejärgse toe puudumist. Organisatsioonidel soovitatakse protsessi detsentraliseerida, võimaldades töötajal oma tagasiside üle kontrolli saada, samuti suurendada protsessi ajakava otsustamise sagedust ja autonoomiat. Tulemused valgustavad Eesti idufirma personalijuhtimise tavaid ja küpsust ning sillutavad teed edasiseks uurimiseks selle kohta, kuidas töötajad tajuvad seda protsessi enda arengus ning kasutavad seda sisendit 360-kraadi tagasiside edasiseks arendamiseks Eestis, samuti erinevad töötajate kogemuste platvormid, mis on suunatud nimelt tagasisidele ja tulemuslikkuse juhtimisele.

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360-DEGREE FEEDBACK AS A TOOL  
FOR EMPLOYEE DEVELOPMENT IN ESTONIAN STARTUPS

supervised by Veronika Krassavina, Junior Lecturer Piia Vettik-Lemmet

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