

**DEVELOPING 360 DEGREE FEEDBACK TO EVALUATE  
THE EFFECTIVENESS OF AUDIT TEAM**

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**Abstrak**

*360 Degree Feedback* atau juga dikenal sebagai ‘*multi-rater feedback*’, ‘*multisource feedback*’, atau ‘*multisource assessment*’ adalah suatu metode yang dimana setiap orang yang bekerja dalam suatu perusahaan akan menerima masukan dari seluruh pihak, baik itu atasan, rekan kerja, bawahannya maupun dari pihak luar perusahaan, seperti pelanggan dan klien. Tujuan dari metode ini adalah agar setiap orang mengetahui kelebihan dan kelemahannya sehingga suatu program pengembangan diri akan diciptakan untuk mengakomodasi kelemahan tersebut.

Metode ini dapat juga digunakan oleh Kantor Akuntan Publik (KAP) untuk mengevaluasi keefektifan tim auditnya. Keefektifan di sini diartikan sebagai kemampuan semua anggota tim untuk bekerja sama selama penugasan audit berlangsung. Kerja sama akan berjalan dengan baik jika setiap anggota tim mau menerima umpan balik mengenai kompetensi yang dimilikinya dari berbagai sumber.

Ada lima tahap yang dilakukan dalam mengimplemantasikan *360 Degree Feedback*, yaitu 1) memilih instrumen, 2) memilih orang yang akan memberikan masukan, 3) menggunakan instrumen umpan balik, 4) mengevaluasi hasil, dan 5) memperluas penggunaan umpan balik untuk mengevaluasi hasil audit.

Metode *360 Degree Feedback* akan memperoleh manfaat baik itu bagi pemilik KAP, manajer, auditor senior dan junior apabila dalam penggunaannya terlebih dahulu direncanakan dengan sebaik-baiknya sehingga implementasi metode ini tidak melenceng dari tujuan aslinya.

Keywords : 360 degree feedback, strengths, weaknesses

**Introduction**

Audit engagements are the main duty of public accountant firms. Before conducting audit to their clients, it is important to set the audit team which consists of some auditors who have professional abilities which are appropriate to auditing standard. There are some personals in audit team who have different positions and responsibilities, such as

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partner, manager, senior auditor, and auditor staff. There is only one partner in audit team who is responsible for all audit execution and also audit result. Then, one manager who has to coordinate dan monitore audit execution. In addition, there are some specific stages in the auditing process that have to be handled by senior auditor, and finally the audit staff have main task to conduct general audit procedure.

Different people may have different characteristics ; therefore it is very necessary to evaluate the audit team's effectiveness. The term 'effectiveness' used here means good cooperation among members of audit team in conducting audit engagement. Moreover, good cooperation may be achieved if all members know their own characteristic and also other member characteristics. By that reason, I think it is very usefull for public accountant firms to evaluate the effectiveness of audit team that is not only related to audit result, but also audit teams' performance during audit engagement.

There are several evaluation methods that are usually used by public accountant firms, such as upward feedback, where managers are given feedback by their team members. This method usually focuses on managers' daily performance in managing and leading audit process. Another method is a traditional performance appraisal which is the opposite of the first method. In this method, senior and junior auditors will be reviewed by their manager and sometimes the manager will be evaluated by the partner.

According to Heathfield (2007), there is a relatively new method that can be used by public accountant firms. This method is called 360 degree feedback which also known as multi-rater feedback, multisource feedback or multisource assessment. Heathfield (2007) stated that 360 Degree Feedback is a system or process in which employees received confidential, anomyous feedback from the people working around them. In case of audit team, it means that all members will be evaluated by other members in the same team. For example, the manager is not only evaluated by his partner, but also by senior auditor and audit staff. Then senior auditor will be reviewed by the manager and audit staff, and finally audit staff will get input from their partner, managers, and senior auditor. Although the partner is a person who has the highest position in audit team and also public accountant firm, he still needs any advices from their inferiors in order to improve his ability in leading his public acconting firm.

Wikipedia (2007) had another definition of 360 Degree Feedback by adding that feedback does not only come from the internal parties but also the external sources. It means that the auditees may also give their view about the performance of auditors who examine them. In my opinion, it is a little bit difficult to get a fair opinion from the clients because they usually try to give good comments so that their financial statements will get unqualified opinion. It is usually done if they will be audited by the same team in the next years.

Based on the fact that there is only a few research about the using of 360 Degree Feedback, this paper will try to identify how to develop 360 Degree Feedback in audit team and to evaluate the advantages and disadvantages of using 360 Degree Feedback.

## **Developing 360 Degree Feedback in Audit Team**

The process of developing 360 Degree Feedback is divided into five stages: select the feedback tool and process, select the raters, use the feedback, review the feedback, and finally manage and integrate the process into a larger performance management system. Among those five steps, the first step is considered as the most crucial step since it needs a specific plan. The wrong planning in choosing the tool may result in a failed outcome.

In dealing with the problem about how to choose the most suitable feedback tool, first, we have to remember what the purpose of 360 Degree Feedback. According to Heathfield (2007) the goals of using 360 Degree Feedback are to assist each individual to understand his or her strengths and weaknesses and to contribute insights into aspects of his or her work needing professional development. In addition, I think the department of human resources (HRD) in public accountant firms also needs to identify the condition of their firms because the one tool which is used in one public accountant firm may not be suitable in another firm.

So, based on those purposes, the HRD may make questionnaires which contain questions that are measures on a rating scale. Heathfield (2007) also said that the raters are also asked to give their written comments. However, I do not agree with the last way. Asking the raters to write their comments may make the secrecy of raters not maintained. The person given a bad comment may know whose member wrote that comment and it may result in a worse cooperation in the audit team. We know that a good cooperation among audit team members is the most important thing that may influence the successful outcome of the audit result.

In order to get the suitable questions, the HRD should identify competencies that are expected of all auditors and these competencies should be compatible with the public accountant firm's core values, mission, and strategy. Then, it is also necessary to identify the specific behaviors and requirements in different levels of organization since the questionnaires will be filled out by the audit team whose members have different levels and responsibilities.

Afterwards, the validity and reliability of the questionnaires are measured, whether the questions used meet the purposes or not. (Gray, et al., 2006). It can be done by asking a few audit teams to fill out the questionnaire so that the redundancy, confusing questions, and missing competencies can be identified. Another manner is for the HRD to form small groups and then members of each group try to fill out the survey.

The second step of the 360 Degree Feedback is selecting the raters. People chosen as raters are those who always work and interact each day with the person receiving feedback. They may know the strengths and weaknesses of each other so they may give fair comments, let alone if they know that the purpose of this method is to develop themselves. Besides, the study shows that subjects in the group 'known for one to three years' are the

most accurate, followed by 'known for less than one year', and then followed by 'known for three to five years' and the least accurate being 'known for more than five years.' (Eichinger, 2004).

Based on Kirksey (2007) many companies usually select from five to ten raters because less than five raters may limit the perspective, while exceeding ten raters may make the evaluation too complex and time consuming. Based on my experience, it will be difficult, if public accountant firm follow Kirksey's opinion since the member of audit team is usually less than five people. If auditee is also select as a rater, the Kirksey's opinion might be used. However, to include auditee as a rater, may have a bias feedback because auditee does not interact intensively with the audit team. Therefore, I believe that the focus is not in the quantity of raters, but the quality should be used as a priority in selecting raters.

The third phase is using the feedback. In this phase, first, the HRD should communicate to all audit teams that they will be rated. It is also essential to say that this evaluation not to review their performance but to review their strengths and weaknesses so that a substantial development program can be planned for improving their quality. All audit teams should know that they are not going to be fired or punished based on the results and they also should know that the 360 Degree Feedback is anonymous and confidential.

After all audit teams are ready, then they can start to fill out the survey. The best time to conduct this method, in my opinion, is after the audit teams conduct examination to their clients because they must be very busy and have no time when they audit their client. Besides, the clients are also afraid to give comments during the audit engagement and it may cause bias results.

In the fourth phase, reviewing the feedback, one thing to be concerned is how to deliver the input from the raters to the ratee, whether there will be face-to-face delivery, whether the ratee is ready and supported appropriately to receive comments, and also whether the timing of delivery has been considered appropriate (Gray, et al., 2006). It may be more appropriate if the feedback is delivered through HRD since HRD is the party that has been neutral department and one job of HRD is to review the audit teams' jobs and coach audit teams to improve. Public accountant firms may hire professional and neutral consultants to do this work if they have more money. Afterwards, the HRD or professional consultants can help audit teams identify their strengths and weaknesses and create a development program that helps the audit teams become more effective. These development goals need to be measurable and achievable; therefore the initial feedback should be followed up by another feedback after 6 to 12 months (Heathfield, 2007).

The last stage, managing and integrating the process into a larger performance management system. In this step, 360 Degree Feedback is used not only to help audit teams recognize their strengths and weaknesses but also to measure audit teams' performance. It may be hard to apply since 360 Degree Feedback only measures behaviors and competencies and provides feedback on how others perceive an auditor. It can't be used to

measure whether audit teams meet their basic job. If 360 Degree Feedback is implemented to evaluate audit results, it may be contrary to purposes which was set up in the first phase.

### **The advantages**

There are several advantages that can be taken from using 360 Degree Feedback. First of all, for the partner, the partner is one who has the highest position in public accountant firm. Consequently, there are only certain auditors who can meet him to discuss about the audit results. By using this method, the partner will get input not only from those auditors, but also from all auditors working there, so he will get a broader perspective to improve the effectiveness of his public accountant firm. For instance, he will know that he is too bossy, so many auditors do not like him and then they leave his firm. He will lose his talented auditors and it may result in big impact. By reading the feedback from his inferiors, he can try to change his behavior by following the leadership program and implement his training in his firm.

Second, for managers and senior auditors, the 360 Degree Feedback may increase awareness that they too have development needs. By receiving feedback from their partner, their peers, and their junior auditors, they may know their strengths than can be learned by their juniors and their weaknesses that can be eliminated by following a specific program. Moreover, it also creates a condition that supports continuous improvement. If senior managers and auditors are open to comments, their inferiors may appreciate their behaviors and try to follow them.

Third, for junior auditors or audit staff. Junior auditors sometimes need to be directed by their seniors because they have no experiences in conducting audit. Due to the big gap between junior and senior auditors, the juniors sometimes are too afraid to talk to their seniors that they need a help. By using 360 Degree Feedback, the senior auditors are forced to take a bigger attention to their juniors and juniors may know their weaknesses in the seniors' perspectives.

Finally, 360 Degree Feedback may bring profit for public accountant firm as a whole. All parties in public accountant firm develop their competencies and it may increase the quality of public accountant firm. I also believe that a qualified public accountant firm may make the institution's accountability rises sharply and help government to create good corporate governance.

### **The Disadvantages**

The 360 Degree Feedback will create a problem if it is not planned well. The purposes of using this assessment is to get better understanding of the auditors' strengths and weaknesses and to improve the auditors' competencies by following development trainings. It can be happened, the HRD uses this method to measure whether the audit teams meet the audit result. It means 360 Degree Feedback is used to measure auditors' performance.

If 360 Degree Feedback is implemented in the wrong way, such as to measure audit results, the auditors may be unwilling to give accurate feedback because they are concerned about the impact the feedback will have on raises. In one case, there will be a collusion among the auditors to give good comments since it may increase their position and of course their salary. Another case, the auditors try to discredit other auditors' performances in order to be the best auditor. If all of those cases happen, it will need months or possibly years to recover the situation.

Another disadvantage is about the time and cost on this rating system. This assessment will consume more time from the first to the last stage rather than using traditional performance method or upward method (Hethfield, 2007). It may make auditors loss their focuss in doing their primary job, which is to audit, not to review their friends. In addition, it also more costly than other methods since it needs more efforts to make it success.

### **Conclusion**

In summary, 360 Degree Feedback can be used to measure the effectiveness of audit team since each member will know their strengths and weaknesses. By thinking and planning carefully and good follow up, 360 Degree Feedback may bring benefits for public accountant firms that may result in good image for those firms and in helping government to create good corporate governance through the improvement of audit teams.

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