



# EVALUATING VALUES

By Kathryn Tyler

Performance appraisals should document what employees have done and how they did it.

**M**any HR executives have long espoused a strong link between pay and performance. But now the definition of performance is changing, notes Mark Del Vecchio, vice president of human resources for MDU Resources Group Inc., a Bismarck, N.D.-based *Fortune* 500 corporation with energy and natural resources businesses, including a regulated utility.

When management expert Dick Grote gives a speech, he often asks how many in the audience have a formal set of company values and how many have formal appraisal systems. Most hands go up for both questions.

But when he asks if the performance appraisal forms reflect the values statements, few people say yes.

Leaders of "very few companies hold people accountable for company values on per-

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## ONE HOSPITAL'S VALUES

Eastern Idaho Regional Medical Center (EIRMC) in Idaho Falls uses a 5-point scale to rate employees on company values. A rating of 1 means the employee exceeds expectations, 2 indicates that he or she meets all and exceeds most expectations, 3 means the employee meets all expectations, 4 denotes that he or she meets some expectations, and 5 signifies unacceptable performance.

Employees are rated on the following seven values and corresponding behaviors:

**Accountability.** Acts like an owner, pulls own weight; works to achieve individual, department and hospital goals; fully accountable; owns problem until solved; appropriately holds others accountable.

**I am EIRMC and I CARE.** Demonstrates the use of the center's Caring Model with every patient and visitor encounter.

**Integrity.** Is open, honest and appropriate in all communication; manages conflict appropriately—takes issues to right address and does not discuss along the way; follows through on all commitments; speaks up, shares ideas and concerns; supports decisions once made.

**Respect.** Demonstrates positive attitude; makes and cheerfully spends time to consistently exceed patient and physician expectations; shows humility for role played in lives of others; respects co-workers (by being on time) and appreciates similarities and differences of each employee; demonstrates true caring.

**Quality.** Anticipates the needs of those served; craves new knowledge and new experience; delivers very best every day such that work makes a difference; when identifies a problem, also identifies potential solutions; constantly looks for ways to turn "good enough" into "even better."

**Loyalty.** Builds teamwork by being a good team member and not backbiting or pot-stirring; is loyal to leaders and supports their decisions; is an ambassador to promote and defend the organization in all settings.

**Enjoyment.** Finds humor and laughs daily, but never at another's expense; greets and welcomes each person encountered with a smiling face and a kind word.

formance appraisals or any other mechanism," says Grote, founder of Grote Consulting Co. in Frisco, Texas, and author of the upcoming book *How to Be Good at Performance Appraisals* (Harvard Business Press, 2011).

Holding employees accountable for values, not just job performance, on performance appraisals is difficult but worthwhile. According to a 2009 Society for Human Resource Management poll on performance management, 87 percent of the 524 HR professionals who responded agreed that managing employee behavior is more difficult than managing employee performance. Yet 81 percent agreed that employees are more likely to be disciplined for lack of willingness to work in a prescribed manner than for their inability to perform the work. Thus, if managers focus as much energy on teaching employees the importance of company values as they do on job performance, perhaps they will have less trouble managing employee behavior.

It helps to communicate values in terms of behaviors. "Values are squishy," says Phillip Wilson, president of the

Labor Relations Institute Inc., a labor and employee relations consulting firm headquartered in Broken Arrow, Okla. "If it's your goal to create a culture, promote a particular set of behaviors. Different behaviors reinforce different cultural norms, and they vary from organization to organization. This is how you create the kind of company you strive to be."

To ensure that employees practice company values, HR professionals must:

- Determine the company values to incorporate into the employee appraisal process.
- Define and describe those values succinctly.
- Create methods for managers to quantify values.
- Immediately discipline employees who fail to espouse company values, regardless of their job performance.
- Model the values for employees.

"Clearly identify and articulate what your unique, guiding core values are and then consistently reinforce those values in every area of your organization, including performance reviews," says Rick Thompson, director of talent

management for Rising Medical Solutions Inc., a national 185-employee cost containment and care management company headquartered in Chicago.

### Determine the Values

First, executives need to choose the values to use in evaluating employees. Focus on no more than five to seven; having too many can be overwhelming.

To engage employees, values should be stated in a way that is unique to the organization. Bland: "Provide good customer service." Better: "Provide speedy service with a genuine smile." HR professionals need to determine what makes an organization unique and use language that conveys what is exceptional and brand-specific about it. For example, Zappos, an online apparel and footwear retailer, has seven unusual core values, including "be humble," "do more with less" and "create fun and a little weirdness."

"There are many different ways to view values: as goals to aspire to; as core values engrained in the culture; or as pay-to-play values, meaning you





must have these to get in the door," says Johannah Whitefield, associate director of talent, growth and development at VivaKi Nerve Center in Chicago. The center is the research, development and production arm of the advertising and communications conglomerate Publicis Groupe's VivaKi entity. The two-year-old center employs 200 in locations from Seattle to Paris.

"Because the Nerve Center is growing rapidly, the culture is forming in front of us," Whitefield says. Leaders recently developed a set of "aspirational" core values called The Way We Work: "work hard playfully," "develop disruptive, innovative solutions," "count on infectious talent and radical thinking," and "believe change ignites new energy and conversations."

Not all values are appropriate to include on a performance appraisal form, Grote notes. For instance, "Can you assess employees on a 5-point scale on their ethics? What would a 3 [rating] look like? You assume everyone in the organization has ethics. If they didn't have a fully functioning ethical and moral compass, you would terminate them."

Grote describes how HR professionals for an oil company resolved this dilemma. The company listed "Ethics" as the first value and pre-populated it with the highest rating of 5. Below that section was a note: "If for any reason a 5 is inappropriate for this individual, a serious conversation must occur with HR." This demonstrated the importance of ethics as a company value and encouraged managers to talk with employees about it.

## Define Common Terms

The second step is to "set what the values mean," says Eric Darr, executive vice president and provost at Harrisburg University of Science and Technology in Pennsylvania. "You can't assume that everyone magically shares the same understanding." Values should include descriptions and examples of what they look like in action.

"The value of 'trust' to me may not be 'trust' to you. Define your values in behavioral terms so you can see them, feel them and taste them. Then you can hold people accountable to the same value set," says Lizz Pellet, author of *The Cultural Fit Factor: Creating an Employment Brand that Attracts, Retains, and Repels the Right Employees* (SHRM, 2010) and chief executive officer of EMERGE International, a cultural assessment consultancy in Orange, Calif.

"Keep it consistent across your employee base," Darr advises. "You may be tempted to say, 'The values we want from one subset are different from those we want from another.' But if you're trying to build a corporate values system, then they should be the same for everybody."

Be sure to clearly communicate the values and their definitions to employees. "We spend a lot of time and effort in our corporate communications educating employees on our core values. This common understanding makes it easier to review and assess how well people are living up to them," Thompson says.

## Quantify Values

Most appraisal forms rely on recording observable actions to evaluate whether employees are meeting stated company values. Grote says the easiest way to align an appraisal with company values is to add a final section on the form that asks managers to list three things the employee did in the last 12 months that exemplify the core values.

At Rising Medical Solutions, "We ask managers to focus on observable

behavior that supports or contradicts each value," such as teamwork, Thompson says. "If the employee is observed helping co-workers on a specific project, this can be used to support that value. If the manager has received complaints about the employee's unwillingness to work with others, this, too, will be noted."

Rather than rating employees annually, Rising Medical has moved to quarterly, monthly or even weekly one-on-one sessions between managers and their employees, Thompson says. The company's seven core values are listed on a spreadsheet containing cells that are shaded red, yellow or green to indicate how well an employee is adhering to each value. The form also includes space for comments and examples of observed behaviors. If the employee is off the mark, that value is coded yellow, and the employee and manager will discuss what's necessary to move back into the green. Core values account for 50 percent of employees' evaluations; the remaining 50 percent is tied to job performance against goals.

Six years ago, Eastern Idaho Regional Medical Center, a 336-bed full-service hospital with 1,455 employees in Idaho Falls, established seven core values proposed by an employee task force and placed them on the appraisal form. Each value lists associated behaviors to help employees and supervisors recognize when workers demonstrate them.

Currently, none of the values are weighted on the performance evaluations, but company leaders are considering making them as much as 60 percent or 70 percent of the rating, says HR Director Nathan Bigler, SPHR.

Eastern Idaho is currently running a pilot project on critical care floors to quantify observable incidents. "We track all patient comment cards. Patients can recognize employees who are living the values," Bigler says. Data from the cards will be used to complete performance appraisals. In fact, managers are pulling together

## Online Resources

For links to an excerpt of *The Cultural Fit Factor*, a sidebar about the value of storytelling at companies and other information about evaluating values adherence, see the online version of this article at [www.shrm.org/hrmagazine/0411Tyler](http://www.shrm.org/hrmagazine/0411Tyler).

## INCORPORATE VALUES INTO THE HIRING PROCESS

Hiring only people who support your organization's values "will save a myriad of headaches, drama and distraction down the line," says Rick Thompson, director of talent management for Rising Medical Solutions Inc. in Chicago. "We have developed a series of cultural fit interview questions that we use during our screening and interview process."

Eastern Idaho Regional Medical Center uses a similar process. It makes applicants aware of the company's values before the interview via a pre-employment screening tool. To apply online, potential applicants must read through the hospital's values and click the "agree to this document" button before seeing the list of open positions. If a person clicks "disagree," a statement pops up informing the individual that he or she would not be the right fit at the hospital.

Later, applicants are asked about these values during the interview process. For example, recruiters may ask individuals to describe a specific time when they didn't agree with a decision but had to support it, says HR Director Nathan Bigler, SPHR.

Lizz Pellet, chief executive officer of EMERGE International in Orange, Calif., recommends that HR professionals put a "gatekeeper" statement on their careers web pages that lists company values and their behavioral definitions. Doing so is "the way to be clear on the organization's commitment to values alignment and upfront with the behavioral expectations," Pellet says.

as much data for observed values as they do about medication errors, he notes.

### Handle Employee Violations

Confronting employees about behaviors that are incompatible with company values is difficult but crucial. "They are hard discussions," Bigler says. "Some employees take it personally, as if their values are in question." Or they may become defensive and justify their actions. But open, honest dialogues help people understand their transgressions.

Bigler cites a situation in which a nurse was disciplined for yelling and swearing at another nurse during a procedure with a patient. "He is passionate about patient care and ... viewed it as protecting the patient. He felt he was doing the right thing, but we had to help him understand that he had violated our values of respect and integrity." After a couple of meetings, he finally understood the violation and has since rebuilt the affected relationships.

Bigler describes another situation involving a values violation that resulted in a different outcome. An excellent,

long-tenured supervisory nurse was seen by others as caustic, abrasive and hostile. "We had to help her understand how her peers were viewing her," he says. "She had a difficult time with that. She said, 'They think I'm great; they love working with me.' We replied, 'They're fearful of you. Do you think they are going to be honest with you?'" She resigned when she felt she could not overcome the negative atmosphere she was creating.

"Values impact finances, morale, patient satisfaction, turnover ... everything," Bigler insists. "Sometimes we lose people, sometimes we terminate, and sometimes people change. We're OK with all of those scenarios. Our values mean too much to us to compromise. You can't compromise. You have to have employees who will walk the talk. We don't have any tolerance for those who violate our values."

### Top Performers Misbehaving

What if the violator is otherwise a top performer—perhaps a salesman who outsells all of his colleagues but who barks at others, tells lewd jokes and is consistently late?

"When do you say enough is enough? When does the toxic environment he creates outweigh the value he brings?" Grote asks.

It is a tough question. Company leaders have "to make a choice. What's more important—delivering results or having a good culture?" Wilson says. "If a company wants to maintain a good culture, it cannot tolerate inconsistent behavior, especially if it is tolerating that person because he is the highest producer. At the end of the day, what do we stand for? What do we tolerate? What do we call people out on? About what are we willing to say, 'That's not how we do things around here?'"

The consequence of tolerating misbehavior is illustrated by a rude manager at a distribution warehouse who would ignore employees who had work-related questions while he talked football with another supervisor. "You can imagine how co-workers felt about this person," Wilson says. "The company tolerated this manager, and it became a huge drain on that organization. What you tolerate, you teach."

### Lead by Example

"Hold everyone accountable to the same behaviors and standards so the process is viewed as fair and consistent," Pellet says. "Ensure that the leadership is living the values and leading by example. Many organizations fall short of holding their top leaders accountable for living the values, so the employees see the values as incongruent—or even a joke."

Bigler agrees. "We hold our leaders to an even higher standard than our employees," he says. "I cannot have a bad day. I can't have a day where I am disrespectful to an employee. It starts with us leaders. We're not going to be perfect, but I have to be accountable and admit I made a mistake." And slip-ups must be few and far between.

"Leaders have to consistently walk the talk," he concludes. ■