



## 15. Make behaviour part of employee assessment

### Challenge

The element of behaviour is not a self-evident factor in the assessment of employees within many organizations. The challenge is to convince Management and HR not only to assess employees annually on WHAT (which goals and how much), but also on the question OF HOW those goals have been achieved. The reason: just continuing to say that Compliance or integrity is important ('exemplary integrity') is not credible enough. If the manager does not talk about it at the (annual) assessments and it does not play a role in the amount of any bonuses, salary increases or promotions or ever in the assessment of the performance of the employee, then there is a risk that the organization sends out conflicting signals: "Compliance is important, but not so important that it affects your salary, bonus and / or (continuation of your) career here."

In practice, the challenge for Compliance is to seek cooperation with HR. Compliance can help to embed behavioural elements in the assessment methodology.

HR also needs to pay attention to the HOW question in assessments (how targets have been achieved). If HR does not pay attention to this, HR can hopefully be convinced from above (CEO/CFO), sometimes via the Audit Committee of the Supervisory Board. If it is not possible to convince HR and employees are therefore only judged on the WHAT, but exemplary behavior and compliance with the core values are insufficiently 'rewarded', then that could hurt the credibility of the compliance program. Employees then could conclude: "HOW is apparently not as important as HOW MANY goals have been achieved."

Management must also be convinced, or become convinced, of the necessity of this approach. In the background, the tone at the top also plays a role: if a manager sees that higher ranking managers sometimes do not show honest exemplary behavior, why would he / she?. However, if he or she sees that senior executives also judge their direct reports on behaviour, then the messages are congruent and people begin to become convinced that it is really important.

It can be quite a challenge to formulate clear and concrete Key Performance Indicators (KPIs) in the field of behaviour. The intention is that senior management supports the KPI's, so that they are widely supported and lived through. A KPI on behavioural characteristics clarifies what is expected of a team member. In this way, you also force management to think in advance about desired behavioural aspects that must be met.



## Solution

Formulating KPIs in the field of behaviour is complex. Here are three examples of how this can still be shaped.

A first suggestion in that case is to include a KPI about the number of times people talk about integrity and (un)desired behavior – this is a so-called process KPI. If it is commonplace for behaviour to be discussed periodically, it makes the subject less sensitive and that in itself pays off.

Suggest keeping track of how often a team talks about integrity or (un)desired behaviour, and who initiated it. Offer to facilitate the conversation or to attend such a meeting if desired when the threshold for a manager to enter into the conversation is (too) high. Try to support the session with dilemmas (see the tool 21. "Organize a dilemma workshop"). A method that can be used is to ask questions to employees with an anonymous app in quiz form, such as the Yellenge app or the KPMG DilemmApp.

Experience shows that 'talking about it' is a very important start of eventually arriving at a KPI.

Since some executives don't find it so easy to guide others on behaviour, a second option is to use a 360-degree feedback tool.

With a 360-degree assessment instrument, it can be seen whether the person in question shows good exemplary behavior and has the right competencies, knows and propagates the mission, vision and core values, is transparent, is open to discussing moral dilemmas, etc. (see the 8 soft controls of Kaptein). Concrete behavioural objectives are also formulated, to which KPIs are then linked, with or without further training obligations. The score from the 360 degree assessment is part of the (annual) assessment of managers.

For example, in the case of behavioral objectives and Key Performance Indicators, also consider the following questions: (1) is the manager seen by the employees as the good example, (2) the manager regularly pays attention to integrity dilemmas, (3) employees feel heard and dare to share with him / her their (ethical) concerns and business dilemmas, (4) he / she is accountable for ethical choices, (5) does the manager also assess his/her own employees on their behaviour, or only on hard targets?

Given the scale and complexity of these challenges, this approach is often initially limited to the 3 to 4 top layers of managers of the organization. After good experiences have been gained with this, this could be rolled out further.



More can be expected from employees in a higher salary scale in this area and a growth path can be agreed with them. In the case of less good exemplary behavior or even unethical behavior, there is a whole range of possibilities to discourage or even 'punish' this. See tool 32. "Disciplinary measures".

A third possibility is the following. If an organization has formulated values, employees can also be judged on the basis of the behaviour they exhibit with regard to these values. Often one of the values is 'we act with integrity'. Below is an example of types of behaviour on a scale of 1-5 in terms of integrity. Management is expected to behave in scales 4/5. Employees who show this behaviour are more likely to be eligible for a promotion and/or a salary increase.

The types of behavior are:

1. Performs his or her duties to the best of his or her ability. Treats everyone with respect and embraces diversity. Follows the code of conduct and policies and addresses behaviour that deviates from this. Contributes to our organisation acting in a compliant and ethical manner;
2. Is reliable and respectful, trusts and respects other employees. Identifies behaviour that deviates from the code of conduct and discusses this with colleagues and/or management. Encourages others to do the right thing and contributes to an open and safe work environment;
3. Driving force behind the creation of teams that mutually respect each other and propagate the values of our organization in words and deeds. Accepts his or her responsibilities, and tries to solve deviant behaviour and correct it where necessary;
4. Provides an environment where high standards of conduct and compliance apply. Encourages open dialogue and, if necessary, the use of the speak-up procedure, facilitates compliance training and dilemma sessions. Acts as a role model in the field of Corporate Social Responsibility/ESG. Proposes improvements in policies and procedures;
5. Actively promotes our values and the importance of ethical conduct and personal integrity. Focuses on solutions. Encourages other employees to do the same and to show compliant and ethical behavior. Is an example of good behavior, also in situations where a lot changes or in crisis situations. Tries to find the right way when there are dilemmas and a gray area. Creates a culture of mutual trust and respect. Stimulates and initiates Corporate Social Responsibility/ESG.

In the assessment cycle, the employee should then initially indicate with concrete examples when he or she has shown which behaviour. This is then discussed with the manager. Often, anonymous surveys are also organized for senior management in which peers, subordinates and the manager of the relevant manager are asked for input (a so-called 360-degree assessment on specific behavioural characteristics, as described above in the topic KPIs).



Give HR the time to grow towards such a methodology within 1 to 2 years, support it and remain tenacious. Agree on a plan of action including deadlines, meetings and (final) results and consult other organizations that have already implemented such a system, such as Heineken and Philips. Convince management (the Board of Directors) that this should be a priority (worldwide), because otherwise the compliance approach will ultimately not be credible.

### **Actors**

- Board of Directors/Senior Management
- Middle management
- Supervisory Board
- Hr
- Compliance

### **Techniques**

Assessing people on exemplary behaviour, creating and implementing open door policies (if necessary). Trusting, honest, and respectful in practice and proving to be the epitome of responsible business conduct. Creating a safe environment where difficult and sensitive business dilemmas can be discussed and the manager himself/herself is accountable for his/her choices. Organize a 360 degree assessment and make it digestible. Highlighting good behaviour, e.g. by publishing about it on the intranet. Bad behaviour (in anonymized form) ditto. Organise further training to teach or improve certain competences. Organising workshops to clarify the consequences of good and bad exemplary behaviour.

### **Role Compliance Professional**

The Compliance Professional is the 'sower', who will have to generate a lot of support from supervisory directors and management, and then from HR, because this is a major challenge for the entire organization.