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Paying people to live your values?

There are better ways to get your people to things 'the right way.'

Stop pouring money into bonus, ratings and compliance.

If you want people to do things the right way you're much more likely to get the outcomes you want if you invest in clarity, connection, and daily reinforcements.

It's about creating the conditions for people doing the right things the right way, so they do it because it's easy and rewarding for them.

Getting people to do things right

Let me tell you about a client I worked with and whose approach resembles what most companies do to get people to live their values.

This was a very successful, global company that was looking to significantly grow their revenues - and fast.

One question came up that was particularly important – *how can we ensure that our values and culture aren't diluted as we grow?*

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What they decided to do was to tie compliance with their values to bonus payouts; make a 1 - 5 values rating in their appraisal system and use that to ensure that people who excelled in the values would be rewarded more than the ones who didn't.

The results: almost everyone was rated a 5.

The impact on how their values were lived? Who knows.

They then did what most companies do when people don't comply – enforce more compliance, rigor, and forced calibration next year. The results:: a nicer bell curve.

The impact on how their values were lived? None the wiser.

In year three, they made the decision to drop it all together. What happened? There has been absolutely no measurable impact on how their values have been lived since.

The problem with how most companies do this

In my experience, there are a few things many companies get wrong:

We enforce behaviors instead of inspiring them

People don't do things because a poster tells them to.

Most companies direct people's ways of working through values and competency frameworks and yes, they can provide a clear(er) answer for 'what behaviors would we like to see more of?'

What is challenging is not these frameworks but how many companies apply them. Most frameworks are too complex; not research-based; impossible to live up to, and too rigid to a point where they aren't used and therefore don't impact any behaviors. They end up as posters and stay there.

Paying for people to do things the right way is ineffective and expensive

Of course, pay and bonuses influence what people do and how they do it, especially in roles whose outcomes are tangible.

It's just a very ineffective and expensive way to do it and not the place to focus your efforts if you're looking to influence people's behaviors. Two things: 1) If you want to pay people, you firstly want to ensure you have a mechanism to ensure people are paid fairly. That's not possible with subjective ratings, and 2) bonuses for living the values are delayed and not paid the moment people behave the right way. That means their effect as a regulator of behavior is minimal.

Ratings and appraisals don't drive behaviors

Appraising and rating how people have behaved in the past has almost no influence on people's daily behaviors throughout the year and even less on their future behaviors.

At best, ratings is experienced as a consequence of how people have behaved throughout the year, but they are ineffective behavioral nudges because – just like delayed pay - they don't occur immediately, and because they rely on something impossible to human beings: a person objectively assessing another person's behavior.

They aren't objective and far from fair.

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They never matter to our people

A lot of people can recite their company's values. They see the posters.

The issue they have only related to them on a logical and not an emotional level, where the values mean something personal to them.

Why it's important

Is it important that we focus on 'the how', you may ask?

Well, only sometimes it seems.

Peter Capelli's written a brilliant paper on how appraisals have evolved over time and not least looked into how companies' focus has shifted from outcomes/results only, to how these are achieved – 'the how'. It's gone back and forth over the years.

Another reason this is important is to be able to manage and reduce toxic behaviors. There are so many stories about high-performers whose behaviors are not ideal. It keeps happening to this day and is so widespread that there's a name for it: 'the asshole effect'.

Harvard Business School even has a famous case study on this – the Michael Patterson case.

Being clear on what behaviors you want and value, and which you don't, is a prerequisite if you ever want to address undesirable behaviors.

And lastly, on a personal level, have you ever tried to be in an environment where you didn't know what was expected of you?

Where you didn't know whether you lived up to expectations?

Whether you fit in?

It's one of the most stressful things. Stress may be a motivator to get people to perform, but it's not the most effective and it's not sustainable.

If you want people to be and perform their best, you have to also address 'the how' so people don't have to guess what's expected.

What works better?

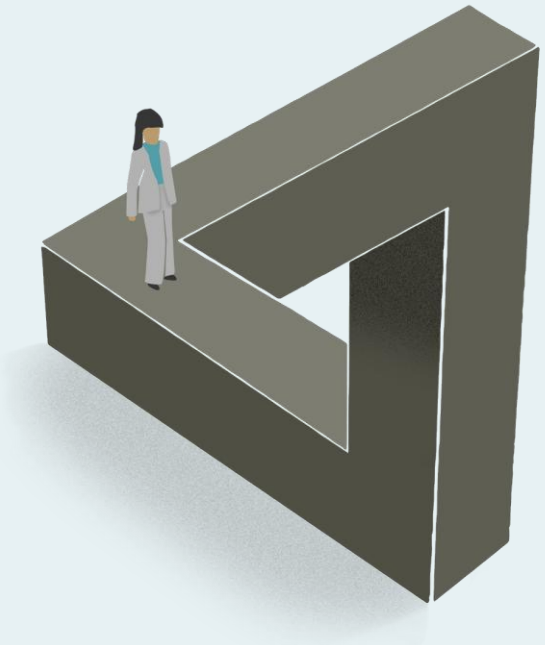
Here are a few things that are more effective than 1) just telling people what to do or 2) getting people to do things the right way by paying them for it. It's about making your values matter to people in their day-to-day.

This is about norms and habits, not events

What you really want is that each person uses your values in their day-to-day.

To get there, you have to first help people make sense of the values - what they mean for people in their context, why they will help – and then that people get to reflect on their behaviors and get feedback.

Relevant, immediate, and frequent feedback is key.



This is where you should focus your design. The easiest way is to ensure you answer a few, simple questions before you start the design:

- How do we make it easy for our people to live your values and do things the right way?
- How do we provide people with feedback to help them better live our values?

- How can teams and peers help in this connection to provide feedback and hold colleagues accountable for their behaviors?

Tell people what you value, not what the right behavior is

Instead of telling people exactly how you want them to behave, tell them what you value.

What success would look like in your view, and why. Explore what it means for people in their specific context and help people find out the best way for them to live up to it.

Don't tell people how to do things your way, because that's exactly what that is – something that works for you. That's not the same as it will also work for other people.

Make people relate to your values emotionally

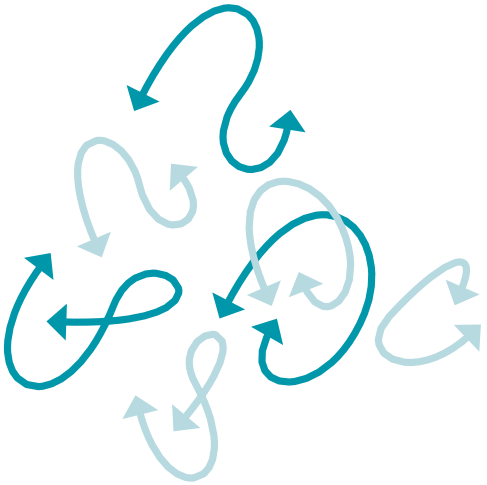
One key initiative to make your values come alive is to give people feedback on how they live your values.

Not as a test or measure of compliance but to help people raise their self-awareness and enable more focused conversations.

Often, a 360-degree survey can help; they force people to relate to your values and the feedback they get – which is what brings about the emotional connection with your values.

They become personal to people. 360s that link to your values or competencies have the added value that they help build a common language as raters are forced to relate to each value to be able to assess them.

One thing to never do: ensure you don't tie your 360s with pay outcomes.



Catch people doing something right

We need to shift our focus from appraising to enabling people.

If what you want are people behaving 'the right way', then you need to find a way to continuously give them immediate, positive reinforcements.

This means you must focus on making it easy for people to do things right and easy for leaders and peers to catch people doing something right - 'Yes, that! That's exactly what I mean! How can I help you do more of that?' It's about building daily habits, not events.

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Role model

I often hear that middle managers are the issue. In many contexts including this one, the issue, however, starts somewhere else – at the top.

You can have all the values statements in the world, but that won't matter unless your senior leaders role model them. Start by helping your senior leaders live your values and only roll them out to the remaining organization when people have started to notice that the senior leaders have started to change their behaviors and are taking their own development seriously.

Few companies do this, however, but it does happen: a large industrial company delayed the roll-out of their refreshed values because the CEO realized he had to role model and address the fact that one of his executives wasn't living the values.

It was only until the executive had been let go and the executives started to visibly live the values that the rest of the organization got introduced to them.

So, to recap:

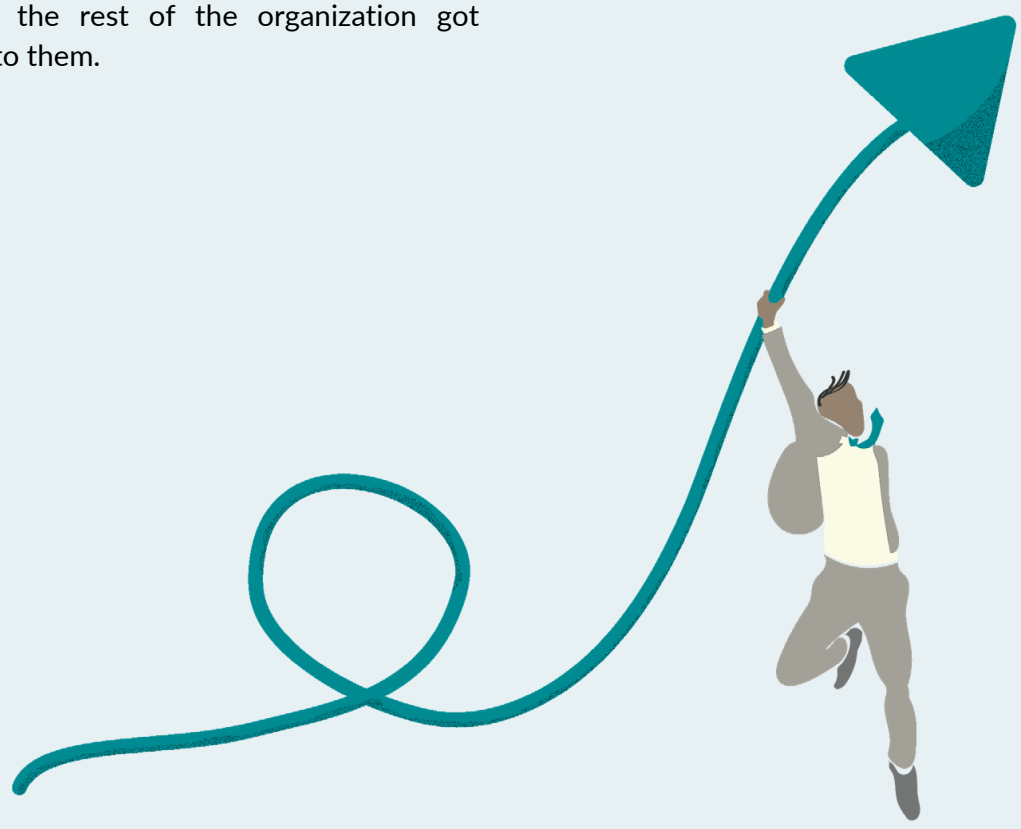
If you want your people to perform, you have to do only two things:

1) Find a way to define what 'the right way' is in a way that's meaningful to people.

2) Provide people with frequent and immediate feedback, and especially when they do things right.

If people don't live your values, no money will ever make them do it.

Worse still, imagine they only do it for the money...



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