

# Performance with Integrity

## Linking Performance to Values: A Toolkit

CITY  
VALUES  
FORUM



 **City HR**  
Association



## Performance with Integrity

“All organisations by their nature have a focus on the performance of their people. This incisive toolkit explains how organisations can drive performance whilst managing the dilemmas that are natural products of a performance-driven organisation.

Organisational culture is frequently described as, ‘the way we do things’; this toolkit helps the organisation ensure that the way things are done, are values-based.”

Robert Potter  
Chair, City HR Association  
Group Head of HR at Jardine Lloyd Thompson

“Linking people and performance to integrity and values is a critical step in embedding organisational culture and standards.

I hope that the City Values Forum Gold Standard contained within this toolkit will inspire boards and management teams, first to assess progress and subsequently to work to achieve ‘values-led’ status for their business.”

Richard Sermon MBE  
Chairman  
City Values Forum

## INTRODUCTION



The City Values Forum, in conjunction with the City HR Association, has been working with organisations in the financial services sector and the wider City community to identify those vital leadership and human resource initiatives that strengthen integrity and trust, specifically through improving business culture and individual behaviour.

The financial services sector has been under increasing scrutiny and subject to criticism since the banking crisis in 2008. The City Values Forum was established in 2011 to deliver the recommendations of the Lord Mayor's Initiative 2010/11 aimed at 'Restoring Trust in the City'. Since then, extensive work has been undertaken, in conjunction with financial institutions of all sizes and disciplines. The overall aim is to develop a series of interventions which may assist City organisations to re-build trust with clients, employees and the wider business and social community.

This toolkit entitled 'Performance with Integrity' is one such intervention. Aimed at the Board – from a strategic perspective – and functions such as Human Resources – from a development and management perspective – the toolkit covers every facet of creating a values-driven culture and linking this to people and performance management.

Extensive research has been undertaken in developing this toolkit ranging from government reports and leading think-tank commentaries on the sector through to structured interviews and survey completion by financial institutions. The financial institutions that participated were from every discipline including banking, asset management, hedge funds and insurance as well as some leading blue chip companies who provided information for comparative purposes.

It was evident that many organisations have made significant in-roads on their journey to become values-led in their people and performance management, whilst others are just taking their first steps. This toolkit has therefore been structured in a way that provides a detailed overview of the journey for those getting started, whilst providing a checklist and self-evaluation tool for those at a more advanced stage.

Considerable thanks are extended to all of those who assisted during the research and consultation process. Contributors include academics, topic experts, regulatory authorities, professional associations and professional standard bodies who provided thought pieces and guidance materials. Above all, appreciation is extended to those in HR within financial services and blue chip organisations who shared their intellectual capital or allowed the publication of their case studies to assist others on their journey.

# PERFORMANCE WITH INTEGRITY

## LINKING PERFORMANCE TO VALUES: A TOOLKIT

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## ABOUT THE AUTHORS

The following individuals are gratefully acknowledged for their contribution to this Performance with Integrity Toolkit.

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### Acknowledgements

The authors gratefully acknowledge the immense expertise provided by a number of contributors to this toolkit. In particular thanks are extended to the City Values Forum; those organisations who provided case studies; the City HR Association Benchmarking Participants who authorised the use of values related data within this publication; and the 25 organisations who provided structured interview responses. Many of these individuals are listed on page 97 of this toolkit.

The authors have done their utmost to reference the published works referred to by individuals, leading academics, professional bodies, management consultants, the regulator and press reports and any errors or omissions are unintentional and will be included in future revisions of this guide.

### Legal Waiver

This publication has been developed by the City HR Association to assist organisations in the development of performance linked corporate values. As each organisation will need to operate in the context of its business, its regulator, its professional standards bodies and prevailing legislation it is recommended that independent legal or professional advice is sought as part of the overall implementation process. No reliance should be placed on this single document.

## EXECUTIVE SUMMARY

“An effective board develops and promotes its collective vision of the company’s purpose, its culture, its values and the behaviours it wishes to promote in conducting its business”

Financial Reporting Council, Guide on Board Effectiveness, 2011

### Background

The financial services sector in the UK is a major creator of value. According to a major report in 2013, it contributes 9.6% of UK GDP and, with a contribution of £63 billion in 2011/12, accounts for 11.6% of UK tax receipts. It is one of the largest export industries in the UK with a £47.2 billion trade surplus in 2011, larger than any other sector.<sup>1</sup>

However, surveys such as the Edelman 2013 Global Trust Barometer<sup>2</sup> show that trust in the banks and other financial services providers has been eroded since the crisis in 2008, leading to a lack of understanding in the wider community of just how important this sector is to the performance of the UK economy.

The financial services sector has come under intense scrutiny from the government, policy makers, regulators and investors as evidenced by a number of reports and investigations, as well as by the media and general public. Recent reports include the Parliamentary Commission on Banking Standards<sup>3</sup>, the Salz Review<sup>4</sup> and the Walker Report<sup>5</sup>, alongside major governance guidelines emanating from the Financial Reporting Council’s Guide on Board Effectiveness<sup>6</sup> and the Association of British Insurers<sup>7</sup>. Whilst each report makes its own recommendations, all place high value on ensuring that the right culture prevails within the organisation. One recurring theme is the need for change in that:-

- Organisations should address the internal failures which have led to financial or reputational loss, and for some, also incurred heavy fines.
- Organisations should be seen to respond to the concerns of their stakeholders and the wider community.

Change is therefore essential if the sector is to be respected and supported as a major deliverer of sustainable value to the UK economy as a whole.

### About the Toolkit

This toolkit has been developed by the City HR Association, which represents over 170 financial institutions and Professional Service firms, to help organisations to deliver change through the alignment of individual performance and behaviours to corporate values. Developed for the City Values Forum, this publication is one of a series of interventions to help City organisations to determine the right culture, values, board oversight and people management policies that best fit their business.

For organisations that want to embark on the journey to link performance to corporate values, Sections A to D of the toolkit provides a guide. For those who are at a more advanced stage of their journey, Section D provides a checklist and self-evaluation tool by which progress can be measured.

Most importantly, whilst the government and media have placed considerable focus on the banks in terms of values, performance and reward, this toolkit has been constructed to be of equal help to all disciplines within the financial services sector.

## THE PERFORMANCE ROADMAP

### How Organisations are Preparing for Culture Change

In order to assess the level of activity being undertaken to address ethics, culture and values, the City HR Association reviewed a number of industry reports which are listed in Section E. 'References and Recommended Reading' of this toolkit. City HR also conducted structured interviews with more than 20 financial institutions across all disciplines as well as 5 leading blue chip organisations outside of the sector.

This was supplemented by the results from an HR Policies Benchmarking Survey which was completed by 52 participants comprising investment banks, corporate and retail banks, together with asset management companies. The survey explored organisational practice with regard to values, performance and reward and the headline results are contained in Section A of the toolkit.

From the data gathered, it can be seen that Boards and executive teams across the sector are actively reviewing their practices and relationships to determine the organisation's purpose, values and strategy with regard to people and risk in order to deliver sustainable performance and to rebuild trust with stakeholders.

### The Board's Role in Driving Change

According to the Financial Reporting Council's Guide on Board Effectiveness, 2011<sup>6</sup>, the Board is entirely responsible for the culture, values and behaviours associated with the conduct of its business. The tone needs to be set from the top.

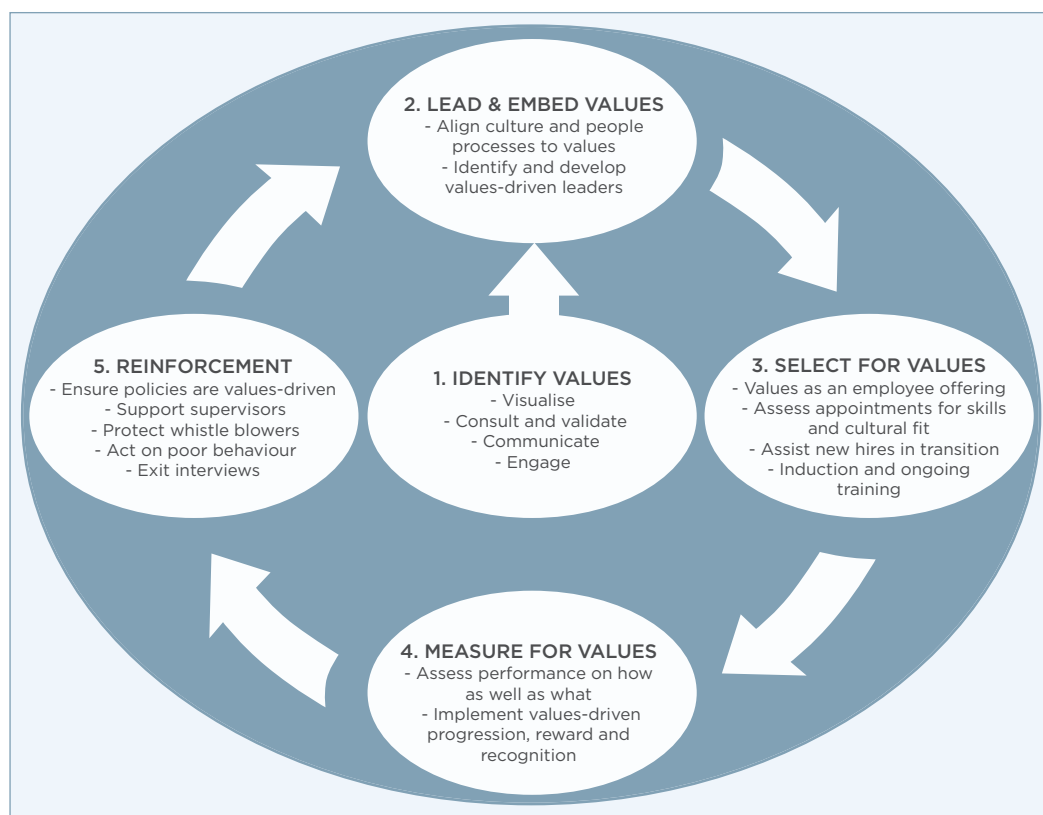
Strong leadership is critical in creating the organisation's culture, setting the right values and ensuring that performance and behaviour are measured in this context. The alignment of reward also plays a critical role, in that the linkage to performance, rewards or sanctions must be transparent. In this way both corporate and employee expectations can be aligned.

It could be argued that the Board sets the strategy and maintains oversight whilst functions such as Human Resources are responsible for the development and management of the underlying people processes. This toolkit has therefore been designed to assist with both the strategic and management elements of aligning performance to values.

### Linking Performance to Values – The Performance Roadmap

The Performance Roadmap overleaf (Figure 1) has been developed to help organisations navigate the process of linking individual performance to corporate values. It captures the full process of developing, communicating and embedding values within key people management activities. Of particular note is the need to incorporate a 'speak up mechanism', and to thereby protect whistleblowers, so that employees can freely express genuine concerns around malpractice or behavioural shortcomings to senior management. This is a key recommendation from the Tyrie Report<sup>3</sup>.





**Figure 1 THE PERFORMANCE ROADMAP: LINKING PERFORMANCE TO VALUES**

Above all, it is hoped that this Roadmap will prove useful to the Board, Human Resources and other relevant functions in considering how their people management processes can be aligned to corporate values, and to this end examples and case studies can be found in Sections B and C of this toolkit.

### **Aligning Values, Leadership and Performance**

There are many reasons why this is good for the business.

From an internal perspective, this is about setting corporate values and measuring individual performance. The consequent improvement in individual and company performance will lead to improved employee engagement<sup>7</sup> and customer satisfaction, enhancing the reputation of the business.

Externally, such an improvement in performance and customer satisfaction will help address the concerns of policy makers, regulators, and professional standards bodies as well as media commentators and the wider community, that institutions are fulfilling their duties with regard to corporate governance and the management of individual behaviour. Whilst Section A of this toolkit provides an in-depth overview of the 'what and who matters and why', here are some highly topical reasons to act as at August 2013:-

“For values and ethics to be engaging and significant to employees, customers and stakeholders, values must truly embody the practices that are prized by an organisation and reflect the behaviours that they recruit on, reward and encourage.”<sup>7</sup>

Business in the Community  
and the Institute of  
Leadership & Management

- The Parliamentary Commission on Banking Standards under the chairmanship of Andrew Tyrie, MP has conducted a public investigation into the behaviour of banks. Amongst the many issues that the report looks at are competition, corporate governance, regulation, performance and reward, together with sanctions, and how management of these can enhance standards and culture in banking. Furthermore, the report recommends greater protection for whistle blowers amongst many of its other key findings.
- Professional Standards Bodies, including the Chartered Institute for Securities and Investment<sup>8</sup>, Chartered Banker: Professional Standards Board<sup>9</sup> and the Institute of Business Ethics<sup>10</sup> have produced Codes of Conduct (the first two are in Appendix 3) as well as other professions such as the Chartered Insurance Institute's Aldermanbury Declaration<sup>11</sup>.
- The regulators, including the Prudential Regulation Authority and the Financial Conduct Authority, are focusing on how individuals in leadership roles impact corporate culture and desired behaviours.

Finally, it is anticipated that many City organisations and individuals will sign up to the City Obligation<sup>12</sup>, a copy of which appears in Appendix 4.

### The Business Case

Each organisation will have its own reasons for creating a values-driven culture. In light of the recent financial crisis, the majority of City organisations recognise that this is one way to restore trust with their employees, customers and wider stakeholders. The senior management team may consider that there are other benefits, including the ability to:-

- **Create a sustainable business** by negating losses incurred by individual risk-taking, inappropriate advice and poor reputation.
- **Manage people and operational risk** by building a succession pipeline of leaders and producers who behave in accordance with the organisation's ethos and who understand their personal accountability for discharging their responsibilities; also to minimise fraud and the inappropriate accounting of income and profits.
- **Operate within the rules and principles** of the regulator, corporate governance and standards set by professional bodies as well as within the law.
- **Measure the effectiveness of individual performance** against corporate values and then reward people accordingly.
- **Ensure that decisions behind individual progression and reward** are transparent, consistent and appropriately applied and understood by the employee and wider stakeholders.

Above all, many just simply believe that it is the right thing to do for the customer, employee, shareholder and society as a whole. An analysis of the benefits to the organisation and employee is contained in this toolkit in Section A.

“It is for the board of directors to articulate and senior executives to promote a culture that embeds these values from the top to the bottom of the entity. Culture is values brought to life.”<sup>14</sup>

The Group of Thirty

Professor Roger Steare<sup>13</sup> shares this philosophy when he states “One of the greatest challenges we face today are crises of ethics. What are our moral values? How do we decide what’s right and find the courage to do it? How do we display leadership with integrity? How do we nurture business and corporate cultures where doing the right thing becomes part of our organisational DNA? How do we build a fair and sustainable future for all?”

Ethics is no longer optional, it is absolutely crucial to the sustainability and success of our businesses, our public-sector services and every other institution and enterprise”.

### Developing the Right Values and Performance Framework

Each organisation has its own unique culture and the culture is shaped by the values. In a recent report entitled ‘Toward Effective Governance of Financial Institutions’ by The Group of Thirty<sup>14</sup> (G30) great emphasis was placed on the role of the board in articulating culture and on the senior management team in promoting and embedding the associated values. In terms of defining the right values, the G30 suggest that “Honesty, integrity, proper motivations, independence of thought, respect for the ideas of others, openness/transparency, the courage to speakout and act, and trust are the bedrock values of effective governance”.

Not all of the values suggested by the G30 will be used but rather a combination that fits the ethos and business of the organisation. Section B of the toolkit provides examples of values in Figure 4, and the underlying behaviours which support these values.

The extent to which the values are lived can be measured in a number of ways, but perhaps the two most common are employee surveys and the employee performance appraisal. Section B suggests a number of questions that the Board, HR or independently appointed consultants might like to include in an employee survey regarding values and the extent to which these are communicated, understood and lived within the organisation. Most organisations have a well defined performance management scheme. However, for some organisations it might be prudent to re-examine the appraisal format and content to see whether the linkage of individual performance to the values is explicit.

Just as crucial is that the performance management scheme is fair and transparent, and that the employee understands the impact that values and behaviour will have on their overall rating and subsequent reward. Section B and C and Appendix 1 provide some guidance in the design and content of appraisals and how to link behaviour to reward.

### Key Findings and Conclusion

The research for this Performance with Integrity toolkit shows that there is a growing consensus within the financial services sector that:-

- Values play an important role in defining the culture of the business
- Linking people and performance management to values is a key step to creating a values-driven business

- Getting organisational culture right is “not only the right thing to do” but is essential for:
  - i) the engagement, performance management, reward and succession planning of employees;
  - ii) restoring the trust of all stakeholders including customers and investors
  - iii) providing a positive response to concerns expressed by the Government, regulators, professional standards bodies and the public at large.

It is also clear that organisations are at varying stages of their journey. As such, it is hoped that the tools provided throughout this publication will prove useful in stimulating the right culture and people policies within City institutions.

These are challenging times for the Financial Services Sector, irrespective of the discipline in which the organisation operates. This toolkit does not seek to prescribe the values, performance management and reward regime within organisations but merely to assist with the points to consider, the business case and potential frameworks alongside a Performance Roadmap for embarking on the journey.

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## References:

- <sup>1</sup> TheCityUK, Economic Contribution of Financial and Professional Services 2012 (Jan 2013)
- <sup>2</sup> The Edelman Global Trust Barometer (2013) - [www.edelman.com](http://www.edelman.com)
- <sup>3</sup> Parliamentary Commission on Banking Standards (2013) - 'Tyrie Report'
- <sup>4</sup> Salz Review, An Independent Review of Barclays' Business Practice (2013)
- <sup>5</sup> Sir David Walker, A Review of Corporate Governance in UK Banks and Other Financial Industry Entities – Final Recommendations (2009)
- <sup>6</sup> Financial Reporting Council's Guide on Board Effectiveness (2011)
- <sup>7</sup> Association of British Insurers, Report on Board Effectiveness (2012)
- <sup>8</sup> Chartered Institute for Securities and Investment
- <sup>9</sup> Chartered Banker: Professional Standards Board
- <sup>10</sup> Institute of Business Ethics
- <sup>11</sup> Chartered Insurance Institute's Aldermanbury Declaration
- <sup>12</sup> The City Obligation - see Appendix 4
- <sup>13</sup> Professor Roger Steare: Ethicability: (n) How to Decide What's Right and Find the Courage to Do It (2013)
- <sup>14</sup> The Group of Thirty, Toward Effective Governance of Financial Institutions – [www.group30.org](http://www.group30.org)

## SECTION A: THE RATIONALE FOR PERFORMANCE LINKED TO VALUES

In this section, the key themes explored are:

- The rationale for linking performance to values
- How organisations are preparing for culture change
- The importance of securing Board engagement
- Internal and external influences on culture and values
- Getting started

“ The key drivers of culture at a firm.. include:

- setting the tone from the top;
- translating this into easily understood business practices; and
- supporting the right behaviours through performance management, employee development, and reinforcing through reward programmes. ”

Clive Adamson, Director of Supervision, Financial Conduct Authority  
Reference [www.fca.org.uk/news/regulation-professionalism](http://www.fca.org.uk/news/regulation-professionalism) speech  
on 19th April 2013.





## CHAPTER 1 SETTING OUT THE BUSINESS CASE

### ABOUT THE JOURNEY

The aim of this section is to help organisations to complete their journey to become a values-led enterprise. Whilst the Board will want to set the tone for the organisation's culture and strategy for the underlying people management processes, it is likely that Human Resources and other functions (such as Risk and Compliance) will be the custodians of the design and management of these initiatives.

In order to commence the journey, there will need to be a commitment from the top and this may require a Business Case Analysis or Board Discussion Paper to set this in motion. To this end, this section of the toolkit explores:-

- The rationale for being a values-driven business, and in-so-doing, linking performance to corporate values.
- The benefits to the organisation and the employee.
- What other organisations are doing in this respect.

From this information, the business case can then be developed in accordance with the key drivers of each unique organisation.

### How to Use the Toolkit

In the Introduction to this publication, it was noted that a dual approach has been taken to the structure of the toolkit. This is because many organisations have already made significant in-roads in their journey to becoming a values led business, whilst others are just taking their first steps. The toolkit has been structured in a way that provides a detailed overview of every stage of the journey for those getting started, whilst providing benchmarking data, a checklist and self-evaluation tool for those at a more advanced stage.

The toolkit therefore contains the following:-

#### For those getting started:

- A message to the Board as to why consideration should be given to a values-led enterprise in the overall business model in the Executive Summary;
- A Performance Roadmap on how to navigate the process in the Executive Summary;
- The Business Case for adopting such a programme in this Section A;
- Guidance notes, templates, examples and case studies for those starting out in Sections B and C and in the Appendices.

#### For those already on the journey:

- Benchmarking data on the philosophy and progress being made in financial institutions in this Section A;
- The Agenda for Change: Critical Questions for Performance with Integrity at the end of Section D;
- The Gold Standard for Performance with Integrity which it is hoped organisations will strive to achieve. This serves as both a checklist and a self evaluation tool and can be found in Section D.

## **BUILDING THE BUSINESS CASE**

The Executive Summary identified the main points that the business case could address. However, given that every organisation is different, and also the fact that board members may think differently, some of the points below may merit consideration, such as the:

- Desire of the leaders to enhance organisational culture by becoming a values led business
- Desire of stakeholders to see an enhancement to organisational culture as a way of remedying the perceived lack of standards within banking and the wider financial services sector
- The organisation's 'Licence to Operate'
- Views of the Government, Regulators, Professional Standards Bodies and other important commentators
- Benefits to the organisation and the employee through making the individual aware of the organisation's values and their own personal accountability
- Progress being made by competitors.

### **Desire of the leadership**

Many organisations are currently assessing their culture to ensure that it encourages performance linked to defined values and standards in order to meet the expectations of all stakeholders. The full range of activities that organisations may consider are contained in Sections B and C of this toolkit.

### **Desire of stakeholders**

Each organisation will have its own reasons and solutions for delivering stakeholder expectations, in accordance with its business model. Many of these reasons have already been addressed in the Executive Summary under 'The Business Case'. Other more explicit reasons for satisfying stakeholders can be seen later in this section under Figure 3.

### **Licence to Operate**

The term 'Licence to Operate' has been around for 15 years but has recently become a part of corporate speak as organisations recognise that they are accountable not only to their employees, customers and shareholders but also to the communities in which they operate.

There are number of definitions for the Licence to Operate, but the one that best summarises the essence of this toolkit is as follows:-

"In standard business terms any organisation's Licence to Operate depends on a multitude of stakeholders. In relatively stable governed areas, top of that list has traditionally been the government in power, be it democratically elected or otherwise. The other various forces at play include political opinion, the media, industry reputation, pressure groups, public opinion, regulations, industry standards and the widespread attitudes of consumers, consumers themselves, suppliers, investors and communities. Common to all the stakeholders, all of whom possess a degree of influence on those forces, is the fact that they affect or can be affected by an organisation's actions." This definition can be attributed to Albany Partners, 'Today's Corporate Issues in Challenging Environments', April 2013.<sup>15</sup>

The researchers have developed their own 'Social Licence Model' (Figure 2) which depicts many of the key principles of the Licence to Operate and sets this in the context of financial services, whilst equally recognising this model may have a universal application across all industries.



Figure 2 A SOCIAL LICENCE MODEL

This model shows the range of stakeholders who have an influence on the organisation and its business. Conversely, these same stakeholders are affected by the organisation's activities and the way that these are discharged through its employees and representatives. For these reasons alone it is important that organisations establish explicit values and behaviours which meet its ethical obligations to these stakeholders. Furthermore, whilst it is recognised that the leadership has a critical role to play in embedding the organisation's values, there is also an equal responsibility on the part of individual employees - and organisational representatives - to fulfil these obligations. A later section of this chapter explores the mutual benefits to the organisation and the employee in adopting this approach.

Naturally, corporate governance plays a significant role in setting the framework for the organisation's values and ethics, and this is addressed by the City Values Forum 'Governing Values' guide which has been produced by Tomorrow's Company. Please refer to Page 97 for further details.

In building the business case to the Board it would be prudent to consider the question: who are your stakeholders? The task of setting values may be aided by knowing the core requirements of the specific regulator(s), professional standards body(ies) and also statutes with regard to corporate governance, legislation and EU Directives and how these align to the business.

Samples of Codes of Conduct have been provided in the Appendix 3 and these relate to the Lord George Principles as endorsed and adopted by the Chartered Institute for Securities and Investment (CISI). Also included is the Chartered Banker: Professional Standards Board code which is supported by 8 leading banks employing over 350,000 staff.

In addition to their Code of Conduct, the Chartered Banker: Professional Standards Board has developed detailed professional standards which describe how the values, attitudes and behaviours in the Code should be evidenced in bankers' day-to-day activities. By Autumn 2013, 70,000 UK bankers have achieved the first level, which is the Foundation Standard.

More generically, the recently developed 'City Obligation' has also been included in Appendix 4. This can be utilised by individuals on joining an organisation or can be adopted alongside the organisation's core values. One important feature of the City Obligation is that it can be used to embed values in a number of people management processes. For instance, the City Obligation can form part of the 'on-boarding process' as part of the starter's pack or induction process. It could also be used by individuals to re-affirm their commitment to ethical behaviour by signing the obligation as part of their annual appraisal. Another generic source that could be considered is the standards set by the Institute of Business Ethics.

These examples should be viewed as illustrations and are not meant to be exhaustive.

### **The benefits to the organisation and employee**

To help organisations to consider the benefits of being a values led culture, Figure 3 provides a summary of activities which may contribute to the business case from both an organisational and people management perspective.



Figure 3 VALUES-DRIVEN PERFORMANCE – THE BUSINESS CASE

BENEFITS TO THE ORGANISATION	BENEFITS TO THE EMPLOYEE
<p><b>It is the right thing to do</b> for the customer, employee, shareholder and society as a whole.</p>	<p><b>It provides a conduct framework</b> from the leadership on how to deploy everyday dealings with all stakeholders.</p>
<p><b>It creates a sustainable business</b></p> <p>It defines the nature of the business offering – the value the business will create and how it will create it.</p> <p>It enables leaders to engage the entire workforce in a shared definition of success.</p> <p>It ensures that people management policies are aligned with corporate values, delivering the right talent with the right motivation at the right time.</p> <p>It assists with the identification and management of risk, ensuring that all within the organisation understand and hold themselves personally accountable for discharging their responsibilities regarding corporate governance and any regulatory and professional obligations.</p>	<p>It clearly articulates the value which the organisation creates and gives the employee reasons to be proud of their contribution to that value creation.</p> <p>It gives clear direction on what the organisation requires of each employee in terms of behaviour and personal ethics.</p> <p>It facilitates the establishment of a supportive culture and provides the employee with quality leadership.</p> <p>It demonstrates the organisation's commitment to addressing dysfunctional and risky behaviours by providing the employee with practical, supportive and well communicated ways of bringing such behaviour to the attention of management.</p>
<p><b>It enables the business to engage with the wider community</b></p> <p>It enables the organisation to address the demands of all stakeholders, explaining the value it delivers in a compelling and readily accessible way.</p> <p>It demonstrates commitment to ensuring that those appointed to key roles demonstrate the highest standards in what they do and how they do it.</p>	<p>It assists the individual to live the corporate values and to meet the expectations of all stakeholders.</p> <p>It supports the efforts of the employee to achieve professional recognition, promotes continuous professional development and provides a platform to succession planning.</p>
<p><b>It enhances the talent management process</b></p> <p>It signifies a commitment to supporting employees as they aspire to the exacting standards required to achieve professional status and builds the talent and succession pipeline around those who achieve these standards.</p> <p>It sets the framework for linking values to performance and reward.</p>	<p>It enables the employee to identify the competences he/she must demonstrate to progress and provides the employee from the point of hire and thereafter with the support to do so.</p> <p>It gives the employee confidence that the key people management processes which impact his/her career – performance rating, progression and reward – are honest, transparent and consistently applied.</p>
<p><b>It is the mechanism for defining and addressing poor behaviour</b></p> <p>It reinforces the difference between good behaviour and corporate expectation against poor behaviour and 'letting the side down'.</p> <p>It provides a mechanism for supporting line managers and supervisors to address or sanction poor behaviour.</p>	<p>It signifies to employees the difference between acceptable and unacceptable conduct and in the case of the latter, the sanctions at the organisation's disposal.</p> <p>It provides the means by which an employee can speak up to senior management against a breach of corporate values.</p>

## CHAPTER 2 HOW ORGANISATIONS ARE PREPARING FOR CULTURE CHANGE

Many Boards and executive teams across the sector are actively reviewing their practices and relationships to determine the organisation's purpose, value proposition and strategy in order to deliver sustainable performance and to rebuild trust with stakeholders.

In order to assess the level of activity being undertaken to address culture and ethics, the City HR Association conducted research on two levels as follows:

- 20 structured interviews with financial institutions across all disciplines including insurers and asset management firms – together with 5 leading household names outside of the sector and through these were able to identify some common themes, evaluate progress and publish relevant case studies which are illustrated in the text throughout this publication;
- 52 financial service firms participated in a benchmarking survey which explored the extent to which organisations had embedded values and used these to explicitly measure performance and behaviour. The key findings from this survey are depicted below.

### The progress being made in Financial Services Organisations

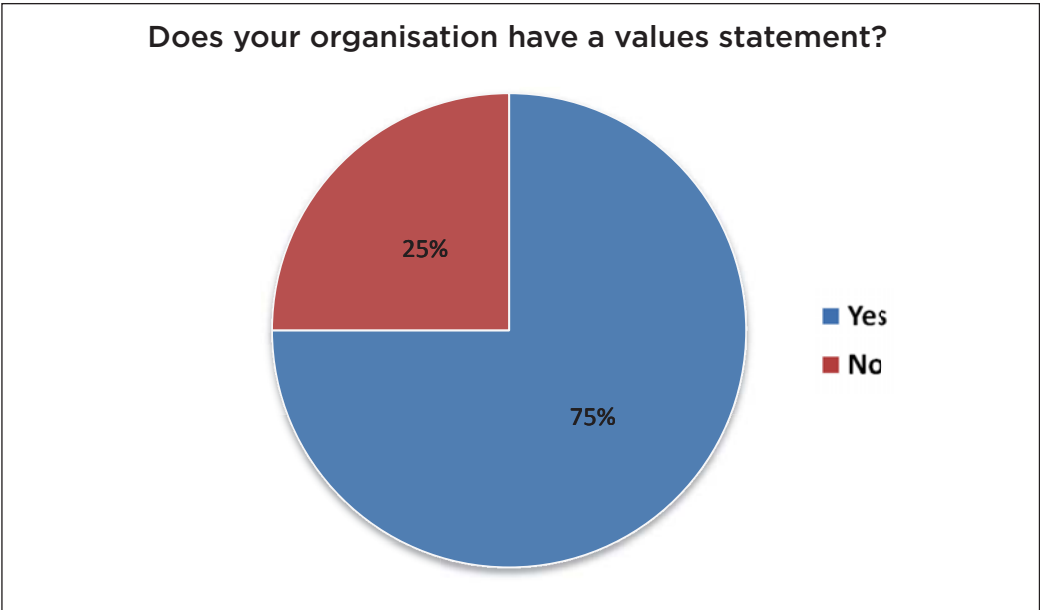
A wealth of data has been published on the topic of trust and values in the financial services sector ranging from the Edelman Trust Barometer 2013 which reflects public trust in the sector both nationally and globally through to the Chartered Institute of Personnel and Development (CIPD) employee survey June 2013. Entitled “Employee Outlook: Focus on re-building trust in the City” the report highlighted a number of employee perceptions about culture, leadership and reward within financial services and concluded:-

“Overall ... although much has been done among the UK's leading banks and financial services companies to change the way they operate, there is still much to do”.

This corroborates the findings of the City HR Association Benchmarking Survey published in March 2013 which explored the themes of values and how they are communicated, as well as the structure and content of the performance management scheme referenced to the alignment of these values.

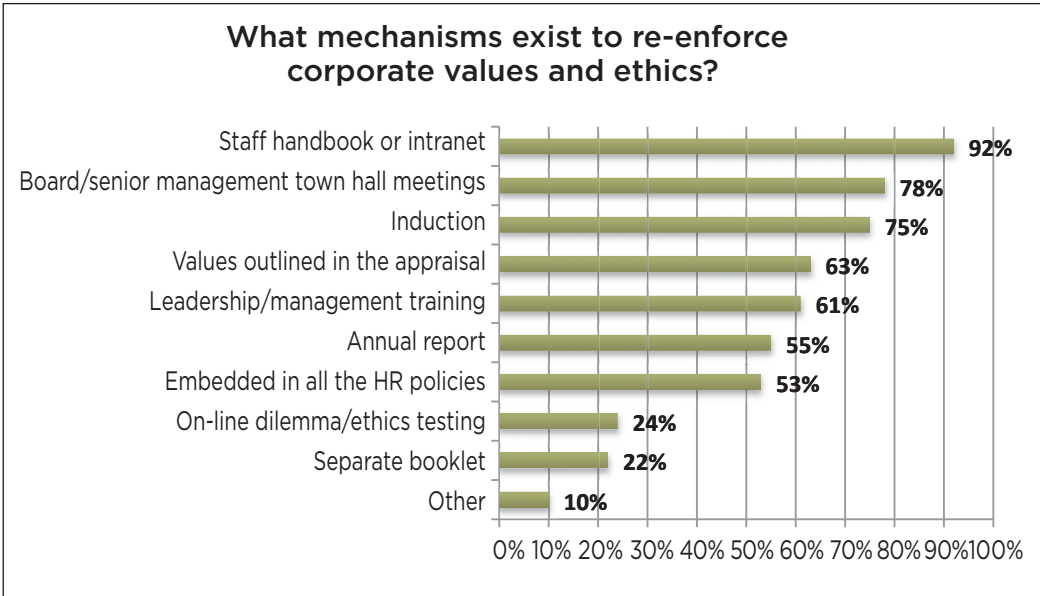
### City HR Benchmarking Data

To put the findings in context, the survey was conducted amongst 52 banks and asset management firms operating in the City of all sizes and nationality. The first issue that needed to be established was “Does your organisation have a values statement?” to which 75% responded that they did. (Graph 1 below).



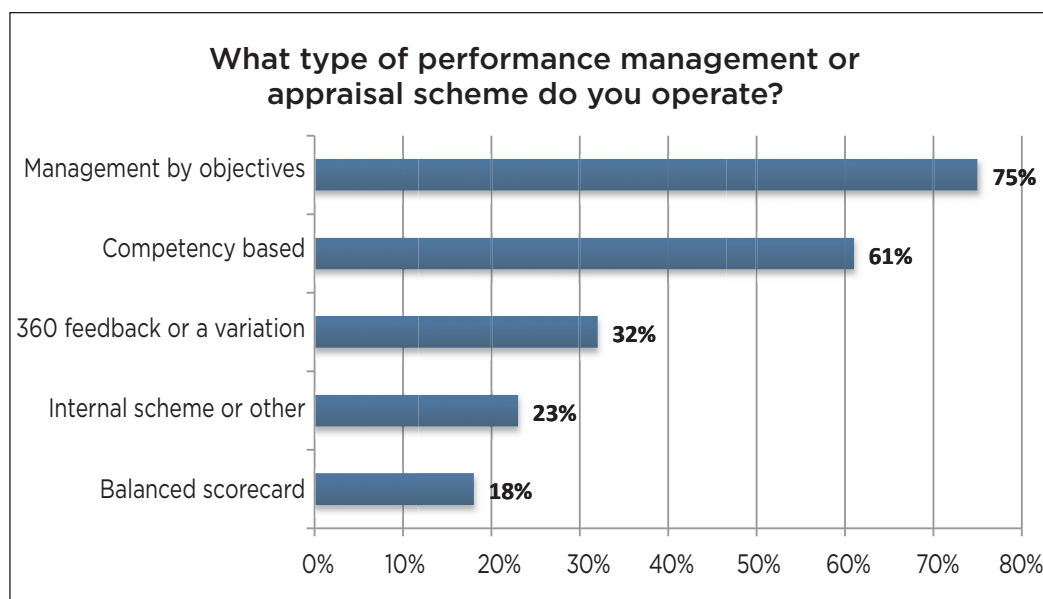
Graph 1 - 52 respondents

The questionnaire then explored how organisations communicated these values and the range of methods, used by the largest to smallest respondents, is illustrated in Graph 2 below.



Graph 2 - 52 respondents

A further point of interest was the types of performance management schemes used by City firms. A smaller population of 44 City financial organisations responded to this question and their responses are shown in Graph 3 overleaf.



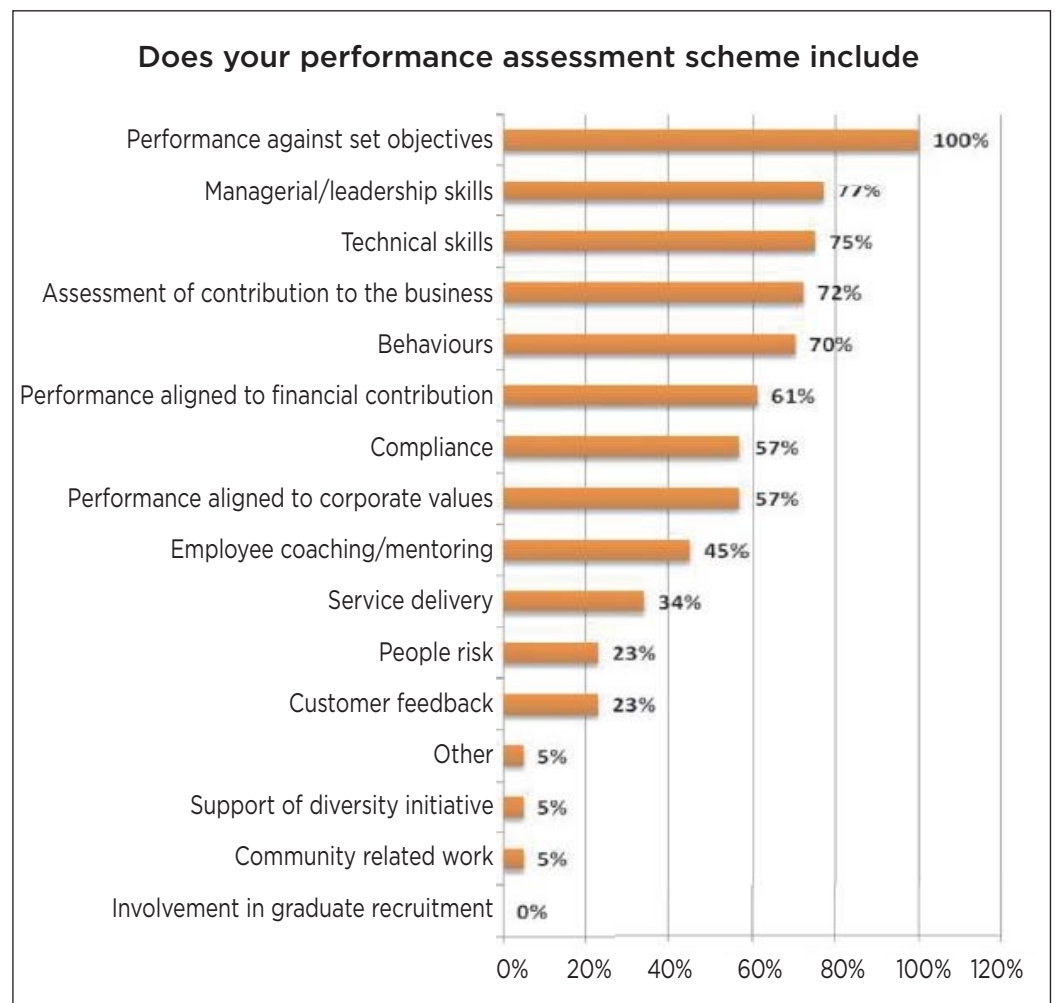
Graph 3 - 44 respondents

From graph 3 it can be seen that 75% operate an appraisal scheme based on management by objective, 61% use a competency based system and 32% use 360 degree feedback.

One question that the survey did not address was the number of organisations using on-line technology to complete the appraisal process. Anecdotally, City HR has heard of some large organisations who have developed their own on-line schemes. Verbal evidence was also given during the research stage of organisations who have purchased off-the-shelf appraisal technology. A brief analysis of the pros and cons of on-line performance management systems has been included in Appendix 2.

For organisations who require more information on the schemes 'A Guide to Setting Up an Employee Performance Appraisal Scheme' is outlined in Appendix 1 and this provides an overview of the main types of performance evaluation schemes used by firms.

Finally, it was important to know – in relation to this toolkit – what elements of performance were measured in the individual's appraisal. Once again, 44 financial institutions answered this question as shown in Graph 4 overleaf.



Graph 4 – 44 respondents

Unsurprisingly, all respondents measured performance against set objectives, with just under three-quarters measuring specific behaviours. A further 57% specifically measure performance aligned to corporate values.



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### Summary

The overall consensus is that there is a business case - and rationale - for a culture driven by values and linked to individual performance and reward, and that forward thinking organisations are already making progress in this respect.

The government has already announced its intention to strengthen standards in banking as its response is the recommendations in the Tyrie Report. The Chancellor of the Exchequer<sup>16</sup> made it clear in his Mansion House speech in June 2013 that amongst several initiatives, the government will be:-

- Introducing a tough new regime governing the behaviour of senior bank staff and new rules to promote higher standards to all banking staff and
- working with the regulators to ensure that bankers pay is aligned with their performance. This will include the length of bonus deferrals and 100% clawback of bonuses where banks receive state aid.

The survey concludes that good progress is being made by organisations in the linkage of performance to values, but – as was stated earlier within the CIPD report – there is still much to be done.

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### References:

<sup>15</sup> Albany Partners 'Today's Corporate Issues in Challenging Environments' (2013) - [www.albanyassociates.com](http://www.albanyassociates.com)

<sup>16</sup> The Right Hon. George Osborne, Response to Tyrie Report June 2013 - [www.gov.uk/government/news/government-responds-to-parliamentary-commission-on-banking-standards](http://www.gov.uk/government/news/government-responds-to-parliamentary-commission-on-banking-standards)

## SECTION B: DEFINING THE CORE VALUES FOR YOUR BUSINESS

In this section, the key themes explored are:

- Creating and embedding a values culture
- How to define your values
- The role of leaders
- How individuals can develop a moral compass

“ In current times ‘doing the right thing’ has never been more important as business leaders look to put their customers and other stakeholders at the forefront of their agenda. Extensive activity is being undertaken in all walks of life to develop a moral compass. ”

Professor Roger Steare,  
Corporate Philosopher in Residence at Cass Business School



## CHAPTER 3 CULTURE AND CORE VALUES

There is no doubt that each organisation has its own culture. The question is, therefore, how best to shape, drive and articulate that culture for the benefit of the business. Many years of academic research have been devoted to this area and it would be impossible to reflect all of it in this toolkit. With that in mind, Section E 'References and Recommended Reading' lists further resources and information.

There are, however, a few key points that should be kept in mind and can be used when speaking with organisational leaders about the importance of defining a culture of performance.

- Ravasi and Schultz (2006)<sup>17</sup> state that organisational culture is a set of shared mental assumptions that guide interpretation and action through the definition of behaviours that are appropriate in various situations.
- While myriad views of the components of and models that make up organisational culture exist, as well as how to shape and change it, it is generally accepted that the articulated culture of an organisation should be driven by the leadership of that organisation.
- In addition, it is generally accepted that a strong, positive culture can have a significant impact on an organisation's long term performance. Similarly an organisation culture weighed down by negative factors can have a significant negative impact on organisational performance.

Whatever the nature of an organisation's culture, keeping these points in mind will assist organisations as they seek to articulate their culture in order to aid the definition of values and associated performance behaviours.

### CREATING THE VALUES-DRIVEN CULTURE

#### What is corporate culture?

Put simply, organisational culture is the personality of the organisation. It is comprised of the assumptions, values, norms and tangible signs (language, products, manner of dress and address, myths, stories) of the organisation members and their behaviours.<sup>18</sup>

From their research, Professors Thompson and Luthans<sup>19</sup> determined that organisational behaviour can be defined with reference to a number of characteristics which can be summarised as follows:

- **Culture is Behaviour.** Culture is a word used to describe the behaviours that represent the general operating norms within the organisation. A culture is not good or bad but certain behaviours will promote or hinder commercial success.

A norm of accountability will promote success. A norm of spectacular client service will sell the organisation's products and engage its employees. Tolerating poor performance or exhibiting a lack of discipline to maintain established processes and systems will undermine work ethic and integrity within the organisation.

- **Culture is Learned.** People learn to perform certain behaviours through either the rewards or negative consequences that result from their behaviour. When a behaviour is perceived to be rewarded, it is repeated and eventually becomes part of the culture.
- **Culture is Transmitted Through Interaction.** Since culture equals behaviour, it is transmitted through any interaction members of the organisation will have. For example – how visitors are received, the initial response to a client expression of concern, how the telephone is answered.
- **People Shape the Culture.** Personalities and experiences of employees create the culture of an organisation. If most of the people in an organisation are outgoing, the culture is likely to be open and sociable. If there are many representations of the organisation's history and values in evidence, people value their history and culture. If doors are open and few closed door meetings are held, the culture is inclusive. If negative attitudes to supervision and the organisation are widespread and regularly articulated by employees, a culture of negativity will take hold.
- **Cultural Change is Difficult and Must be Negotiated.** One person cannot create a culture and one person cannot change it. People adopt a particular way of behaving because they have learned that it is the best way to integrate or to be left in peace, to be rewarded or not to be penalised. Consequently, any attempt to change behaviours must address this risk/reward scenario. People must be persuaded of the benefits of changing behaviour to themselves in the context of their day to day experience of work. Imposed change simply achieves surface compliance, drives management into a control mentality and employees into one best expressed as passive obedience.

## HOW TO DEFINE VALUES – 5 STEPS

The core values for the business are a small set of timeless guiding principles which have intrinsic value and importance to the organisation and its people.

- Core values define the character of a business, giving it a consistent identity which transcends economic cycles, technological breakthroughs, management theories and individual leaders. Through its core values, a business answers the questions: “who are we and why are we here”.
- A sense of shared core values holds a business together as it grows, diversifies, decentralises, expands internationally and develops a complex and diverse workforce.
- Core values provide a business with the confidence to embrace change and to innovate – to preserve core values while stimulating progress.<sup>20</sup>



Above all, core values provide employees with a framework which sets out the way the business expects them to behave and how their leaders will measure this performance. This, in turn, can lead to higher employee engagement and the development of future leaders.

### Step 1 - Visualise

Bring the leadership team together to develop a draft set of values. Ask the team to identify:

- what they want their organisation to stand for
- what makes them want to work for the business

### Step 2 - Validate

Once the leadership team has agreed a draft set of values, the employee perspective needs to be explored. This is best done through group discussions with all employees, although if the organisation is very large, discussions with representative focus groups may suffice.

Although time consuming, this step is essential as-

- Employees experience the organisation and its business from a different perspective. While the leadership team will be the drivers for success, there will be some aspects of the organisation's value creation which is only visible to those closest to the customer and transaction processing.
- These discussions will help explain to your employees why having a shared set of values is important to the business' future success.
- These discussions will allow all employees to feel that their contribution is needed for success.
- The discussions will help to identify 'early adopters' - that is employees who buy-in to the process and who will be of inestimable value in helping leadership sell the importance of values.

It may be the organisation's practice to consult with those external to it e.g. a corporate responsibility panel, in which case panel members should be given the opportunity to comment on the proposed values and desired behaviours.

Where the business is subject to regulatory or professional body stipulations, these should be taken into account when defining the values and desired behaviours.

### Step 3 - Give the values resonance

Synthesize the feedback from employees and refine the set of values. Ask the following questions:

- Is the value set succinct – has the draft list been distilled to those things that really matter?
- Is the wording of each value proposition compelling – would it be understood by everyone in the organisation, irrespective of role or status?

### **CASE STUDY - DIRECT LINE GROUP**

#### **Setting the Values and Linkage to Performance**

Ahead of separation from Royal Bank of Scotland in 2011, Direct Line Group recognised the unique opportunity afforded by launching a new corporate identity. They wanted their employees to become and stay engaged through the process of separation, and recognised that the most effective way of doing that was giving every employee the chance to be part of co-creating the new culture of the business. An employee engagement programme - 'Best' - was launched, facilitating a three-part series of workshops, led by employees, for employees, that everyone was invited to. The purpose of these was to give everyone an opportunity to say what they thought our new company should be, how it feels to work here, and what needs to change to make that a reality. After the workshops, these conversations and suggestions were continued through a new online unmoderated forum called 'Best Quest'. The input from all of these workshops was taken by an employee working group, to distill down into a final set of corporate values, which were then presented by the working group to the Executive for approval. When this was agreed, the values were launched to great success in March 2012, and have since been incorporated into key HR processes such as performance management and recruitment to ensure the culture the employees chose is reinforced and embedded in the organisation.

For performance, employees expect to be evaluated against three key criteria:-

- i) Accountabilities relating to their day job
- ii) Objectives linked to the job and also to business and the business strategy
- iii) Values and behaviours. How, and the extent to which, employees live the values

Including values as a specific criteria in the performance conversation is helping Direct Line Group embed values in day-to-day performance and strengthening the link to reward.

By this stage, the chosen values may read like a list of truisms – integrity, excellence etc. This is not a problem. Some words are so powerful that everyone responds to them and they become the foundation for building values within the organisation.

It is how these values are interpreted in the context of the business that will give the organisation its personality and distinctive voice.

- Clearly illustrate the link between the values and the fundamental purpose of the business. Help people understand that the only way for the organisation to achieve its goals is by living the values.

- Link the values to the current work of the organisation so that each employee understands what is expected of them. It is only when people clearly see how the values should affect their individual behaviour that they will understand why the values matter. Do not rush this. Follow up with individual employees to ensure their understanding.

In order to illustrate linkage between values and desired behaviours, a sample values matrix has been set out in figure 4 overleaf. This is for guidance only. It is essential that the values and associated behaviours decided upon make sense in the context of the business.

#### **Step 4 - Make the values real**

Translate the values into day to day behaviours which can be observed, tracked and measured. For example, integrity is a value which many organisations profess but always speaking the truth would be a day-to-day behaviour for this value. Excellent customer service is a value but always answering the telephone within three rings is a behaviour that exemplifies excellent client service.

Develop a set of day to day behaviours for all employees for each value. These behaviours can then be used to give relevance to people management processes such as performance management, reward and recognition.

Give thought to developing a separate set of behaviours for leadership, leadership should always be held to a higher standard than others and the set of day-to-day behaviours for leaders should reflect this higher standard. It should also be made clear that, as an essential aspect of their role, leaders should support others in living the values.

#### **Step 5 - Communicate**

The behavioural expectations associated with the values need to be communicated throughout the business. Graph 2 in section A shows how many organisations are communicating their values. Every employee needs to understand the behavioural standards for themselves and every other employee within the organisation.

- Lead from the top – have senior staff take every opportunity to talk about and demonstrate their personal adherence to the values.
- Use regular team meetings to give employees the opportunity to talk about the values and what they mean in practice.
- Be imaginative in employee communications. Bring the same flair and professionalism to this as would be applied to client and shareholder communications. Make interesting use of wall art, the intranet etc.
- Make the expression of the values all pervasive.

Figure 4 SAMPLE OF VALUES AND BEHAVIOURS

OUR VALUES	WHO WE ARE	WHAT WE DO
■ Excellence	■ We are passionate about excellence and pursue it in all that we do.	■ We focus on performance at the highest level, delivering excellent service to clients and to each other.
■ Accountability	■ We believe in our business and the value it creates for clients and the wider community.	■ We each act as an owner of our business by taking personal responsibility for decisions and delivering on commitments.
■ Teamwork	■ We are passionate about diversity and respect for the individual.	■ We work together as a team, communicating openly, sharing knowledge and expertise and working towards common goals.
■ Integrity	■ We are open and honest.	■ We are trustworthy, reliable and fair in all that we do. We are mindful of how our actions impact our stakeholders and the wider community.
■ Innovation	■ We are smart, adaptable and responsive to new ideas.	■ We seek continuous improvement, we challenge conventions and we create new solutions and opportunities.

### **CASE STUDY – MITSUBISHI UFJ SECURITIES INTERNATIONAL** **Successful re-launch of values and embedment in HR processes**

Mitsubishi UFJ Securities International (MUSI) is the London based securities hub of MUFG, one of the world's largest financial institutions. We have had a strong value set since before the financial crisis in 2008, and believe that it has contributed to us experiencing sustained growth in the challenging market conditions since then, as well as helping us to come in the top three of Here is the City's Best Place to Work survey every year since 2010. During this period, MUSI has gone through a major transformation, latterly establishing an international securities platform outside Japan, including London, New York, Hong Kong and Singapore.

In early 2012, following an extensive client/employee consultation process, the MUSI identity was re-launched. Results of the research conducted as part of the brand development programme, found our values to have been integral to the success of the firm and in driving cultural change; however, a clear vision for the future was considered necessary to ensure continued success in the firm's challenging and competitive marketplace. With this in mind, we sought to further embed the values in the culture of the firm through employee education and awareness initiatives. Each value was individually promoted internally via the following means: Management Committee sponsorship; town halls; case studies; a microsite; workshops; and a photography competition. All of which were reinforced by visual components, such as a new desktop screensaver, to bring them to life and make them more tangible for employees.

Values champions were selected during 2012 to further engage and act as a conduit for two-way communication. The values have also been embedded front-to-back in international HR processes, from recruitment and inductions, through performance management, career progression and promotions, to reward and compensation. Although a lot of work has been done already, we believe it will never be appropriate to stop focusing on the values and so the work continues in 2013!

### **How individuals can develop a moral compass**

In an article contained in Appendix 5, Professor Roger Steare explains why 'doing the right thing' in the business world actually matters. This is a theme that recurs regularly during this toolkit. This is not just the preserve of organisations, but also of individuals. Professor Steare explains that ethical behaviour by organisations and individuals extends beyond the business and into the wider 'human communities'. For this reason, he has developed four simple questions aimed at the organisation and the individual which is underpinned by a moral compass.

The Moral Compass, and its underlying considerations, can be found in the article in Appendix 5 which contains some illuminating insights from Professor Steare into corporate and personal ethics.

## CHAPTER 4 CULTURE AND VALUES IN PRACTICE

### Creating a values-driven culture

In defining the chosen values, the behaviours that drive the culture of the business will have been identified.

The next step is to establish the current state, the degree to which the desired values are present in the culture and, therefore, the degree to which they can influence individual behaviour and ultimately business performance.

In assessing the prevailing culture of the business it would be worth asking the following questions:

- Are the desired behaviours enacted within the business?
- Is this consistently so across the business or is it variable between functions and locations?
- Who are the 'idols' in the business? These are the people who get talked about - who can drive the culture either as an exemplar by what they do or as an opinion former by what they say. Idols can occur at any level of the business - they may not be in supervisory or leadership positions.

More importantly, to what extent do the idols in the business demonstrate the desired behaviours?

- Who are the heroes in the business? These are the people who exhibit the desired behaviours but who may be doing so against a prevailing tide of different behaviours and, as such, are not recognised or supported for their contribution.

It should be noted that those holding a senior position in the business may perceive the culture in a different way to the majority of the employees.

To get a broad perspective on the prevailing culture, consider asking people to talk about their own perception of culture and values.

This can be done through focus groups of representative employees. If the organisation does not lend itself to this type of dialogue, consider conducting a confidential survey using questions such as those illustrated overleaf (Figure 5).

Whatever method is used to obtain feedback, take time to explain to participants why they are being asked these questions and assure them that they can respond without fear of comeback from the organisation.

Collate the feedback and carry out a gap analysis. For each of the proposed values, identify the ways in which employees' experience of the organisation differs from the desired behaviours (Figure 6, see page 32). Prioritise those aspects of the prevailing culture which most need attention and plan to align the culture to the desired behaviours.

### Continuous Improvement

Organisational culture is dynamic and can change rapidly when exposed to powerful stimuli. In order to understand how people perceive the organisation and how those perceptions change their behaviour, invest in a regular process of taking the temperature of the organisation's culture. For example this could be done as part of an employee engagement survey.

**Figure 5 TAKING THE TEMPERATURE OF THE CORPORATE CULTURE  
SUGGESTED AVENUES OF ENQUIRY**

Explore the degree to which employees agree or disagree with the following statements.

Allegiance	<ul style="list-style-type: none"> <li>■ I am proud to work for this organisation</li> <li>■ I believe that this organisation takes its responsibilities to all its stakeholders seriously</li> <li>■ I believe this organisation says what it means and means what it says</li> <li>■ I expect to be working for this organisation in 2 years time</li> </ul>
Excellence	<ul style="list-style-type: none"> <li>■ I understand the value the business delivers for clients</li> <li>■ I understand how my job affects the service we deliver to clients</li> <li>■ I am given the resources I need to make my contribution to client service</li> <li>■ Management encourages quality care and continuous improvement</li> <li>■ Management encourages creativity and innovation</li> </ul>
Leadership	<ul style="list-style-type: none"> <li>■ I believe that senior management provides leadership and clear business direction</li> <li>■ I usually understand the reasons behind difficult decisions senior management have to make</li> <li>■ I believe that change is well managed within the organisation</li> <li>■ I feel that I have been involved/consulted when changes are made</li> </ul>
Communication	<ul style="list-style-type: none"> <li>■ I understand what the business stands for</li> <li>■ I understand the overall performance goals for my part of the business</li> <li>■ I feel adequately informed about matters which affect me</li> <li>■ I feel listened to at work</li> </ul>
Support	<ul style="list-style-type: none"> <li>■ I have respect for and enjoy working with my colleagues</li> <li>■ We have good team work and co-operation in my part of the business</li> <li>■ Management encourages co-operative working between departments</li> </ul>
Individual performance and development	<ul style="list-style-type: none"> <li>■ I know what is expected of me in my job</li> <li>■ I believe my supervisor understands the challenges I face in doing my job</li> <li>■ I receive timely and helpful feedback on my performance</li> <li>■ The training I receive helps me do my work and build my skills</li> <li>■ I am able to make the best use of my skills and abilities</li> <li>■ I am given opportunities to show initiative</li> <li>■ I am given opportunities to advance in my career</li> </ul>



Figure 6 SAMPLE VALUES AS BEHAVIOURS – GAP ANALYSIS

OUR VALUES	WHO WE ARE	WHAT WE DO	GAP ANALYSIS
■ Excellence	■ We are passionate about excellence and pursue it in all that we do.	■ We focus on performance at the highest level, delivering excellent service to clients and to each other.	<p>Do your people believe that the organisation:</p> <ul style="list-style-type: none"> <li>• Is passionate about excellence.</li> <li>• Ensures that everyone understands the value which the business delivers for clients and what he/she must do to sustain that value.</li> <li>• Provides the support and resources necessary to ensure excellence in all that it does.</li> </ul>
■ Accountability	■ We believe in our business and the value it creates for clients and the wider community.	■ We each act as an owner of our business by taking personal responsibility for decisions and delivering on commitments.	<ul style="list-style-type: none"> <li>• Takes its responsibilities to all its stakeholders seriously.</li> <li>• Actively encourages intelligent risk taking and sound judgement.</li> <li>• Actively encourages employees to take personal responsibility, encouraging them to challenge the organisation when they are unsure what is required of them.</li> </ul>
■ Teamwork	■ We are passionate about diversity and respect for the individual.	■ We work together as a team, communicating openly, sharing knowledge and expertise and working towards common goals.	<ul style="list-style-type: none"> <li>• Actively encourages teamwork and co-operation.</li> <li>• Rewards those who are generous in sharing their knowledge and expertise.</li> </ul>
■ Integrity	■ We are open and honest and propose solutions that fit the specific needs of the customer.	■ We are trustworthy, reliable and fair in all that we do.	<ul style="list-style-type: none"> <li>• Has a fiduciary mindset, putting the interests of clients first.</li> <li>• Is open about benefits and risks to the client of the proposed solutions.</li> <li>• Encourages leaders to discuss issues openly with their people, even where there is clear disagreement.</li> <li>• Works hard to mitigate any negative impact its actions may have on the community.</li> </ul>
■ Innovation	■ We are smart, adaptable and responsive to new ideas.	■ We seek continuous improvement, we challenge conventions and we create new solutions and opportunities.	<ul style="list-style-type: none"> <li>• Actively encourages creativity and continuous improvement.</li> <li>• Actively encourages everyone to work smarter.</li> <li>• Is open to suggestions on new ways of working from all employees.</li> </ul>

## CHAPTER 5 VALUES-DRIVEN LEADERSHIP

“ A values-based leadership approach determines what behaviours are encouraged from leaders ... which facilitates innovation, makes the most of talent and enhances organisational performance <sup>22</sup>

Business in the  
Community and the  
Institute of Leadership &  
Management

In all organisations:

- Leaders cast a long shadow, whether this be good or bad. By having been promoted, they are seen as having the approval of the organisation. Consequently, their behaviour will be seen to have the organisation's approval.
- Culture, like nature, dislikes a vacuum. Weak leaders leave employees looking elsewhere for cues on how the organisation works and how they should behave. This can give rise to alternative power bases within the organisation. They may not be acting in accord with stakeholders but their voices will sound loud and clear over the deafening silence of those who should be speaking for the organisation and its values.

### CREATING VALUES-DRIVEN LEADERSHIP - 4 STEPS

#### Step 1 - Identify the leadership roles within the organisation

A leadership post holder is anyone who is accountable to the organisation for the performance of others. This accountability will impact the skills they employ, how they allocate their time and how they define performance. This applies from first level supervisor upwards (Fig. 7 overleaf).

#### Step 2 - Define the leadership role

Ensure that everyone understands that promoting the organisation's values is not part of the leader's job - it is the leader's job. Ensure that any documenting of leadership roles, such as job descriptions, clearly set out the behaviours which the post holder must exhibit and how living the values is interpreted at this level.

#### Step 3 - Educate your leaders

Using your annual performance appraisal system, work with individuals to identify their strengths and areas for improvement as a leader and commit to providing appropriate support and training. Create opportunities for leaders to talk about the difficulties they encounter and to seek assistance.

#### Step 4 - Continuous improvement: develop the next generation leaders

Identify the good leaders in your organisation. Work with them to understand how they developed their philosophy of leadership and how they went about developing the skills to put that philosophy into action. Ask them to comment on how the organisation helped or hindered their ability to lead.

Use this learning to develop a profile of the kind of leaders desired in the organisation. Develop approaches to identifying and developing these behaviours and skills in employees whom are perceived as having potential for promotion. Ensure that succession planning processes rigorously assess potential leadership candidates for these attributes.

Figure 7 MANAGER OF OTHERS\*

INDIVIDUAL CONTRIBUTOR vs.	MANAGER OF OTHERS
<b>■ Skills</b> <ul style="list-style-type: none"> <li>• Technical or professional proficiency</li> <li>• Team play</li> <li>• Relationship building for personal benefits, personal results**</li> <li>• Using company tools, processes and procedures</li> </ul>	<b>■ Skills</b> <ul style="list-style-type: none"> <li>• Planning – projects, budget, workforce</li> <li>• Job design</li> <li>• Selection (of people)</li> <li>• Delegation</li> <li>• Performance monitoring</li> <li>• Coaching and feedback</li> <li>• Performance management</li> <li>• Rewards and motivation</li> <li>• Communication and climate setting</li> <li>• Relationship building up, down, sideways for the unit's benefit</li> <li>• Acquisition of resources</li> </ul>
<b>■ Time Application</b> <ul style="list-style-type: none"> <li>• Daily discipline – arrival, departure</li> <li>• Meet personal due dates for projects – usually short-term by managing own time</li> </ul>	<b>■ Time Application</b> <ul style="list-style-type: none"> <li>• Annual planning – budgets, projects</li> <li>• Make time available for subordinates – both at your request and at theirs</li> <li>• Set priorities for unit and team</li> <li>• Communication time with other units, customers, suppliers</li> </ul>
<b>■ Work Values</b> <ul style="list-style-type: none"> <li>• Getting results through personal proficiency**</li> <li>• High-quality technical or professional work</li> <li>• Accept the company's values</li> </ul>	<b>■ Work Values</b> <ul style="list-style-type: none"> <li>• Getting results through others</li> <li>• Success of direct reports</li> <li>• Managerial work and disciplines</li> <li>• Success of unit</li> <li>• Self as manager</li> <li>• Visible integrity</li> </ul>

Source: Drotter Human Resources Inc.<sup>21</sup>

\* first role involving the management of other employees.

\*\* items to be dramatically reduced or left behind when person becomes first-line manager.

## CASE STUDY – CITI

### Citi Principles, Leadership Standards and Cascade

During the financial crisis, the leadership at Citi took steps to redefine its business strategy and core values. These steps were later translated into several key initiatives aimed at aligning Citi's people and culture with the new vision for the organisation.

First, Citi took the time and effort to revise its Leadership Standards, which are the expectations Citi has of its leaders at all levels in the organisation. The Leadership Standards were updated to reflect the language of and ideas behind Citi's Principles\*. The standards were created with involvement from leaders at all levels ranging from global Executive Committee members to front-line managers from the company's various businesses, functions, and geographic regions. Exemplars from each level were invited to help review and craft the new Leadership Standards. The final approval was given by the CEO. Once approved, the standards were integrated over phases into many of Citi's people tools and practices – e.g. hiring tools, developmental 360s, and talent assessment processes.

To further embed the strategy, Citi's Principles, and Leadership Standards, Citi invested in engaging its global Managing Director (MD) population through two-day, interactive sessions called the Citi Leadership Forum. The purpose of these sessions was to engage key leaders and build alignment around the direction of the organisation – its strategy and five execution priorities, known as the 5Cs. In 2012, Citi ran 19 sessions that reached over 3,100 MDs. The sessions were led by 46 of the most senior leaders in the organisation, including the CEO. Attendees of the program were provided with a 'cascade toolkit' and expected to host a meeting with their teams to communicate key messages from the sessions.

The impact of the work can be seen in the greater sense of alignment in our 250,000+ person organisation and in small changes in how day to day work gets done, but the work around embedding the Leadership Standards and launching the Citi Leadership Forum is viewed as just the beginning of an overall transformation of the culture. These efforts continue as the organisation further integrates the Leadership Standards into other tools and practices. In addition, the Citi Leadership Forum continues to evolve. In 2013, a select group of MDs will be invited to an experience that builds on the 2012 sessions. Then, approximately one-third of the company's nearly 8,000 Directors will be invited to attend similar sessions in their respective regions. Senior leaders, like the CEO, will anchor the delivery of many of the programs. These continued efforts aim to advance the work of realising the vision for the organisation.

\*[http://www.citigroup.com/citi/about/mission\\_principles.html](http://www.citigroup.com/citi/about/mission_principles.html)

Finally, for organisations looking to develop their leaders using values as the bedrock of management skills, the City Values Forum has commissioned such a programme. Developed by the Cass Business School and accredited by the Institute of Leadership & Management, the City Foundation Course 'Leading with Integrity' programme (Certificate Level 5) was launched in September 2013. <sup>23</sup>

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**References:**

- <sup>17</sup> Ravasi and Schultz (2006)
- <sup>18</sup> McNamara, Field Guide to Leadership and Supervision in Business pub: Authenticity Consulting LLC, 2010.
- <sup>19</sup> Professors Thompson and Luthans
- <sup>20</sup> Collins and Porras, Building your Company's Vision, pub: Harvard Business Review, 1996
- <sup>21</sup> Drotter Human Resources Inc.
- <sup>22</sup> Business in the Community and the Institute of Leadership & Management, Added values, the importance of ethical leadership, Spring 2013.
- <sup>23</sup> Cass Business School and the Institute of Leadership & Management, City Foundation Course: 'Leading with Integrity' programme. [www.i-l-m.com](http://www.i-l-m.com)

## SECTION C: ALIGNING PEOPLE AND PERFORMANCE MANAGEMENT TO VALUES

In this section, the key themes explored are:

- Aligning people and performance management to values:
  - Recruitment
  - Performance appraisals
  - Career progression and succession
  - Reward
  - Speak up and sanctions
- Measuring the effectiveness of Values-Driven People and Performance Management

“ All organisations by their nature have a focus on the performance of their people. This incisive toolkit explains how organisations can drive performance whilst managing the dilemmas that are natural products of a performance-driven organisation.

Organisational culture is frequently described as, ‘the way we do things’; this toolkit helps the organisation ensure that the way things are done, are values-based. ”

Robert Potter  
Chair, City HR Association  
Group Head of HR at Jardine Lloyd Thompson





## CHAPTER 6 VALUES-DRIVEN RECRUITMENT

Even the most dedicated and charismatic of leaders needs access to people management advice and support which is relevant, timely and effective.

This part of the toolkit explores how key people management activities and supporting policies and processes can be made to reflect and promote the organisation's values and desired behaviours.

### VALUES-DRIVEN RECRUITMENT – 5 STEPS

It is important that all new recruits to the organisation understand the culture within which they will be asked to deliver value. It is essential, therefore, that the interviewer and the prospective recruit have the opportunity to decide whether the organisation's values and culture are ones in which they will flourish.

#### Step 1 – Identify the key requirements of the role

As well as setting out the required technical competencies, any job description should set out the behaviours which the successful candidate will need to display.

When planning to fill any vacancy, ask the following questions of the role:

- With whom does the incumbent need to interact to obtain the resources to carry out the work? What behaviours does he/she need to exhibit to obtain that support?
- With whom will the incumbent need to interact to bring the work to delivery – will the incumbent interact directly with customers or will he/she have to brief colleagues on the substance and value of the work? What behaviours will he/she need to exhibit to engage customers or colleagues?
- If the incumbent is a subject expert who can significantly influence the value of the work, what behaviours regarding quality awareness and management would you want the incumbent to exhibit?
- If the incumbent is the subject expert and is best placed to identify risks associated with the work, what behaviours regarding risk awareness and mitigation should the incumbent exhibit?
- If the incumbent's work is subject to regulatory control, what behaviours should the incumbent exhibit to demonstrate that he/she understands and will assume personal accountability for discharging their obligations.

It is not enough to have the job specification state that the incumbent must adhere to the organisation's values. If the organisation cannot set out clearly what those values mean in practice in the context of the job, then it is not in a position to invest in resource.

## CASE STUDY - JOHN LEWIS PARTNERSHIP

### Recruiting for Alignment with Company Values

The John Lewis Partnership is the largest co-owned business in the UK, with 84,700 Partners sharing not only in its profits, but also having a say in how the business is run through its democratic channels. The Partnership had a successful year in 2012, with sales of £8.47 bn, a rise of 9.1%. The Partnership has a clear constitution with a system of 'rights and responsibilities', which places on all Partners the obligation to work for the improvement of the business - in the knowledge that they will share the rewards.

The Partnership recruits about 13,000 employees (Partners) a year across its divisions and wanted to ensure those who were joining what is a unique co-owned business understood both the advantages this brings and the responsibilities. The Constitution states: ***The Partnership seeks to recruit only those who share its values and will contribute to its success.***

In senior management appointments the Partnership, for many years, has concentrated on selecting for values and behaviours rather than merely technical competence and it wished to extend this emphasis to its on-line recruitment. Therefore in 2011 a project was initiated to make candidates aware of the Partnership's core values, and enable Resourcing to identify those candidates whose own values were least likely to match these. The Partnership worked with consultancy SHL to deliver a tool that was part of the on-line application process.

**Supporting the recruitment function:** The bespoke recruitment tool helps the Partnership to manage some of the challenges of having a strong employer brand. With over 300,000 applications in 2012 the tool enabled recruiters to screen out individuals whose scores indicated they would be less likely to share the Partnership values.

**Developing a values based tool:** Through a series of questions that give candidates a view of situations they might face in a typical day, the Situational Judgement Tool (SJT) assesses applicants' underlying values, behaviourally, and how these values are likely to play out in the workplace, making them real and anchored to individuals.

To create the tests SHL and the Partnership got to the heart of what being a Partner meant to both the individual Partners and the business leaders. In addition to studying the key Partner commitments, behaviours at both Partner and Leadership levels plus the Constitution, SHL consulted with over 900 Partners across all levels and locations through workshops, interviews and via on-line questionnaires. This enabled SHL to create a bank of questions, which were reviewed by key stakeholders for accuracy in terms of the Partnerships policies, processes, and values, and would be understood by external candidates. SHL also ensured the on-line questionnaire was suitable for all screen readers and that a paper version was available to ensure the widest possible access for candidates.

**Ensure the tool delivered the right outcomes:** The questions were then trialled using 400 existing Partners and the outcome showed a strong correlation between the scores and manager's ratings of Partners against the key values. After the SJT was launched, SHL reviewed the scores of over 25,000 external applicants and recommended an initial cut off score so that the test could 'go live'. As a result of reviewing a further 80,000 applications, the automatic cut off score was increased. SHL will continue to work with the Partnership to continuously improve the SJT, both in terms of content and screening efficiency as the data numbers increase.

**Further selection tool development:** The Partnership is developing further screening tools with third party suppliers that focus on key roles. Whilst more specific in terms of job content they all have the Partner or leadership behaviours at their core and provide candidates with a realistic view of the role they are applying for.

The business will continue to analyse the data from the tools they are using to ensure operational excellence and to ensure we are recruiting the right candidates to support the Partnership's continued success.

## Step 2 – Educate recruiters and provide them with the right tools

Every recruitment involves a decision to invest, based on the best information available.

It is essential that anyone involved in the recruitment process – whether a search firm doing the initial trawl or an in-house panel making the final selection – understands what is being sought.

When it comes to assessing for technical skills, there can be many sources of information which recruiters can interrogate. The candidate may have been previously assessed e.g. by a degree awarding body or a professional institute. The candidate may have evidence of previous successful delivery in a corporate context.

Recruitment activity should, therefore, focus on the more difficult area of whether the individual will be able to deliver those proven skills and whether they have the values and behaviour to enable them to thrive in the organisation.

Ensure that recruiters understand the behaviours being sought and make available to them the tools which will help them identify these values and behaviours.

## Recruiting for values - techniques

### Behavioural Interviewing

The basis of behavioural interviewing is that past performance is predictive of future performance i.e. that how someone behaved in the past will forecast how they will behave in the future. Each question asked of the candidate should be designed to elicit an example of actual performance, followed by detailed questioning to reveal the key behaviours shown.

Typical questions could include:

- Give an example of a particularly difficult customer issue and how you resolved it.
- Give an example of a goal you reached and how you achieved it.
- Describe a decision you made which was unpopular and how you handled implementing it.
- Have you had to convince a team to work on a project they were not sure about and how did you do it?
- Have you handled a difficult situation with a colleague? What did you do?
- Give an example of a concern you have raised with regard to how a transaction has been processed.

Behavioural questions can also be used with candidates without a lot of work experience. Answers need not come from the work place but from volunteer experience, extra curricular activities or family life.

A variation can be used involving situational interviewing

Here, the candidate is asked to imagine a set of circumstances and then describe how they would respond in that situation. One advantage of situational questions is that all candidates respond to the same hypothetical situation rather than describing a situation unique to them from their past.

Typical situations could include:

**Scenario One** (for prospective recruits at all levels)

Your company sends you on an industry conference, which is also attended by a number of colleagues from other units around the country. At the end of the final day, you overhear two of your colleagues from another unit discussing the complaints procedures workshop held earlier that day.

Their attitude was that the approved policies were all very well in theory but, the practice in their branch was very different. They tended to use a range of stalling tactics and low offers of compensation, unless the customer threatened to escalate the complaint. As a result they reckoned that they were saving hundreds of pounds towards their targets by this approach and, if only the bank had the backbone to stand up to the 'whingeing customers', it could save a fortune.

Although you do not know the individuals, other than as fellow delegates, you are dismayed by this brazen disregard for both customers and procedures, but what should you do?

This Scenario One case study has been developed by the Chartered Institute for Securities and Investment alongside the Scenario Two case study which appears overleaf.

Further dilemmas of this nature – together with the multiple choice answers to these scenarios, on-line ethics workshops and tests – can be downloaded from their Integrity Matters website and support tool on [www.cisi.org/integritymatters](http://www.cisi.org/integritymatters)

**Scenario Two** (for prospective Senior Management hires)

You are the Non-Executive Chairman of an investment bank.

During a board meeting your Sales Director asks one of his staff from product design to present to the board your bank's latest structured product, which is due for imminent release. The product, code named Lemming, will be labelled in the name of a leading insurance company and sold and distributed through their UK & European sales force. Only in the small print will your bank's connection be disclosed.

The presenter demonstrates Lemming's ability to offer a highly competitive fixed rate of interest over the next five years, which will make it attractive to retail investors. Also, he points out that should the stock market have fallen by more than 30% at the end of the five year term, there will be leveraged capital erosion, which will magnify any losses.

Your Sales Director then outlines the insurance company's plans for a major sales campaign aimed at the retail market, especially those investors dissatisfied with the low rates currently available on ordinary bank deposits. He discusses the documentation given to the insurance company by your firm and explains that the point of sales process and promotional literature will be the responsibility of the insurance company.

The launch of the new product is close and undoubtedly will have a high profile. A Non Executive Director is concerned that all previous discussions concerning Lemming may have focused exclusively on the ability to generate revenue, establish new distribution channels and foster strong links with the insurance company. He wonders whether the potential risks are being adequately addressed at senior level and if the Sales Director's eagerness to launch the product has obscured the need for full consideration to be given to the possible reputational and financial risks to the bank, should the worst case scenario occur.

What should you do?

The recruitment team should:

- select their questions or situations based on the description of desired behaviours in the job specification
- use a rating scale to assess the answers given against the desired behaviours e.g. a scale of 1-5 where 4/5 is an excellent demonstration of the desired behaviour, 2/3 is adequate and 1 is poor.
- resolve any differences of opinion between interviewers by re-reviewing the evidence from the interviews as necessary.

### Psychometric testing

There is evidence of increased use of psychometric testing to identify personal values as a predictor of behaviour. Some organisations use recognised tests purchased from reputable occupational assessment or occupational psychology firms. Others have a bespoke test developed against their specific criteria which are often conducted on-line.

### Assessment centres

Assessment centres present an opportunity for recruiters to observe a candidate's behaviour over an extended period as they interact with specific tasks individually and within a group.

In addition to interviews and psychometric testing, typical assessment centre activities would include:

- Case studies
- In tray exercises
- Group exercises
- Role plays
- Presentations – individual and group.

The purpose of the assessment centre is to replicate as much as practicable the environment in which the successful candidate will work. Candidates can be assessed on how they respond to typical work place issues such as time constraints, the need to collaborate across teams etc.

Again the activities should be designed to elicit information which can be considered in the context of the organisation's desired behaviours.

Psychometric testing and assessment centres lend themselves to situations where the employer is recruiting to fill a large number of posts or where candidates lack previous employment experience. They are frequently used by organisations with a large graduate in-take.

### Step 3 – Educating candidates to self select

Modern recruitment can become a contest between the candidate presenting a particular face to the organisation and the recruiter attempting to see behind the mask.

In truth, if given enough information, the candidate can be the best assessor of whether he or she will flourish within the organisation.

When advertising an opportunity to prospective candidates, feature the organisation's values and desired behaviours. Consider including in recruitment literature, testimonials from existing employees about what it is like to work in the organisation. As part of the interview/assessment process, give candidates the opportunity to talk in confidence with recent recruits to get their take on what the organisation is all about and what it takes to succeed in it.

This will enable the individual to make their own assessment of whether the organisation is for them. Moreover, the clear exposition of the culture may prove a key aspect of the organisation's offering to those of like inclination.

### Step 4 – Support to succeed

The recruitment process is not finished when the preferred candidate accepts the job. The process continues through the new hire's first days as he or she manages the transition into the new role.

Just as the individual needs to be on top form, demonstrating that the organisation has made the right decision, he/she is coping with information overload in an unknown culture without the supportive network they have just left behind.

It is to be expected that the organisation's desired behaviours include fairness, respect and team working. This is an opportunity for the organisation to walk the talk by supporting the new recruit through the transition process.

For example:

- Encourage the new recruit to continue to learn as much about the organisation as possible before joining.
- Make sure to introduce the new recruit to the right people before arrival and on the first day.
- Provide a mentor or 'buddy.' A buddy is someone who is not in a reporting relationship with the new recruit and to whom the new recruit can go to for objective advice. This person should understand the organisation's history, the political dynamics within the organisation and its strengths and weaknesses.
- Provide clear expectations. The recruiting manager should set out his/her expectations of the new recruit clearly.



For any role, give thought to the assistance the new recruit will need to help understand their new organisation and to build the personal support network they will need to succeed. Ensure that equal rigour and support is applied to internal appointments.

### Step 5 – Continuous improvement loop

High performance organisations work on the basis that success can always be bettered.

Instead of simply performing post mortems on failed recruitments, they engage in dialogue with successful recruits in order to establish:

- On reflection, what attracted the individual to the organisation?
- To what degree did experience of the organisation support or contradict pre appointment expectations?
- What did the organisation do to help the individual adapt to a new environment?
- Throughout the recruitment process from advertising the role to induction, what could the organisation do better to attract the right candidates and help new appointments succeed?

This learning is then used to improve the organisation's recruitment practices.

### The Regulator and Recruitment

There is an additional requirement for financial service organisations to appoint individuals with the right values and behaviours. In the UK, the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) operate an Approved Persons Regime (APR) and need to be satisfied that internal or external recruits who are assuming roles of 'Significant Influence' have the right qualities for leadership roles.

Consequently, the regulators are likely to have two specific interests:-

1. How robust was the recruitment and selection process in identifying the proposed senior hire; and
2. How did the organisation satisfy itself that the chosen candidate is competent to undertake the role.

The latter is likely to require evidence not only that the person is 'Fit and Proper' to undertake the role, but also that this individual can support future positive culture change – if and when required – within the organisation.

In The Tyrie Report<sup>3</sup> it is proposed that the APR will be replaced by a new Senior Persons Regime and a wider Licensing Regime that would capture people unaffected by the APR. For further insight on the important matter of the regulator and recruitment, please visit the Financial Conduct Authority website [www.fca.org.uk/news/regulation-professionalism](http://www.fca.org.uk/news/regulation-professionalism).

## CHAPTER 7 VALUES-DRIVEN INDIVIDUAL PERFORMANCE APPRAISAL

The culture of an organisation is influenced much less by what it says than by what it chooses to measure and reward.

The annual performance appraisal is the pivot point in the formation of the psychological contract between the organisation and the employee. It is the point where the organisation's scrutiny of the employee is matched by the employee's scrutiny of the organisation's behaviour.

It is essential, therefore, that the annual individual performance appraisal system is demonstrably true to the organisation's values.

Many organisations will have invested in sophisticated appraisal processes. All too often, however, this investment brings little return. The appraisal process can be seen as an administrative chore which is not respected or valued by management or by employees. This section has therefore been designed to help reinforce the benefits of a values-based performance scheme to both the leadership and employees. One example provided later in this section is an appraisal system health check in which the employee provides feedback on how the manager has conducted the overall process.

### Characteristics of a Values-Driven Individual Performance Appraisal System

The essence of the values-driven system is the integrity of the dialogue between the appraiser and the employee.

To ensure that all involved in the performance appraisal system approach their responsibilities with integrity, it would be worth giving serious consideration to the following critically important features.

#### Purpose

Ensure that people regard the appraisal system as an essential management tool.

Recognising that the ability to develop and motivate talent is the organisation's true competitive advantage, the system should be seen by all as the means whereby the organisation evaluates and plans to make the most of its key asset which is its people.

Specifically:

- The CEO, initiates the annual appraisal process and takes an active interest in the quality of the conduct and output, demonstrating the desired behaviours as an employee reporting to the Board and as the appraiser of the executive team.
- The process of agreeing the year's objectives is seen as a primary means of structuring each employee's work to achieve maximum contribution while creating opportunities for personal development.
- The regular dialogue on performance throughout the year is seen as a principal means whereby team leaders fulfill their responsibility to coach and guide individual team members.

- The output of the appraisal process is seen as driving significant financial investment on the part of the organisation in terms of effective use of the compensation spend.
- The output of the appraisal process is a key contributor to the organisation's risk management process by driving decisions on placement of personnel in key roles and highlighting issues relating to availability of resources.

### Depth of Review

The appraisal system is structured such that the organisation can both assess and understand the performance delivered.

Looking simply at one year's output says something about that year's performance. Understanding the skills and behaviours which gave rise to that performance provides indications on how best to replicate good performance and mitigate the repeat of poor performance.

The values-driven individual appraisal process assesses both *what* was done and *how* it was done.

The challenges set for the employee at the beginning of the year include opportunities to assess the degree to which the employee adheres to the values by demonstrating desired behaviours.

For example:

- Fees collected say something about the employee's relationship with a client in the current year
- Client satisfaction scores and observations of the employee's approach to client service can be indicators of the employee's ability to achieve fees collected targets on a sustainable basis.

Appendix 1 contains a practical guide to setting up an individual performance appraisal system. Two sample appraisal forms illustrate this balanced scorecard approach to appraisal with reference to assessment by objectives (Sample 1) and by competencies (Sample 2).

### Mindset

In the organisation's appraisal system, both the appraiser and the employee treat the appraisal process with respect as a major part of their obligation to live the values. This means that they put in the commitment and effort necessary to participate in it wholeheartedly.

Appraisers understand that the organisation will regard the ability of an individual in a leadership role to carry out quality appraisals as a key indicator of leadership competence and fitness for promotion to more senior roles.

Employees understand that their active participation in the process is a demonstration of their contribution and potential and commitment to their personal and professional development.

Both appraiser and employee prepare thoroughly for each phase of the process to ensure maximum effectiveness.

Both appraiser and employee are willing to seek help in assuring the quality of their participation in the appraisal process. The action of sitting down with an individual and delivering an assessment of the value the employee has contributed can be testing and many leaders find this difficult. The values-driven appraiser recognises this and actively seeks the input of peers and HR professionals in preparing for the appraisal process.

The employee recognises that tough messages can be a prerequisite to further personal development and actively seeks guidance from supervisors, mentors and HR professionals in order to understand and respond positively to messages about performance.

The researchers found that organisations that are serious about being values-driven are prepared to make this investment in their appraisal process.

Figure 8 sets out the characteristics of a values-driven individual appraisal process. This can be used to assess the degree to which the current process is values-driven.

For organisations new to a effective individual performance appraisal, Appendix 1 sets out guidance for setting up and managing an effective process including typical ways of documenting aspects of the process.

### **Continuous Improvement**

All processes, no matter how well constructed and positioned within the organisation can grow stale over time.

In order to mitigate this risk, regular assessment should take place on how well the principles of the process are played out in practice.

Figure 9 sets out an assessment tool in the form of an appraisal system health check. This can be used as part of a 360 degree appraisal of those in leadership roles or it can be embedded within the organisation's regular employee engagement survey.

**Figure 8 CHARACTERISTICS OF A VALUES-DRIVEN INDIVIDUAL PERFORMANCE APPRAISAL SYSTEM**

For the performance appraisal system to be values-driven, it should adhere to certain principles. It should be:

Respectful of the individual	<p>At the outset, the employee and supervisor agree :</p> <ul style="list-style-type: none"> <li>• What performance will be delivered</li> <li>• What support the organisation will provide to help the employee achieve the performance.</li> </ul> <p>The agreement is documented.</p> <p>The employee receives regular feedback through out the year about how they are performing.</p> <p>The employee has the opportunity to sign off on the supervisor's assessment of performance and to register their views in the event of a difference of perception.</p>
Holistic	<p>The assessment of performance notes all of the value which the employee creates not just obvious criteria like financial performance. Required performance is documented as a balanced scorecard of value creation.</p> <p>The assessment gives equal value to what was achieved and how it was achieved, enabling an assessment of how well the employee's behaviour upholds the organisations core values.</p>
Transparent	<p>The employee understands what is expected of them in practical terms against which delivery can be objectively measured.</p> <p>Performance can be defined as:</p> <ul style="list-style-type: none"> <li>• A set of targets to be achieved</li> <li>• A set of skills to be mastered</li> <li>• A set of behaviours or competences which can be observed.</li> </ul>
Evidence based	<p>The assessment of performance should be supported by reference to examples of actual work done.</p> <p>The supervisor should take formal or informal note of the evidence gathered from others – peers, internal clients, subordinates – to develop a balanced perspective of the employee's performance.</p>
Consistently applied	<p>So that the employee can have trust in the process, assessments should be reviewed to identify and address errors e.g. poor ratings discipline, unsubstantiated ratings.</p>
Serve a purpose	<p>It must be seen as a valuable tool by supervisors and employees alike.</p> <p>It should provide a body of evidence on which decisions on the employee's reward and future progression are made.</p>
A primary tool for managing the business	<p>The process should be initiated and led by the CEO and implemented by successive layers of management with HR in a supporting and advisory role not owners of the process.</p>
Be easy to use	<p>The process should be readily accessible and not be overly complex or time consuming to complete.</p>

Figure 9 APPRAISAL SYSTEM HEALTH CHECK

DIRECT REPORTS FEEDBACK FORM - QUESTIONNAIRE			
<b>1 Annual Coaching for Performance Review</b>		<b>YES</b>	<b>NO</b>
Did you receive a formal appraisal last year?		<input type="checkbox"/>	<input type="checkbox"/>
Did your manager give you verbal feedback?		<input type="checkbox"/>	<input type="checkbox"/>
How useful was the feedback you received?	<input type="checkbox"/> Not Useful <input type="checkbox"/> Useful	<input type="checkbox"/> Somewhat Useful <input type="checkbox"/> Very Useful	
<b>COMMENTS</b>			
<div></div>			
<b>2 Interim Review</b>		<b>YES</b>	<b>NO</b>
Did you receive a mid-year review?		<input type="checkbox"/>	<input type="checkbox"/>
How useful was the feedback you received?	<input type="checkbox"/> Not Useful <input type="checkbox"/> Useful	<input type="checkbox"/> Somewhat Useful <input type="checkbox"/> Very Useful	
<b>COMMENTS</b>			
<div></div>			
<b>3 Agreeing Performance Objectives</b>		<b>YES</b>	<b>NO</b>
Did your manager agree performance objectives with you?		<input type="checkbox"/>	<input type="checkbox"/>
How relevant and realistic were the objectives that were agreed?	<input type="checkbox"/> Not Relevant & Realistic <input type="checkbox"/> Relevant & Realistic	<input type="checkbox"/> Somewhat Relevant & Realistic <input type="checkbox"/> Very Relevant & Realistic	
<b>4 Development Plan</b>		<b>YES</b>	<b>NO</b>
Did you and your manager create a Development Plan within the first three months of the year or start date in your role?		<input type="checkbox"/>	<input type="checkbox"/>
How useful was the Development Plan?	<input type="checkbox"/> Not Useful <input type="checkbox"/> Useful	<input type="checkbox"/> Somewhat Useful <input type="checkbox"/> Very Useful	
<b>5 Regular Development and Coaching</b>		<b>YES</b>	<b>NO</b>
Did you receive at least one development or coaching discussion every six months?		<input type="checkbox"/>	<input type="checkbox"/>
Was your development and coaching frequent enough to meet your needs?		<input type="checkbox"/>	<input type="checkbox"/>
How useful was the development and coaching?	<input type="checkbox"/> Not Useful <input type="checkbox"/> Useful	<input type="checkbox"/> Somewhat Useful <input type="checkbox"/> Very Useful	
<b>6 Work Prioritisation</b>		<b>YES</b>	<b>NO</b>
Did your manager communicate the team's priorities to you?		<input type="checkbox"/>	<input type="checkbox"/>
Did your manager discuss priorities with you at least once per month?		<input type="checkbox"/>	<input type="checkbox"/>
<b>7 Defining Work Standards</b>		<b>PICK ONE CHOICE BELOW</b>	
For the projects/activities you have worked on in the last year, did your manager help you clarify what was expected?	<input type="checkbox"/> Never <input type="checkbox"/> For most projects	<input type="checkbox"/> For a few projects <input type="checkbox"/> For all projects	
Did your manager help you clarify when the projects were expected to be delivered?	<input type="checkbox"/> Never <input type="checkbox"/> For most projects	<input type="checkbox"/> For a few projects <input type="checkbox"/> For all projects	
<b>8 Sharing Information</b>		<b>YES</b>	<b>NO</b>
Did you receive updates on the Company's progress from your manager at least once per quarter?		<input type="checkbox"/>	<input type="checkbox"/>
<b>9 Work Life Balance</b>			
My manager helps me find ways to maintain a healthy balance between work and home.	<input type="checkbox"/> Never <input type="checkbox"/> Usually	<input type="checkbox"/> Rarely <input type="checkbox"/> Always	

Signature

Date

## VALUES-DRIVEN PROGRESSION

When an individual is promoted, there will be a general assumption that the organisation is aware of and approves of that individual's behaviour and the degree to which he/she lives the desired values.

In a high performing values-driven organisation, the process of identifying an individual for promotion should be as thorough as that for any external recruitment, not least because the organisation has less excuse for getting it wrong – it has past performance on which to begin to form a judgement.

High performing organisations apply the steps 1-4 of values-driven recruitment to internal appointments. For example, many will use assessment centre techniques to identify potential and predict future competence and provide support during the first weeks in a new role.

Moreover, they do so within a structure which allows them to take a planned approach to identifying and progressing talent within the organisation.

To be a high performing, values-driven organisation, consider embedding the following good practices into policies and processes regarding progression and professional development.

### Command chain design

Too often, progression through a career ladder, whether managerial or technical, is expressed in terms of increasing knowledge and technical skills alone.

The values-driven organisation builds into the command chain design a requirement for escalating evidence of desired behaviours.

This recognises that the more senior and high profile the role, the more the incumbent will influence others by his/her behaviour.

### Succession planning

The high performing organisation avoids dysfunctional promotions by planning succession.

Succession planning mitigates the risk that the organisation might have to make a sub-optimum appointment which it then has to stand behind, knowing that in doing so it is sending mixed messages to the workforce as a whole.

Succession planning operates on three levels:

- It identifies who will step into any role at short notice, possibly on an interim basis, giving the organisation time to find the optimum solution to the vacancy.
- It plans the moves of personnel in and out of roles ensuring that:
  - New skills and fresh thinking can be brought to roles as necessary.

- Individuals do not get trapped in roles that no longer engage them because no-one is available to replace them.
- The organisation has a cadre of suitably qualified people to call upon should a role become unexpectedly vacant.
- It prepares high potential individuals for senior roles by providing them with a programme of training and development across a broad range of skills (e.g. strategic thinking, effective people management, public speaking and presentation skills) in advance of those skills being called upon, recognising that learning is easier out of the spotlight.

Succession planning legitimises the appointment process within the organisation, demonstrating that it looks for talent within the organisation before considering external hire.

### **Planned development**

The outcome of the performance appraisal process is used to plan an employee's future development.

As well as assessing current performance, the process is used to assess an employee's interest in (drive) and capacity for future development (growth potential).

An example of such an approach in practice is set out in Figure 10 overleaf.

### **Enhancing the definition of progression**

High performance organisations engage their people in a much broader definition of progression than that of 'the next rung up the ladder'.

Some encourage employees to seek opportunities to build their knowledge and skills in work based activities which are outside their job brief e.g. in support of the organisation's corporate responsibility agenda through volunteering or participating in sector wide bodies.

Other organisations promote lifelong learning, supporting employees through financial grants and/or time off to build non work related skills.

Such approaches are used to enhance the organisation's offering to the employee, ensuring that it can offer development to employees where the scope for financial and status progression is limited. They also serve to emphasise that the organisation respects the employee as a whole human being not simply as a unit of production.

Bringing this degree of rigour to the organisation's approach to progression and professional development will send a signal that the management of talent is taken seriously and that there is an expectation that all those in leadership positions within the organisation will do likewise.



Figure 10 PLANNED DEVELOPMENT MODEL

DRIVE	GROWTH POTENTIAL
<p>An individual's Stated Desire to take on more responsibility and/or more demanding work tasks. There are three assessed levels: High, Medium, and Low/Not Apparent. This criterion also applies to individuals who, for whatever reason, do not want to progress their careers within the organisation at this time. This assessment automatically merits the award of Low/Not Apparent within the matrix. It is important to recognise that this is not a negative assessment, and that an individual's performance must be fairly assessed according to their achievements.</p>	<p>An individual's Perceived Ability to take on more responsibility and/or more demanding work tasks. There are three assessed levels: High, Medium, and Low/Not Apparent. In conjunction with their performance rating, this assessment will be used to assess an individual's readiness to assume greater responsibility within their existing role or readiness for promotion.</p>
<p><b>Sample profiles</b></p> <ul style="list-style-type: none"> <li>■ <b>High Flyer:</b> An individual who has not only met all agreed targets and objectives during the last reporting period, but has consistently exceeded them and significantly added value to the business. The individual demonstrably lives the values. These individuals are ready for career advancing work tasks and should be given every opportunity to realise their full potential as soon as possible. These are the high-flyers within the organisation.</li> <li>■ <b>High Achiever:</b> An individual who has not only met all agreed targets and objectives during the last reporting period, but has consistently exceeded them and significantly added value to the business. The individual demonstrably lives the values. However, these individuals do not show either the capacity or the drive to assume greater responsibility. It is important that these individuals are encouraged to continue to perform to these high standards. It is possible that these individuals may be technical specialists who have reached the top of their scale.</li> <li>■ <b>Consistent Performer:</b> An individual who has met all agreed targets and objectives during the last reporting period and whose behaviour is in keeping with the values. However, these individuals do not show either the capacity or the drive to assume greater responsibility. It is important that these individuals continue to perform to at least their current standard in the future. Therefore, they should be carefully monitored and encouraged.</li> <li>■ <b>Under Achiever:</b> An individual who has failed to meet all agreed targets and objectives during the last reporting period and/or whose behaviour is not in keeping with the values. Further, these individuals show neither the capacity nor the drive to assume greater responsibility or to improve. These individuals require careful management so that the true causes for their poor performance can be accurately assessed as soon as possible. Remedial training or disciplinary action may be possible courses of action for these individuals.</li> </ul>	

## CHAPTER 8 VALUES-DRIVEN REWARD

The structure and levels of reward within an organisation are largely determined by the nature of the business and the competition for talent.

In any case, the high performing values-driven organisation seeks to establish a sustainable employee offering by means of reward schemes that have both cash and non cash elements.

**To align reward to performance and values, organisations should ensure that decisions on reward are:**

### **Holistic**

They reflect the totality of the individual's contribution in terms of *what* is delivered and *how*. For example, an individual might be rewarded for the sustainable value arising from their demonstrated leadership skills or corporate responsibility activities as well as their attainment of short term financial targets.

### **Evidence based**

Individual reward decisions are based on evidence of performance gathered during the performance appraisal process.

### **Future focused**

As well as rewarding past performance, remuneration is structured to hold out the promise of continuing financial reward provided performance is sustained.

It is a cliché, but nevertheless true, that reward systems give rise to the behaviour which they incentivise. The problem arises when that behaviour has become dysfunctional.

All reward structures, including incentive plans should be regularly reviewed to ensure that they complement and sustain the desired behaviours rather than sending mixed messages.

Detailed suggestions for developing a values-driven approach to remuneration are to be the subject of a further toolkit entitled 'Linking Employee Reward to Corporate Values.' This will be aligned to both European Parliament and UK Government Directives as well as respecting the regulatory framework in which financial services organisations operate.

In high performing values-driven organisations, individuals who consistently fail to live the desired behaviours will not progress to positions of influence. They may, in fact, self select themselves out of a culture which is not for them.

### **CASE STUDY – STANDARD CHARTERED BANK**

#### **An Holistic Approach to Values and People Management**

At Standard Chartered Bank our 5 values underpin who we are, so it is important we ensure our people are clear about the way we do business and our commitment to our clients and communities from the very start of our relationship with them.

To support this, our resourcing, talent and performance management processes are designed to select, promote and reward people in line with our values. We have interview guides that help us to assess whether people are able to ‘fit in’ with our culture, so we have confidence that when people walk in the door they are the kind of people we want representing us.

All Bank employees are required to agree both performance and values objectives for the year ahead with their managers to provide absolute clarity about what they are committing to in terms of the how as well as the what. This helps to drive home the message our culture is critical to our performance and success, the two go hand in hand and one must not come at the expense of the other.

We measure how well employees perform against these objectives by awarding a performance and values rating to every employee to confirm if they have exceeded, met or under performed in these two areas. We invite feedback from areas such as credit, compliance and risk to ensure that assessments are not completed in isolation of other functions.

To make sure we apply this in practice, we track a number of metrics on an annual basis that measure how embedded our values are across the group – for example, how many employees have had a conversation with their manager about how they live the bank’s values. And that there’s a correlation between the values rating given to each employee and how they are rewarded.

By requiring our people to think about how they live our values, we are able to have a positive impact on how we work with our clients/customers, colleagues and local communities and it helps us to deliver on our brand promise, to be “Here for good” by shaping our everyday thinking and decisions and making sure they are present in the way we operate and behave.

## CHAPTER 9 VALUES-DRIVEN CORRECTIVE ACTION

Ideally, early indications of employee behaviour which is contrary to the values of the organisation can be addressed as part of a supervisor's on-going coaching of the employee.

However, even in the best managed organisations, circumstances may arise where management must be seen to take corrective action with an employee whose behaviour consistently challenges the values.

Any such action can result in scrutiny, either internally through the organisation's grievance procedure, or externally as part of an employment tribunal action.

It should, therefore, be ensured that supervisors have the tools to deal with issues promptly when correction is required.

The following should be considered as a minimum:

- Create a framework which will assist supervisors and employees to address issues relating to failure to live by the values.
- The core values and desired behaviours should be codified into clear statements of what constitutes appropriate and inappropriate behaviour.
- The code should also include advice on what employees should do if they find themselves in a position which may require them to act in a way contrary to the code of conduct.
- Where there are guidelines, codes of conduct or regulation governing behaviour in particular professions, they should be referenced in the organisation's code of conduct. Where membership of a professional body or approved person status is a requirement to practice, employees should be made aware that disciplinary action by the professional or statutory body, up to and including expulsion and withdrawal of permit to practice, might impact the employee's future progression or employment with the organisation.

Two sample codes of conduct can be found in Appendix 3.

The disciplinary, 'speak up' and related policies should be regularly reviewed and updated to ensure that they function appropriately as a tool for taking corrective action.

### **Mandate to act**

Supervisors can not be expected to take difficult decisions only to see them over turned because the organisation lacks confidence that its processes would stand up to legal scrutiny.

Furthermore, there must be a process through which individuals can 'speak up' if they feel that the organisation's values are being compromised.

Whilst organisations will wish to develop their own 'speak up' mechanisms, the Chartered Institute for Chartered Institute for Securities and Investment, as part of their Code of Conduct, has a process for resolving ethical issues, and this is published in Appendix 3i. This provides a very useful framework.

## TRANSPARENCY

### Employee education

Employees should be given all the information they need to understand their obligations to the organisation, to the wider business community and their profession.

As well as including relevant documentation in any induction pack, the values and behaviour should be a feature of regular communication to employees. They should feature prominently on the internal website, in house magazines and in employee engagement surveys.

Examples of excellent behaviour in support of the values should be collected and widely advertised within the organisation.

In short, no employee should be given the valid excuse that they did not know what was expected of them and that they did not understand the consequences of failing to meet those expectations.

### Supervisor education

Understanding of the organisation's values and behaviour should feature prominently in all training and development of employees who are in leadership positions. For example, annual management conferences should feature the sustainable value to be derived from a high performing culture alongside the financial results.

It should be ensured that supervisors have the training to identify and address contrary behaviour early and that they have the mandate and tools to take decisive action as required.

## MEASURING THE SUCCESS OF VALUES-DRIVEN PEOPLE AND PERFORMANCE MANAGEMENT

There is an increasing trend for HR metrics to measure the effectiveness of organisational initiatives relating to people policies. An earlier section explored the use of employee opinion surveys which are essential for determining the extent to which employees understand organisational strategy and changes as well as measuring how they feel on important issues about their performance assessment, training, career development and reward.

One of several organisations that measures the effectiveness of their people policies linked to values is the Royal Bank of Canada whose philosophy is outlined in the next case study.

At Board level, other core metrics regularly reviewed are attrition rates, instances of conduct risk (and operational) and succession planning information. In addition, HR management will want to monitor appraisal completion, and a parity in organisation-wide performance ratings. The City HR guide 'Measuring Up: A guide to people and performance metrics for the City' covers this subject in considerable detail.<sup>24</sup>

Looking externally, a further measurement tool is the City HR Benchmarking Survey to which over 50 financial institutions provide data on every facet of their people policies, spend and trend.<sup>25</sup>

## CASE STUDY – ROYAL BANK OF CANADA

### RBC Values and Code of Conduct

The RBC Values define our culture and what we stand for as a company.

- Service – excellent service to clients and each other
- Teamwork – working together to succeed
- Responsibility – personal responsibility for high performance
- Diversity – diversity for growth and innovation
- Integrity – trust through integrity in everything we do

They represent our commitments to each other. They are reflected in our behaviour and form the foundation of how we build relationships and deliver value to all our stakeholders – clients, employees, shareholders, and communities.

However, Values only come to life when employees understand them, adopt them and live and breathe them. Many firms develop and publish a statement of values and expect employees to read and follow them. At RBC, we have gone one step further in embedding our Values through the formulation and communication of our Code of Conduct.

The employee's first experience of the Code comes in the offer of employment pack. This includes a detailed explanation of the Code and a contractual commitment that the employee must successfully complete the RBC Code of Conduct test within 30 days of joining, and biennially thereafter. Prior to taking the test, the employee attends an in-depth on-line learning programme around RBC Values and the Code. This experience is supplemented at the new employee orientation session, which highlights the critical importance of the Code and RBC Values.

RBC Values and the Code inform our main employment policies and practices including:

- Recruitment and Selection
- Performance Management and Appraisals
- Management Development
- Performance Improvement and Disciplinary
- Talent retention
- Promotion
- Reward and Compensation

We judge the success of our initiatives to embed the RBC Values through the results of our Employee Opinion Survey. In 2012 our employees told us the following:

- 94% feel that RBC Values are clearly expressed and understood
- 94% fully support the Values for which RBC stands
- 95% are proud to be part of RBC

As an organisation we truly believe that our shared value structure and common purpose guide us to the accomplishment of great results and a competitive edge. Our financial performance over the recent past fully reinforces that belief.

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**References:**

<sup>24</sup> The City HR guide Measuring Up: A guide to people and performance metrics for the City (May 2012)

<sup>25</sup> City HR Benchmarking Survey - [info@cityhr.co.uk](mailto:info@cityhr.co.uk)

## SECTION D: THE GOLD STANDARD

In this section, the key themes explored are:

- The Gold Standard: What is it?
- How to use the Gold Standard
  - A checklist for those starting their journey
  - A self-assessment tool for evaluating progress
  - A standard against which Performance Against Values can be measured and recognised
- Recognition for attaining the Gold Standard

“ Linking people and performance to integrity and values is a critical step in embedding organisational culture and standards.

I hope that the City Values Gold Standard will inspire boards and management teams, first to assess progress and subsequently to work to achieve ‘values-led’ status for their business. ”

Richard Sermon MBE  
Chairman  
City Values Forum





## CHAPTER 10 THE GOLD STANDARD

The previous sections of this toolkit have examined the business case for linking performance to values, outlined how to define the core values and underlying behaviours for the business and provided guidance on how these values can be embedded within the organisation so that they become the driver of culture and behaviour. Considerable insight has also been provided on how organisations can align key people processes to values, with a particular emphasis on individual performance.

A number of organisations have already made significant progress on their journey to link performance to values. Evidence of this is shown in the City HR Benchmarking results in Section A, as well as the seven case studies provided by way of illustrating key steps in the Performance Roadmap and the structured interview output from 20 financial services and 5 blue chip organisations.

From the data collated and analysed, City HR has been able to develop a Gold Standard for performance linked to values. This is an essential tool against which organisations can measure the effectiveness of their own journey.

### Evaluating progress against the Gold Standard

The extent to which the organisation will succeed in becoming values-driven will depend on the following factors:-

- The commitment of the Board to creating a values-driven culture;
- The ability of the Senior Management team to embed the values so that they drive and underpin the corporate culture;
- The ability of the organisation to identify leaders who will live the values and act as role models thereby creating desired behaviours;
- The ability of the senior management team to ensure that all people management processes and activities align with and reinforce the values.

To help organisations to understand where they are on their journey, the Gold Standard has been designed to act as a checklist for those who are just embarking on the process, whilst providing a self-assessment tool for those who are at an advanced stage. For those seeking validation of their success in this field, a new accreditation has been launched to recognise this achievement, which is detailed later in this section. To this end, the Gold Standard also has provision for external assessment for any organisation seeking this status.

## USING THE GOLD STANDARD

The Performance Roadmap on page 9 of this toolkit provides the overall framework for the Gold Standard. Each of the five key steps of the Roadmap have been incorporated into the Gold Standard by activity. Each activity is underpinned by key elements and these are illustrated throughout the toolkit by case studies which show the approach that other organisations have taken by way of example.

A mechanism for self assessment has been included using a scale of 0 – 5 ('no activity' through to 'fully meets the standard'). This will help organisations to determine their own progress against the Gold Standard and will provide a gap analysis for those wishing to excel in a particular element or against the entire Gold Standard.

Finally, a mechanism for external evaluation has been included, using the same scale of 0 – 5 ('no activity' through to 'fully meets the standard') for those organisations who would like their programmes validated and recognised. This can be performed by an assessor from the City HR Association and organisations should make contact via [info@cityhr.co.uk](mailto:info@cityhr.co.uk).

Above all, the Gold Standard is intended to serve as a checklist for organisations at all stages of their journey to becoming a values-driven organisation against the key board, people and performance management processes detailed in the Roadmap.

## VALIDATION AND RECOGNITION OF THE GOLD STANDARD

In the event that an organisation wishes to be externally evaluated against the Gold Standard, the following process will apply.

1. The organisation completes a self-assessment of the Roadmap activities and underlying key elements as outlined in the Gold Standard. A mark of between 4 to 5 for each of the elements should be achieved.
2. Evidence that demonstrates how the organisation fully meets the standard should be collated and kept with the Gold Standard self-evaluation. This will be the organisation's evidenced based portfolio.
3. A case study will need to be presented on the development of the performance linked to values programme including its structure and employee communication, the role of HR and the leadership and how the effectiveness of the initiative.
4. The organisation should contact the City HR office to arrange an initial discussion about the process and outcomes of the Gold Standard external evaluation. If the organisation is prepared to proceed, an external evaluator will be appointed to assist the organisation to achieve recognition. An application pack will then be provided to the organisation.

5. The external assessor will arrange to meet with the organisation to discuss the Gold Standard self evaluation and to review the underlying evidence as presented in the evidenced based portfolio. This will take the form of an interview and will last up to two hours. Any perceived gaps will be identified and discussed and a plan will be put in place to help the organisation achieve the Gold Standard.

Upon the verification that the organisation has achieved the Gold Standard, a certificate will be awarded by the Institute of Leadership & Management. The named representative involved in the process will be able to use this certificate as evidence to the organisation's leadership and employees that they have successfully completed the journey to being a values-driven organisation in terms of performance management. This can also be communicated to stakeholders via a framed certificate in the Reception or by using some pre-approved wording in the Annual Report.

## IN CONCLUSION

The tools and techniques featured in this toolkit have been developed as a result of benchmarking and best practice of organisations seeking to be values-led businesses. The researchers have collated information from organisations of varying sizes – from niche businesses to global institutions – and from all sectors of financial services. Some of these organisations were just setting out on their journey to linking people and performance to values and others had made considerable progress. It would be fair to say that progress is being made to address the culture of City organisations, but there is still some way to go. The numerous reports referenced in Section E of this toolkit 'References and Recommended Reading' is testament to this finding.

The City Values Forum has been committed to helping organisations on their journey through a number of interventions, of which this City HR toolkit on 'Performance with Integrity' is just one. The major challenge for this toolkit has been to develop materials which serve two purposes:-

1. To assist Boards and Senior Executives with structuring their thoughts around what to do to rebuild trust with their stakeholders and how this can be achieved through people and performance management linked to values.
2. To assist Human Resources - or those charged with facilitating the process - with how this may be developed and managed within the business.

The key ideas set out in the toolkit can perhaps best be summarised as an 'Agenda for Change – Critical Questions for Performance with Integrity' (Figure 11). Whilst this has been designed to neatly wrap up the key points of this toolkit, others may see this as their journey starting point. That is why the Performance Roadmap: Linking Performance to Values has been described as a continuous cycle of five essential steps.

It is hoped that organisations will find this publication - and its tools and examples - useful in progressing their own journey.

### Figure 11 AGENDA FOR CHANGE – CRITICAL QUESTIONS FOR PERFORMANCE WITH INTEGRITY

Some questions that Boards, Senior Management, HR and their Advisors can consider in linking people and performance management to values.

<b>Identify Values</b>
<ol style="list-style-type: none"> <li>1. Are the values current and have they been reviewed by the Board in the last 24 months?</li> <li>2. Do they meet the expectations of all stakeholders?</li> <li>3. Are the values in line with the purpose of the organisation?</li> <li>4. Do the values have behaviours attached to them?</li> <li>5. Is it clear what behaviours are expected of leaders?</li> </ol>
<b>Understanding the culture</b>
<ol style="list-style-type: none"> <li>1. What information has been collated and analysed to understand the current culture and its alignment with the values?</li> <li>2. Is the culture regularly measured to check on alignment?</li> <li>3. Are leaders selected, promoted and recognised for their values-driven behaviours?</li> <li>4. Do leaders demonstrate the values in everything they do?</li> <li>5. Are sanctions consistently applied for any employee who behaves in a way that is not values-driven?</li> <li>6. Is performance defined as “what has been achieved and how” in terms of work output and behaviour?</li> <li>7. Are suppliers and contractors expected to behave in accordance with the values?</li> <li>8. Have the Chairman and Board discussed the City Values Forum Governing Values guide?</li> </ol>
<b>Recruit, select and induct for values</b>
<ol style="list-style-type: none"> <li>1. Are external and internal appointments assessed against the organisation’s values and behaviours? Are external headhunters and agencies briefed on the values and behaviours required of all staff? Do internal recruiters assess people in accordance with these values and behaviours?</li> <li>2. Are integrity testing techniques used in the selection process for internal and external appointments as part of succession planning?</li> <li>3. Are all new hires (and contractors) inducted on the corporate values and expected to behave accordingly?</li> </ol>
<b>Measure for Values</b>
<ol style="list-style-type: none"> <li>1. Are the values and resulting culture regularly reviewed and measured?</li> <li>2. Are misalignments actively managed?</li> <li>3. Is individual behaviour reviewed, assessed and rated in the performance management process?</li> <li>4. Do the Audit/Compliance/People sub committees of the Board actively manage culture and risk and monitor these through employee surveys, succession plans and other relevant sources?</li> <li>5. Are metrics undertaken on the effectiveness of linking people and performance management to values and are these reported to the Board or contained within the Annual Report?</li> </ol>
<b>Reinforcement</b>
<ol style="list-style-type: none"> <li>1. Are all people processes regularly assessed for their alignment with the values?</li> <li>2. Does the Talent Management Programme attract, retain, develop and promote employees who exhibit values-driven behaviour?</li> <li>3. Is reward allocated with reference to desired behaviours as well as financial contribution delivered?</li> <li>4. Is the ‘speak up’ mechanism working effectively?</li> <li>5. Are exit interviews used to elicit insights into how the values and desired behaviours are perceived and practiced?</li> </ol>



# THE GOLD STANDARD FOR PERFORMANCE LINKED TO VALUES





## THE GOLD STANDARD FOR PERFORMANCE LINKED TO VALUES



THE ROADMAP: BY ACTIVITY	GOLD STANDARD: THE KEY ELEMENTS	INTERNAL ASSESSMENT	EXTERNAL ASSESSMENT
<b>IDENTIFY THE VALUES</b>  Visualise  Consult and Validate  Communicate  Engage	<ul style="list-style-type: none"> <li>■ Values are seen by all as a set of guiding principles which govern what the organisation does and how it does it.</li> <li>■ The organisation's current mission and strategy are clearly derived from the values.</li> <li>■ In every part of the organisation, the values are translated into required behaviours so that everybody knows what good looks like and what is expected of them personally.</li> <li>■ The values and required behaviours are actively communicated within the organisation.</li> </ul>	Scale 0-5	Scale 0-5
<b>LEAD AND EMBED THE VALUES</b>  Embed the values  Realign the prevailing culture  Promote values-driven leadership	<ul style="list-style-type: none"> <li>■ The prevailing culture has been assessed for compliance with the values, from the perspective of:               <ul style="list-style-type: none"> <li>- senior management</li> <li>- all employees</li> <li>- risk management strategies</li> </ul> </li> <li>■ People processes have been reviewed to ensure alignment with values</li> <li>■ A plan is in place to realign the prevailing culture over time.</li> <li>■ Oversight of the development and delivery of the plan resides with the senior executive.</li> <li>■ Employees' understanding of and experience of the values in practice are assessed regularly by means of employee engagement surveys.</li> <li>■ For all leadership roles, responsibilities include a requirement to role model the values and to assist others in living the values.</li> <li>■ All those in supervisory posts receive regular leadership skills training, including how to act as a role model and to discharge their responsibilities regarding the values.</li> </ul>		
<b>SELECT FOR VALUES</b>  Values-driven recruitment	<ul style="list-style-type: none"> <li>■ All job descriptions set out the <i>what</i> and the <i>how</i> regarding the job - required behaviours are given similar profile to required skills.</li> <li>■ Assessment of prospective new hires, or internal appointments, includes techniques for predicting behaviour and cultural fit.</li> <li>■ All those involved in the assessment process are trained in the organisation's values, how the values pertain to the role in question and in behaviour based assessment techniques.</li> </ul>		

THE ROADMAP: BY ACTIVITY	GOLD STANDARD: THE KEY ELEMENTS	INTERNAL ASSESSMENT	EXTERNAL ASSESSMENT
<p><b>Values-driven induction and support</b></p> <p><b>Values-driven continuing professional development</b></p>	<ul style="list-style-type: none"> <li>■ In recruitment literature, interviews etc, the values are presented as a major part of the employee offering, engaging candidates who are attracted by the values and encouraging others to self select out of the recruitment process.</li> <li>■ The induction process is built around helping the new hire to adapt to the culture and to start living the values.</li> <li>■ A continuous improvement process is applied to the recruitment process:               <ul style="list-style-type: none"> <li>- successful hires are asked to comment on how the organisation's approach to recruitment influenced their decision to join and the degree to which the organisation supported them to succeed.</li> <li>- at exit interviews, leavers are asked to comment on their experience of the organisation's values, recruitment and induction processes and the extent to which people and performance policies are aligned and apparent throughout the organisation.</li> </ul> </li> <li>■ An individual development plan is constructed to provide the necessary training and continuing professional development to meet organisational and industry standards.</li> </ul>	Scale 0-5	Scale 0-5
<p><b>MEASURE THE VALUES</b></p> <p><b>Values-driven individual performance management</b></p>	<ul style="list-style-type: none"> <li>■ The appraisal process assesses performance with regard to delivery and required behaviours – <i>what</i> was done and <i>how</i> it was done.</li> <li>■ The appraisal is evidence based, requiring the assessor to support their judgement with actual examples from work observed.</li> <li>■ The appraisal is multi perspective: the assessment of performance is informed by the views of others besides the immediate supervisor e.g. internal clients, direct reports.</li> <li>■ The appraisal process is built around a dialogue between the supervisor and employee. The employee has the opportunity to:               <ul style="list-style-type: none"> <li>- complete a self appraisal</li> <li>- sign off on the assessment of performance and to comment in the event of a disagreement.</li> </ul> </li> <li>■ The outcome of the appraisal process feeds directly into decisions regarding an individual employee's career progression and reward.</li> <li>■ The appraisal process is subject to review to ensure consistency of application e.g. regarding rating scales.</li> <li>■ The appraisal process is seen as a key management tool, overseen by the senior executive with the advice of the HR function.</li> </ul>		



THE ROADMAP: BY ACTIVITY	GOLD STANDARD: THE KEY ELEMENTS	INTERNAL ASSESSMENT	EXTERNAL ASSESSMENT
<p><b>Values-driven progression</b></p> <p><b>Values-driven reward</b></p> <p><b>Values-driven recognition</b></p> <p><b>Values specific reporting and metrics</b></p>	<ul style="list-style-type: none"> <li>■ In determining an individual employee's capacity for career progression, weight is given to the degree to which the employee lives the values as well as to technical and commercial skills.</li> <li>■ Employees understand that adherence to the values is a prerequisite for career progression.</li> <li>■ The organisation's reward system recognises delivery across a range of criteria which includes the degree to which the employee upholds the values and assists others to do so.</li> <li>■ The role of adherence to values in determining reward is known and understood by employees.</li> <li>■ Reward mechanisms e.g. incentive schemes are regularly reviewed to ensure that they continue to support the values and promote required behaviours.</li> <li>■ Employees are recognised via promotion, employee award schemes and other non cash incentives for their ability to demonstrate the right behaviours.</li> <li>■ The organisation measures the effectiveness of its values-led strategy, cultural change programmes and people processes against employee and customer surveys, internal HR metrics and external people policies benchmarking.</li> </ul>	Scale 0-5	Scale 0-5
<p><b>REINFORCEMENT OF VALUES</b></p> <p><b>Values-driven corrective action</b></p>	<ul style="list-style-type: none"> <li>■ The organisation's codes of conduct and supporting policies support the values and clearly set out required behaviours.</li> <li>■ Where applicable, the organisation requires employees to act in accordance with codes of conduct relating to professional bodies.</li> <li>■ All employees know what is expected of them.</li> <li>■ Supervisors are trained and supported in taking difficult decisions regarding failure to adhere to the values and required behaviours.</li> <li>■ Disciplinary action and further possible sanctions will be invoked for those whose behaviours fall short of the organisation's stated values.</li> <li>■ Employees who 'speak up' about behaviours which threaten the values are supported and protected.</li> </ul>		

## SECTION E: REFERENCES AND RECOMMENDED READING



## SECTION E REFERENCES AND RECOMMENDED READING

### REFERENCES

- <sup>1</sup> TheCityUK, Economic Contribution of Financial and Professional Services 2012 (Jan 2013)
- <sup>2</sup> The Edelman Global Trust Barometer (2013) - [www.edelman.com](http://www.edelman.com)
- <sup>3</sup> Parliamentary Commission on Banking Standards (2013) - 'Tyrie Report'
- <sup>4</sup> Salz Review, An Independent Review of Barclays' Business Practice (2013)
- <sup>5</sup> Sir David Walker, A Review of Corporate Governance in UK Banks and Other Financial Industry Entities – Final Recommendations (2009)
- <sup>6</sup> Financial Reporting Council's Guide on Board Effectiveness (2011)
- <sup>7</sup> Association of British Insurers, Report on Board Effectiveness (2012)
- <sup>8</sup> Chartered Institute for Securities and Investment
- <sup>9</sup> Chartered Banker: Professional Standards Board
- <sup>10</sup> Institute of Business Ethics
- <sup>11</sup> Chartered Insurance Institute's Aldermanbury Declaration
- <sup>12</sup> The City Obligation
- <sup>13</sup> Professor Roger Steare, Ethicability: (n) How to Decide What's Right and Find the Courage to Do It (2013)
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- <sup>15</sup> Albany Partners, Today's Corporate Issues in Challenging Environments (2013) - [www.albanyassociates.com](http://www.albanyassociates.com)
- <sup>16</sup> The Right Hon. George Osborne, Response to Tyrie Report (June 2013) - [www.gov.uk/government/news/government-responds-to-parliamentary-commission-on-banking-standards](http://www.gov.uk/government/news/government-responds-to-parliamentary-commission-on-banking-standards)
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- <sup>21</sup> Drotter Human Resources Inc.
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- <sup>25</sup> City HR Benchmarking Survey - [info@cityhr.co.uk](mailto:info@cityhr.co.uk)

## RECOMMENDED READING

### Culture and values in the financial services sector

Parliamentary Commission on Banking Standards (2013)

Salz Review, *An Independent Review of Barclays' Business Practice* (2013)

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Charan, Drotter and Noel, *The Leadership Pipeline: How to Build the Leadership-Powered Company*, pub: Jossey-Bass, (2001)

Leary-Joyce, *Inspirational Manager – How to Build Relationships That Deliver Results*, pub: Pearson Education Limited, (2007)

Coffey and colleagues from The Change Partnership, *10 Things That Keep CEOs Awake and How to Put Them To Bed*, pub: McGraw Hill Professional (2002)

### Performance Management

Michael Armstrong, *Armstrong's Handbook of Performance Management: An Evidence-Based Guide to Delivering High Performance* (Sep 2009)

Michael Armstrong, *Performance Management: Key Strategies and Practical Guidelines* (2006)

Dr. Aubrey C. Daniels, *Performance Management: Changing Behavior That Drives Organizational Effectiveness*, 4th ed., (2006) (United States)

## APPENDICES

### ■ Tools

- Appendix 1: A practical guide to setting up an individual performance appraisal system
- Appendix 2: Analysis of the pros and cons of on-line individual performance appraisal systems
- Appendix 3: Codes of Conduct
  - i) Chartered Institute for Securities and Investment
  - ii) Chartered Banker: Professional Standards Board
- Appendix 4: The City Obligation
- Appendix 5: Why 'Doing the Right Thing' Matters  
An insight into ethics from Professor Roger Steare,  
The Corporate Philosopher



## APPENDIX 1:

### A Practical Guide to Setting Up an Individual Performance Appraisal System

In the same way that core values are unique to the business, the structure of the performance appraisal system deployed will depend on the size and complexity of the organisation. It must align with other people management processes. For example, if competences are used for the recruitment assessment and job grading process the same approach can underpin the performance appraisal system.

This section provides guidance on the core elements of an individual performance appraisal system including the performance cycle, the appraiser and employee dialogue, setting objectives, evaluating performance and documenting the outcomes.

It also provides examples of the type of performance appraisal systems in use including appraisal forms, how objectives are set and rating systems. The appraisal process is linked to values and addresses both delivery and desired behaviours.

#### THE PERFORMANCE CYCLE

The performance management system traditionally evolves as follows:-

- At the beginning of the year, the manager and employee meet to agree and set objectives. These are documented and cover agreed job objectives, performance targets, continuing professional development and adherence to the organisation's core values.
- The management and employee conversation continues throughout the year with an opportunity for a mid-year review.
- At the end of the year, the employee reflects on how his or her performance has met the agreed objectives and reviews any strengths or weaknesses that have been identified during the year. This is generally referred to as a self appraisal.
- An end of year appraisal takes place between the manager and the employee to review the objectives and to talk about strengths, weaknesses and areas for development. This conversation can also include a career discussion. The manager prepares a final appraisal, taking into consideration points made in the employee's self appraisal and provides an overall performance rating. The manager and employee should agree the appraisal.
- The appraisal is used to inform the level of reward that the individual will receive against that year's performance.



## CASE STUDY - LLOYDS BANKING GROUP

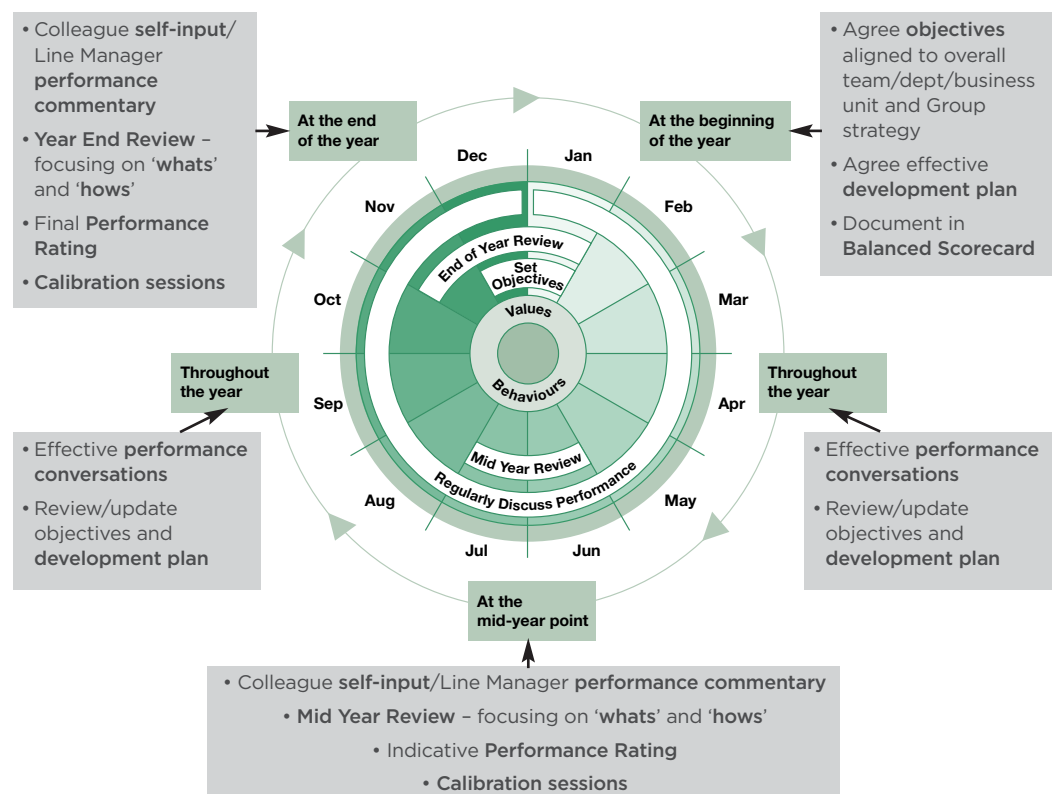
### The Performance Framework Cycle

Lloyds Banking Group plc has developed a performance management booklet which fully communicates their scheme to their employees. Entitled 'Succeeding Together', the booklet outlines the performance management process, timetable, supporting documentation, on-going manager and employee conversations and the interim/final performance rating as demonstrated in the overview graphic below. At the heart of the performance cycle is the need to adhere to the organisation's corporate values and their underlying specified behaviours which are explicitly set out in the booklet and aligned to how individuals treat the customer and their colleagues.

It can be seen from the overview that Lloyds Banking Group place considerable emphasis on a 'complete process' which starts with the manager and employee conversation and is a continuous process throughout the year. In terms of documentation, the employee expects to receive agreed written objectives, a development plan and a balanced scorecard. This is visited at the mid-year review, where an indicative performance rating is given so that the employee has the opportunity to re-calibrate their performance, and review or update their objectives and development plan, before the Year End Review. At this juncture, the performance appraisal is completed both in writing and orally, with a final performance rating is given to the individual. This rating is derived equally from two measures: **what** the individual achieves against their balanced scorecard and **how** the individual achieves it against Lloyds' values and specified behaviours.

Throughout the process, both the manager and employee are supported by guidance, documentation and sample templates in which values and behaviours play a fundamental role.

### Overview of the Performance Framework Cycle



## HOW TO SET UP A PERFORMANCE MANAGEMENT SCHEME – 5 STEPS

### Step 1 - Defining the Desired Performance

The performance management process begins with the supervising manager setting out the performance which the employee is expected to deliver over the coming year.

The required performance can be defined as:

- a balanced scorecard of objectives or targets which the organisation will support the employee to achieve.
- a matrix of competencies or behaviours which the organisation will support the employee to achieve.

### Management by Objectives - Setting clear objectives

People in organisations perform more effectively when they know what is expected of them through having clearly defined objectives. Clearly understood, agreed objectives ensure that there is no ambiguity when discussing performance. The statement of objectives should be a working document to steer performance and focus energies.

Objectives translate the overall strategic goals of the organisation into day to day activity for the individual and state clearly what the individual is intending to achieve. The acronym SMART has been used for years (Peter Drucker, the Practice of Management, 1954) and many organisations still find it helpful in guiding managers to set meaningful objectives:

- S** Specific – state precisely the actions and outcomes required
- M** Measurable – indicate the standard required and include measures (quantitative and qualitative) which enable progress to be monitored and the evaluation of whether the objective has been achieved
- A** Agreed – agree the objectives with the employee. If the employee feels that they ‘own’ the objective they will be more likely to be motivated to achieve it than if they have had it imposed upon them.
- R** Realistic – objectives should be challenging but achievable. Take into account external factors and obstacles when setting objectives. Unrealistic objectives de-motivate people.
- T** Time bound – build key dates and deadlines into the objective.

Questions to ask when formulating objectives:

- What is going to be delivered, with or for whom?
- How will this be done?
- What behaviours will be required to achieve this outcome?
- Why is it important to do?
- Who is involved and who is responsible for what?
- Is the outcome clear?
- What is the deadline for completion?
- How will completion be recognised? What will be different?
- Are the measures readily available and reliable?
- Does the employee have the skills to achieve this objective?
- Are the necessary resources available to ensure a realistic chance of success?
- Is the deadline realistic, bearing in mind other demands on time?
- Is there an element of stretch to motivate higher performance?
- Is it possible to achieve the objective as stated?
- Is it clear how this objective relates to the organisation's strategic priorities?
- Is the objective still relevant or should it be amended due to a change in focus?
- Does the objective give the employee the opportunity to demonstrate the core values?

A sample balanced score card for management objectives in terms of the deliverables is set out in Figure 12.

**Fig. 12 SAMPLE STRUCTURE OF A BALANCED SCORECARD - OBJECTIVES**

Financial	Risk Management	Community involvement
Objectives relating to: <ul style="list-style-type: none"> <li>■ Revenue growth and retention</li> <li>■ Revenue to expenses ratio</li> <li>■ Budget compliance/savings</li> </ul>	<ul style="list-style-type: none"> <li>■ Client credit worthiness assessment</li> <li>■ Percentage of non recoverables</li> </ul>	<ul style="list-style-type: none"> <li>■ Involvement in the organisation's corporate responsibility agenda</li> <li>■ Involvement in sector activities e.g. commissions, institute boards</li> <li>■ Public speaking engagements</li> </ul>
Client service	Leadership	Self development
<ul style="list-style-type: none"> <li>■ Client retention rates</li> <li>■ Client satisfaction scores</li> <li>■ New business acquisition</li> </ul>	<ul style="list-style-type: none"> <li>■ Quality and timeliness of appraisals on direct reports</li> <li>■ Feedback from direct reports</li> <li>■ Employee engagement survey scores</li> </ul>	<ul style="list-style-type: none"> <li>■ Participation in planned training plans</li> <li>■ Knowledge/skills acquisition</li> </ul>

Note: Specific deliverables can be individual or shared on a team basis.

### Management by Competencies

People in organisations perform more effectively when they know what is expected of them through having access to clear definitions of required competencies.

The definitions should explain the behaviours expected of an employee in the context of their day to day work.

A sample balanced scorecard for management by competencies is set out in Figure 13 overleaf. Please note that this example focuses on behaviours rather than deliverables.

### Step 2 - Rating Performance

Since the performance appraisal will form part of the evidence base supporting decisions regarding employee remuneration and progression, the performance needs to be summarised in a way that makes sense within the organisation.

This is normally done using a rating scale – a series of descriptors which define escalating levels of performance.

Organisations can favour rating skills of differing complexity. However, what matters is the quality of the descriptions associated with each point on the scale not the number of points.

A typical rating scale would be:

Exceptional	The employee has significantly exceeded the required performance while being a role model for living the values.
Very good	The employee has met all the objectives and has exceeded required performance in some aspects of the job while consistently living the values.
Good	The employee has met all the objectives while consistently living the values.
Needs improvement	The employee has failed to meet some the objectives and/or has not consistently lived the values.
Unacceptable	The employee has, to a significant degree, failed to meet objectives and/or has behaved in ways contrary to the values.

The key issue regarding the rating scale is that it makes sense in the context of the business and the employee can understand what he/she has to do to achieve a higher performance rating.

Fig. 13 SAMPLE STRUCTURE OF A BALANCED SCORECARD – COMPETENCIES

	Exceeds expectations	Meet expectations	Does not meet expectations
Strategic thinking	Thinks creatively. Rapidly identifies the key factors in a complex situation. Develops models to explain events, reconcile conflicting information.	Anticipates consequences. Sets appropriate priorities. Notices and responds to trends/discrepancies in events or information.	Has difficulty coping with new, complex situations or tasks. Responds to immediate needs without considering the bigger picture. Adheres to accepted theories of why things happen rather than thinking for themselves.
Leadership	Takes a leadership role on the implementation of change; highly adaptive and able to inspire those around them to change. Identifies and resolves conflict as it arises.	Sets a good example through commitment to shared goals and willingness to learn from others. Easily develops effective relationships with others. Responds enthusiastically to the need for change.	Abdicates responsibility when able to do so. Declines or fails to direct reports with support even when asked to do so.
Resourcefulness	Does what is necessary to get the job done. Intuitively reads situations, adapts approach to changing situations and applies resources creatively. Impressive ability to find ways over, under, around and through barriers; feels responsible for finding solutions. Actively seeks opportunities to deliver value beyond current immediate responsibilities.	Responsive and adaptable to changing situations. Recognises and responds decisively to opportunities and/or crises as they present. Anticipates and addresses potential problems.	Fails to grab opportunities. Fails to anticipate problems and is defeated by obstacles.
Client Focus	Extremely sensitive and adaptive to both stated and un-stated client needs. Anticipates and seizes opportunities to deliver value. Is seen as an innovator by clients.	Manages relationships effectively and has the trust of clients.	Too inwardly focused; misjudges the factors affecting demand for the firm's products and services.
Business Development	Actively seeks opportunities to promote the business; identifies and responds to opportunities for cross selling.	Responds to declared needs of the client.	Passively fears change that comes with growth; regularly articulates the needs of existing business.

### Arriving at fair and consistent ratings

Every effort must be made by managers to arrive at fair, objective and consistent ratings when assessing the performance of employees against objectives and behaviours.

To make accurate assessments, the manager should:

- Study the criteria i.e. the behavioural statements and descriptors of values
- Consider the evidence i.e. the individual's performance
  - Look for examples
  - Look for contra-indicators
  - Challenge assumptions
- Evaluate the evidence
- Consider the rating scale and make a judgement

Avoid common rating errors:

- Restriction of range
  - Some managers have difficulty in using the whole scale and are either strict or generous in the way they rate all the individuals in their teams.
- Central tendency
  - Some managers have difficulty in differentiating or try to avoid potentially difficult conversations by rating everyone in the team using the same average rating.
- The halo effect
  - The rater places too much importance on one aspect of performance or behaviour and gives similar ratings on all aspects of performance leading to an unbalanced assessment.
- The 'similar to me' effect
  - The rater gives particularly positive ratings to the aspects of behaviour which are similar to his or her own.
- Recency effect
  - Too much emphasis is given to recent events at the expense of a balanced view of the whole performance period.
- Contrast effect
  - The fact that the previous person was rated outstanding or poor may affect the rating given to the person rated subsequently rather than each being compared to the performance and behavioural standards.
- Unconscious bias
  - Each manager has a set of personal beliefs, assumptions and preferences which can lead to unfair evaluations. It is important to be aware of possible biases and how they may affect judgements.

### Step 3 - Selecting the evidence base

It is important that any judgement of performance can be supported by examples of good work or work that could have been done better.

The gathering of opinions and supporting examples can be done formally or informally. For example:

- The rating of performance may be carried out by the supervising manager alone with the manager informally seeking comment from others familiar with the employee's work and impact e.g. subordinates, internal clients to inform his/her rating.
- The supervising manager is one of a number of people asked to formally rate the employee, providing supporting evidence from their perspective.

### Formal multi rater processes

The multi rater process, also known as 360 degree review or peer review, involves the evaluation of the employee's performance and behaviour from a number of different perspectives – such as the employee themselves, their manager, colleagues in their own and other teams, subordinates, and clients. It is argued that this results in a more comprehensive and balanced view of the employee's contribution than the traditional manager-only appraisal. It is certainly the case that, in more complex organisations, managers may not be completely aware of the contribution made by the individuals they manage – for example, they may operate relatively autonomously or in different geographies.

Obtaining information from a number of sources may give a more accurate picture of performance. It is also helpful for the employee to identify differences between the way they see themselves and the way others perceive them and to explore differences between the views of, for instance, subordinates and managers.

The feedback is collected using questionnaires, often on-line, and analysed confidentially with a report produced for the employee and their manager to discuss in the annual appraisal.

Elements of a successful multi rater process:

- The purpose of the exercise and the way in which the results will be used are clearly communicated to all those involved - the employee and the raters.
- The raters involved are briefed on how to make fair and accurate assessments of performance.
- The employee nominates the people from whom they wish to receive a rating.
- The manager reviews the list to ensure no key contacts have been omitted.
- Each rater completes a questionnaire consisting of a series of clear statements relevant to the employee's role to be rated on a scale of, say, one to five.

- The questionnaire may include some free text questions such as “what does the employee do well?” and “what does the employee need to improve?”
- A sufficient number of raters complete the questionnaire to enable combined feedback from different perspectives with individual views remaining confidential.
- The feedback in the report is anonymous and not attributed to individual raters.

It is important to be clear what weighting is given to the different ratings. For example, the overall rating may be determined 50% with reference to the immediate supervisor with the balance of the rating being influenced by an aggregate of the scores from other raters.

Whichever approach is used, it must be clear to the employee:

- Who has commented on their performance.
- That those commenting are sufficiently close to their performance to provide comments of substance backed by examples of work done.

A sample of a multi rater appraisal form can be found towards the end of this section.

## **Step 4 - Conducting the performance review**

### **Planning**

Planning is essential to conducting an effective performance review. The manager should decide the message to be communicated and to work out how best to deliver and manage the message with the employee. Preparing properly also demonstrates to the employee that the manager cares about their performance, their development and their career. Therefore, on a day-to-day basis their performance is being managed but the review provides an opportunity to summarise this on-going feedback and to consider overall themes and career direction.

To prepare thoroughly, the manager should:

- Ensure that he/she has a clear understanding of the process and, in particular, the rating scheme and how to apply it consistently.
- Think about how the employee has performed against the objectives set and the behaviour required for the role. Consider ‘what’ they have delivered and ‘how’ they have done it in terms of demonstrating the values and behaviours expected.
- Review the informal feedback given throughout the period.
- Gather feedback on the employee’s performance from others with whom the individual interacts – other managers and clients. Be open about who is being approached.
- Consider the whole period, not only recent or isolated events.
- Ensure that evidence and examples are available to support the assessment.



- Consider the challenges faced and the level of support and resources that the employee required and received during the period.
- Think about how the employee may receive the feedback and the best way of dealing with their response.
- Think about potential objectives for the next review period.
- Consider possible career directions for the employee.
- Encourage the employee to prepare themselves by reviewing their own performance throughout the period, recalling significant achievements, exploring highs and lows in their performance, thinking about how they have demonstrated the behaviour linked to the organisational values, considering objectives for the coming period and thinking about potential development activities.

### The Appraisal Discussion

Performance appraisal discussions are valuable for celebrating successes, addressing performance gaps and planning for high performance in the future. An open exchange of views is a critical part of the process.

To conduct a successful discussion

- Set aside sufficient time for the meeting and focus on the employee and the discussion.
- Encourage the employee to discuss their performance, listen actively to them and ask questions. Encourage an open two-way conversation.
- Praise good performance and give examples.
- Discuss performance that was below expectations using examples and explore likely causes.
- Focus on observable behaviour. Avoid framing comments in terms of the employee's personality.
- Link behaviour demonstrated to living the values
- Feedback should be specific, explain the effect of the action and agree the change required.
- Remember that people react differently when receiving and interpreting feedback – be sensitive to individual differences and adjust the approach accordingly.
- End the meeting positively with an agreed action plan to improve and sustain performance.

### Step 5 - Documenting the performance appraisal

When determining how best to document a performance appraisal, consideration should be given to achieving a balance between thoroughness and complexity i.e. a recording method which gives the essential information but which is not seen as a onerous task to be avoided. Three sample approaches are set out below with the corresponding forms following at the end of this section.

**Sample 1:** The simple appraisal form guides the appraiser through the appraisal discussion and allows for free form commentary.

**Sample 2:** The appraisal against values and objectives covers similar ground while requiring the supervising manager to provide the information in a more structured way.

**Sample 3:** The multi rater or 360 degree example suggests ways of gathering evidence from a range of sources.

Choose a method of documenting the performance appraisal which makes sense within the organisation. The form is not an end in itself – it is simply a tool to guide, support and record the dialogue between supervisor and supervised which is the essence of a successful appraisal process.

**SAMPLE 1: Simple appraisal form****Appraisal**

Appraisee:

Appraising manager:

Role and Business area:

Date of review:

Date role commenced:

Looking back - Review of past performance:

What was done well? What could be improved? What difficulties were encountered? Were values met?

Looking forward - Discuss career goals and longer term aspirations

Looking forward - Agree objectives for the next period

Summarise agreed action to address development needs

Overall rating and summary of discussion by manager

Appraisee comment

Reviewer comment

**Signatures****Date**

**SAMPLE 2: Appraisal form – values and objectives****Appraisal - values and objectives**

Appraisee:

Appraising manager:

Role and Business area:

Date of review:

Date role commenced:

**Past performance and behaviour**

Delivery against objectives

Objective	Achieved Yes/No?	Supporting evidence
1		
2		
3		
4		
5		

Observations on performance in relation to values and behaviours (see below)

Strengths	Development needs
1	1
2	2
3	3



## Values

### Excellence

We focus on performing at the highest levels and delivering excellent service to clients and to each other

### Accountability

We act as an owner of our business by taking personal responsibility for decisions and delivering on commitments

### Teamwork

We work together as a team, communicating openly and sharing knowledge and goals

### Integrity

We are trustworthy, reliable, open, honest and fair in all we do

### Innovation

We seek continuous improvement, challenge conventions and create new solutions and opportunities

## Behaviours

### Excellence

- Sets high expectations of performance and develops stretching goals for self and team
- Sets clear direction and priorities
- Develops long term solutions not focusing on short term gain
- Consistently seeks ways of improving performance

### Accountability

- Takes personal responsibility for decisions
- Resolves and escalates problems appropriately
- Takes calculated risks, learns from mistakes and accepts accountability for own actions
- Listens to feedback and is receptive to constructive criticism

### Teamwork

- Demonstrates respect for others and listens to their views
- Builds strong working relationships with key stakeholders and works collaboratively with colleagues across the firm
- Readily shares resources, ideas and information
- Communicates effectively and adapts style to the recipient and the situation

### Integrity

- Acts in the interests of the clients
- Values the reputation of the firm and acts accordingly
- Communicates information accurately and honestly
- Builds trust by demonstrating reliability and consistency and explaining changes

### Innovation

- Identifies new ways to help clients achieve their goals
- Takes new and tailored ideas to clients within the firm's risk strategy
- Challenges conventions and explores new ideas
- Comes up with new and different ways of working to simplify and improve processes



### Future objectives and development plan

Agree objectives to be achieved during the coming year

Objective	How will it be achieved?	By when?
1		
2		
3		
4		
5		

Summary of development action agreed

Development activity	What support is required?	By when?
1		
2		
3		
4		
5		

**Overall rating and comments**

Manager comments:

Overall performance rating:

Exceptional / Very Good / Good / Needs Improvement / Unacceptable

Overall values rating:

Lives the values: Consistently / Usually / Sometimes / Does not live the values

Appraisee's comments after discussion:

Reviewer comments:

**Signatures**

**Date**

## SAMPLE 3: Multi Rater Process/360 Degree Review (Part i)

## Individual Performance Review



## DIRECT REPORTS FEEDBACK FORM

This form has been sent to you by your manager's manager for you to provide feedback on your manager's performance. Please return this form within 5 working days to the person who sent it to you.

**This information will be treated in the *strictest confidence*. This form will be securely destroyed after 3 months.**

Your Manager's Name:

Your Name:

Date of Feedback:

What have you observed that your manager has done well?  
Try to think of at least three examples.

Project/Activity	Actions Observed (What did they do?)	What effect/impact did these actions have?

What have you observed that they did less well? Again, try to think of at least three examples.

Project/Activity	Actions Observed (What did they do?)	What effect/impact did these actions have?



**SAMPLE 3: Multi Rater Process/360 Degree Review (Part ii)****Individual Performance Review****INTERNAL CLIENT FEEDBACK FORM**

This form should be used to provide feedback on your colleagues, not your manager. (A separate form exists for this purpose). Please return this form within 5 working days to the manager who sent it to you.

**This information will be treated in the *strictest confidence*. This form will be securely destroyed after 3 months.**

Individual's Name:

Your Name:

Date of Feedback:

Please state the situations when you have worked with the individual.

In your contact with the individual, what did you observe that they did well?

Project/Activity	Actions Observed (What did they do?)	What effect/impact did these actions have?

In your contact with the individual, what did you observe that they did less well?

Project/Activity	Actions Observed (What did they do?)	What effect/impact did these actions have?

## APPENDIX 2

### Analysis of the Pros and Cons of On-Line Performance Management Systems

Even in organisations where performance management is respected as a key management tool, the process itself can come to be regarded as a burden and a distraction from more immediate business matters.

It is essential, therefore, that the process is readily accessible and makes the best use of participants' time and effort.

Many organisations provide their performance management system as an on-line facility. Established users report a number of benefits from this approach.

#### User benefits

- Supervisors can have ready access to all the material they need to develop targets and requirements for individual employees which are clearly linked to overall business objectives.
- Supervisors and employees can record progress against requirements on an ongoing basis through the year, making the end of year discussion more substantial and evidence based.
- Confidentiality can be more readily assured.
- The on-line facility allows the easy routing of performance related material between individuals who are not co-located.

#### Senior management benefits

- On-line data capture enables real time analysis of key organisational performance data e.g. availability of required competencies and potential skills shortages, availability of promotion ready personnel and highlighting of potential succession planning issues.
- Through introductory web cams and other on-line functionality, senior executives can directly endorse the process and set out clearly what behaviours they require of supervisors and employees at the very time the process is underway.

#### HR process management benefits

- Documentation, rating scales can be designed to actual business needs and readily updated as necessary.
- Completion compliance can be monitored in real time and additional support directed where most needed.
- A wealth of data can be extracted to inform planning of resource, deployment, training and recruitment.

Some organisations build their own on-line performance management systems, others choose to work with an external provider to utilise proven expertise. A number of providers currently support financial service sector organisations and their offerings together with user reviews are readily accessible from a web search.

Whichever design and build approach is used, the goal is that the resulting process and tools are attractive to the organisation. When putting together the development team, as well as technical input from IT and HR, involve a group of users to test the design principles before significant time and treasure is expended.

It is also important to remember that any process is only a tool, not an end in itself. Elaborate forms and extravagant data capture are meaningless if the fundamental relationship between supervisor and employee is dysfunctional. Above all, the process should facilitate and encourage the face to face dialogue between supervisor and employee. It must not become an on-line enabled communication avoidance mechanism.

## APPENDIX 3 i)

## Chartered Institute for Securities and Investment

**Code of Conduct****Principles**

- 1.** To act honestly and fairly at all times when dealing with clients, customers and counterparties and to be a good steward of their interests, taking into account the nature of the business relationship with each of them, the nature of the service to be provided to them and the individual mandates given by them.
- 2.** To act with integrity in fulfilling the responsibilities of your appointment and to seek to avoid any acts, omissions or business practices which damage the reputation of your organisation or the financial services industry.
- 3.** To observe applicable law, regulations and professional conduct standards when carrying out financial service activities, and to interpret and apply them to the best of your ability according to principles rooted in trust, honesty and integrity.
- 4.** To observe the standards of market integrity, good practice and conduct required or expected of participants in markets when engaging in any form of market dealings.
- 5.** To be alert to and manage fairly and effectively and to the best of your ability any relevant conflict of interest.
- 6.** To attain and actively manage a level of professional competence appropriate to your responsibilities, to commit to continuing learning to ensure the currency of your knowledge, skills and expertise and to promote the development of others.
- 7.** To decline to act in any matter about which you are not competent unless you have access to such advice and assistance as will enable you to carry out the work in a professional manner.
- 8.** To strive to uphold the highest personal and professional standards.

**Code of Conduct****Introduction**

Professionals within the securities and investment industry owe important duties to their clients, the market, the industry and society at large. Where these duties are set out in law, or in regulation, the professional must always comply with the requirements in an open and transparent manner.

Members of the Chartered Institute for Securities & Investment (CISI) are required to meet the standards set out within the CISI's Principles. These Principles, which are also known as the Lord George Principles in recognition of the contribution made to standards of integrity by the late Lord George FSI(Hon), impose an obligation on members to act in a way beyond mere compliance and to support the underlying values of the Institute.

Material breach of the Code of Conduct would be incompatible with continuing membership of the CISI and may result in disciplinary action.

Members who find themselves in a position which might require them to act in a manner contrary to the Principles are encouraged to:

- 1.** Discuss their concerns with their line manager.
- 2.** Seek advice from their internal compliance department.
- 3.** Approach their firm's non-executive directors or audit committee.
- 4.** If unable to resolve their concerns, and having exhausted all internal avenues, contact the Chartered Institute for Securities & Investment for advice (email: [principles@cisi.org](mailto:principles@cisi.org)).

effective Feb 2011

## APPENDIX 3 ii)

### Chartered Banker Professional Standards Board Code of Conduct

#### Chartered Banker Professional Standards Board

The **Chartered Banker Professional Standards Board (CB:PSB)** was launched in October 2011. It aims to enhance and sustain a strong culture of ethical and professional development across the UK banking industry by developing a series of professional standards at Foundation, Intermediate and Advanced levels. The CB:PSB intends to help build, over time, greater public confidence and trust in individuals, institutions and the banking industry overall, and enhance pride in the banking profession.

The **Foundation Standard for Professional Bankers (Foundation Standard)** is the CB:PSB's first professional standard.

The CB:PSB developed and published the **Chartered Banker Code of Professional Conduct** which sets out the **values, attitudes and behaviours** expected of all banking professionals:

I will demonstrate my personal commitment to professionalism in banking by:

1. **Treating** all customers, colleagues and counterparties with respect and integrity;
2. **Considering** the risks and implications of my actions and advice, and holding myself accountable for them and for the impact these may have on others;
3. **Complying** with all current regulatory and legal requirements and following best industry practice;
4. **Treating** information with appropriate confidentiality and sensitivity;
5. **Being alert** to and managing potential conflicts of interest which may arise whilst performing my role;
6. **Developing and maintaining** my professional knowledge and skills; and
7. **Acting**, at all times, in a fair, honest, trustworthy and diligent manner.

The **Foundation Standard** supports individuals and organisations in applying the Chartered Banker Code of Professional Conduct by detailing the CB:PSB's expectations of all banking professionals in relation to:

- A) **Professional Knowledge and Skills;** and
- B) **Professional Values, Attitudes and Behaviours.**

## APPENDIX 4



## City Obligation

### Background

The City Values Forum was established when Sir Michael Bear was Lord Mayor and spans the tenure of three consecutive Lord Mayors. It has developed three themes:

‘Governing Values’ - a review and development of best practice guidelines and a ‘toolkit’ to enable Boards to monitor the implementation of values.

‘Leadership with Integrity’ - a foundation course for managers.

‘Performance for Values’ - a best practice guide to incorporate values into recruitment and appraisal policies.

Alongside all three themes a group has been working on developing a City Obligation: a brief statement which could be used in a wide range of contexts to express what the City of London, and the individuals and organisations that work in the City, stand for.

The **City Obligation**

**I will always treat others, as I would wish to be treated, with honesty and integrity, in the spirit of the traditional City principle that ‘My Word is my Bond’.**

<sup>1</sup> The word “we” replaces “I” when organisations use the obligation.

### What does it cover?

The **City Obligation** has three elements.

It speaks of:

Relational Standards<sup>2</sup>

Personal Standards<sup>3</sup>

Historic Standards<sup>4</sup>

### Where is it from?

#### Relational Standards

The opening statement comes from the time-honoured human expectation - which is recognised internationally in almost every known religious and ethical tradition — that the key to good relationships is mutual care and concern.

#### Personal Standards

When asked by researchers, almost everyone says that they expect these two qualities in others and in themselves.

#### Historic Standards

The Obligation is not suggesting something new. It is seeking to revitalise a long City tradition, honoured in the past, expressed in the present and lived in the future.

<sup>2</sup> Based on the Golden Rule “Do unto others as you would have done unto you” present in all the world’s major religions

<sup>3</sup> A survey of the preambles to codes of ethics of eight large firms in the UK financial sector showed that all had integrity as a core value and six included honesty.

<sup>4</sup> Definition of My Word is my Bond - Since 1801 the motto of the London Stock Exchange (in Latin “Dictum meum pactum”) where bargains are made orally with no exchange of documents and no written pledges being given.



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### What else is around?

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There are plenty of examples of documents which seek to set out ethical business principles. Many of these are more extensive than the City Obligation. Four examples of such sets of principles are mentioned below. They have not been chosen as the best, and certainly not the only, examples of such documents. It is noteworthy that they cover many centuries and professions but adhere to the same principles.

#### *The Hippocratic Oath*

Rooted in the Ancient Greek tradition, this oath sets out ethical standards for the medical profession.

#### *Rules for the Conduct of Life*

Dating from c1740 (and also available in a modern translation) this document sets out standards which are expected of those who were apprenticed in the City. It is now given to every new Freeman of the City of London.

#### *The Lord George Principles for Good Business Conduct*

These were worked out by the Worshipful Company of International Bankers under the then Master, Lord George, a former Governor of the Bank of England. The Worshipful Company and others ask members to sign up to these principles.

#### *The MBA Oath*

Those who graduate as MBAs are encouraged to take this oath, which is administered via the internet. This is a very modern version of a very ancient tradition.

The City Obligation sits within this ancient tradition, and seeks to give a simple statement which can be underpinned by longer and more specific guidelines in a variety of settings. It should become a common headline throughout the City.

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### How might the City Obligation be used?

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The City Obligation is designed to be used in various ways. Some examples may be:

#### *Corporate*

A Company or organisation may include the City Obligation in its corporate values document as a way of indicating the cultural and ethical obligations, which are part of their corporate identity.

#### *Personal*

Within a Company or organisation you may ask people at all levels to accept, perhaps as part of their appraisal, to agree to the City Obligation and to have it as a personal values statement in all areas of their work. Living up to it should be one of the measures used in the appraisal.

#### *Professional Associations*

Professional organisations, which work in parallel with companies, organisations and business people, may wish to make the City Obligation part of their professional ethical expectations. Members would be expected to adhere to it as part of the wider professional ethics and standards.

#### *Livery Companies*

Many of the 108 Livery Companies in the City may wish to associate themselves and their members with the City Obligation as part of their historic involvement in City matters.

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### The City Obligation Group

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Patrick McHugh (Chairman),  
Anthony Belchambers,  
Misha Hebel,  
David Parrott,  
Chris Rees,  
Susan Rice,  
Richard Sermon,  
Simon Webley.

## APPENDIX 5

### Why “Doing The Right Thing” in the Business World Matters.

#### **An illuminating insight into corporate ethics from Professor Roger Steare, ‘The Corporate Philosopher’ – by Andrea Eccles**

The phrase “doing the right thing” in the corporate sense has become common parlance of late, particularly around the debate on ethics. Whilst this phrase has been in existence for many years, the definition that resonates well is that of Peter Drucker<sup>1</sup>, when he says “Management is doing things right; leadership is doing the right things”.

In current times, “doing the right thing” has never been more pertinent as business leaders look to put their customers and other stakeholders at the forefront of their agenda. Extensive activity is being undertaken in all walks of life to develop a moral compass. Professor Roger Steare explains why doing the right thing must become part of our organisational DNA and how lessons learnt from human communities can translate into corporate life.

Quoting from his recent article for ResPublica<sup>2</sup>, Professor Steare advocates that:

“Scientific research is now offering new insights into the nature of human morality. We are an empathic species. Born out of love, we survive and prosper by caring for each other. Once our basic needs are met, our well-being is determined not by how much more we can get, but by how much we share with each other. On the basis of this evidence, we must challenge some fundamental assumptions about business – as well as economics, politics and society. If we are so much more than self-interested rationalists, then how can we bring the enduring, universal moral values that underpin family and friendship, into business?”

This, indeed, is the key challenge being faced by organisations today. However, by looking at some fundamental needs that exist with human communities we can get a better picture of how such communities are able to function and sustain themselves. These require that people:-

- Have a clear moral purpose
- Truly care for each other
- Co-operate and make good decisions about how to get the scarce resource they need in a hostile environment
- Do all these things in a way that sustains their environments for future generations.

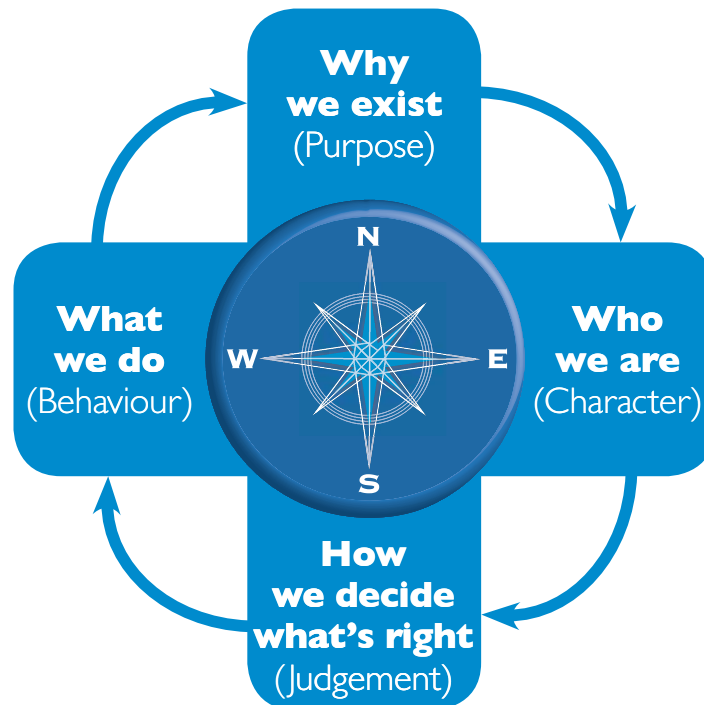
We can therefore see that whilst organisations need effective governance to help mitigate risk, without moral purpose, character, judgement and behaviour, they will not prosper or survive.

So what does this mean for the business world? When talking to Board members of leading organisations, Professor Steare suggests that people ask and answer four questions on an individual and business basis. These questions are:-



1. Why do you exist? What is your purpose? How will you sustain it?
2. Who are you? What are your values? How do people describe your character?
3. How do you make difficult decisions in the moments that matter?
4. How do you act? What behaviour do people observe and tell stories about? Do your actions sustain your purpose?

According to the latest edition of his much read book, '*ethicability*'<sup>3</sup>, these four sets of questions form a virtuous circle or moral compass with ethicability providing our standard of judgement or our decision making framework. This can be depicted as follows



In an environment that is highly regulated and rule-driven, organisations look for codes of conduct that can emanate from their professional standards board, their family, their friends and fellow citizens and are based on the elements depicted in his moral compass. Whilst organisations need effective governance to help them to mitigate their risk, they cannot prosper or survive without moral purpose, character, judgement and behaviour. So acting with integrity in our civic life has positive repercussions when translated into our working life.

So what does this mean for leadership? According to Professor Steare, there are lessons to be learnt from his experience of working with four global corporations with a combined market value of over £350bn.

“The leaders of these businesses have found the courage to stop trying to fix systems and processes and to fix themselves. They are looking in the mirror to confront their Moral DNA. They are implementing social learning and social decision making programmes both for leaders and followers in their businesses. They are dismantling command-and-control, fear-driven bureaucracies and replacing them with democratic, speak-up, listening cultures. They are discovering immediate positive impacts on their businesses as customers, colleagues and investors are drawn to this trustworthy and engaging approach to business.

They are developing the power of love<sup>4</sup> in business and getting their humanity to work.”

“Recent scientific insights into human morality have implications not only for business, but also for economics, politics and society. If we are indeed an empathic species, then we must question many widely held theories.”

In considering Professor Steare’s approach to both the human and business side of ethics, it struck me that this also has clear implications for how organisations manage their people processes, particularly around performance and reward. This is where the alignment of leadership, performance and human capital management to culture, values and individual behaviour has a role to play in both the fabric of the organisation and wider society.

This Performance with Integrity toolkit has been developed in two versions to address this issue. The first – or shorter toolkit – serves as a senior executive overview, whilst the second – being the longer toolkit – takes the form of a complete operational manual. Both have been written in a highly practical way, signposting and providing tools and guidance which will assist organisations to develop that essential empathy with human nature which The Corporate Philosopher brings to life so compellingly through his academic work.

To sum up his philosophy:-

“The challenge for boards is to decide whether corporate governance can be effective without moral leadership and culture. If the answer is no, then board members need to understand their personal and collective character, judgement and behaviour. This requires insight, oversight and expertise not found in rulebooks, tick-boxes and codes of conduct, but in moral philosophy and social psychology. In short, they need to understand who they are, how they decide what is right, and what they do and their role as leaders in meeting these challenges.”

**Andrea Eccles** is the Chief Executive of the City HR Association, a member of the CVF Executive and co author of the practical toolkits on Performance with Integrity.

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**Roger Steare** is a Fellow of ResPublica and Corporate Philosopher in Residence at the Cass Business School.

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### References:

- <sup>1</sup> Peter F Drucker – [www.thedx.druckerinstitute.com](http://www.thedx.druckerinstitute.com)
- <sup>2</sup> Roger Steare, [http://www.respublica.org.uk/documents/rre\\_ResPublica%20Changing%20the%20Debate%20\(1\).pdf](http://www.respublica.org.uk/documents/rre_ResPublica%20Changing%20the%20Debate%20(1).pdf)
- <sup>3</sup> Roger Steare, *ethicability*, 5th edition 2013
- <sup>4</sup> Roger Steare, *The Power of Love in Business – How to get your humanity to work*”, ResPublica, 2011



## OTHER PUBLICATIONS AND PROGRAMMES IN THIS SERIES

- Governing Values
- The City Foundation Course 'Leading with Integrity'
- Performance with Integrity
- The City Obligation
- Integrity Resources

For more details please visit  
[www.cityvaluesforum.org.uk](http://www.cityvaluesforum.org.uk)

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### ABOUT THE CITY VALUES FORUM

The City Values Forum is a working group that was established in 2011 to deliver the recommendations of The Lord Mayor's Initiative for 2010/11, 'Restoring Trust in the City' and to promote integrity in business in the City of London. The City is taking action across a broad front to strengthen standards of integrity, with a number of broad initiatives to support organisations in this respect.

For details on the range of initiatives being delivered please refer to the City Values Forum website in the section above entitled **Other Publications and Programmes in this Series**.



The City Values Forum was established in 2011 to deliver the recommendations of the Lord Mayor's Initiative 2010/11 aimed at restoring trust in the City.

This toolkit entitled 'Performance with Integrity' provides detailed and practical guidance on how to enhance organisational effectiveness through the linkage of people and performance management to corporate values. The Executive Summary focuses on 'what' the Board may like to consider, whilst the following Sections and Appendices address 'how' to facilitate the process.

Produced by the City HR Association, Performance with Integrity addresses the key steps that organisations can take to enhance their culture. Included are tools and case studies derived from the experience of financial institutions and blue chip companies who have embarked on the journey to becoming values-driven businesses.

The toolkit culminates with the **Gold Standard** which serves as both a comprehensive checklist and self assessment tool for use by any financial institution, irrespective of size or sector.



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