Guidance to support Best Practice Guideline 7

Guideline 7 recommends that organisations:

Introduce performance assessment, promotion and rewards systems that take meaningful account of the behaviours of individuals as well as their financial and other outputs, and in particular the extent to which those behaviours are supportive of the wellbeing of their team members and colleagues and contribute to sustainable high performance.

This note is intended to help organisations consider how that might be done. Each organisation will differ in culture, structure, resource and maturity. There can therefore be no "one size fits all" template. Rather we hope this document can be used to prompt reflection on how to implement the guideline within your organisation, taking into account the potential impact when used in conjunction with existing policies and procedures, which themselves will often have been shaped over many years with a wide range of purposes in mind.

The guideline itself is based on the principle that a mature approach to workplace wellbeing should look to build it into key policies and systems. Rather than simply focussing on the outputs (which of course will depend upon the role, for example, client revenue, sales targets, etc), which might be thought of as the "what" of an individual's role, it is necessary also to think about "how" they achieved those outputs, their behaviours and the resulting impact they had (positive or negative) upon the wellbeing of people around them. The behaviours and outputs are of course interrelated. Behaviours drive outputs and behaviours that support wellbeing, for example, should (also) result in improved outputs in the longer term.

It is worth emphasising that the guideline recommends the adoption of non financial metrics as well as financial ones – we recognise absolutely that organisations will need to include the latter. It is also worth bearing in mind that there is substantial evidence of the positive financial impact of good wellbeing strategies, as to which see our forthcoming White Paper on the subject.

A performance assessment process is there to communicate and encourage the behaviours the organisation wants to see, and to provide recognition of good behaviours and outputs. If you want to encourage certain behaviours and aims (additional results of behaviours such as high team wellbeing), as well as outputs, then it makes sense that they be included in any performance assessment process.

Similarly, a reward system (whether bonus, salary increase or something else) is clearly there to reward what the organisation regards as good performance and the behaviours it seeks to encourage. If a reward system simply reflects outputs then there is a clear message that meeting those metrics is the primary concern and that other factors are nice to haves or incidental at best. While there might be some element of organisational benevolence in a reward system to say thank you for past performance, it is primarily there to incentivise future behaviours. It makes sense that a reward system should take account of whether the individual is demonstrating positive organisational behaviours.

Promotion policies are perhaps more complex. In the context of a professional role there may be an assumption of continual career progression as experience is gained, with promotion through different grades happening almost by default (eg PQE in the context of lawyers). In other roles, there are additional factors around there being a vacancy and/or a business case for the promotion. Generally speaking, however, a mature approach to promotion decisions should be based upon the behaviours you want to see from the individual in the new role which should be more than purely output based.

Often as individuals become more senior within organisations, their influence over how outputs are achieved increases too. Therefore, for promotion decisions, behaviour indicators are

especially important, as typically more senior leaders are responsible for the delivery/oversight of work and subsequent impact on junior team members. Where organisations promote those who do not demonstrate behaviours consistent with their ethos/values, it can lead to questions around how authentically organisations hold those principles.

A sophisticated approach to performance assessment, reward and promotion will involve a complex range of factors. One tool often used is a competency framework. This will typically reflect the values or behaviours the organisation wants to see. It will also reflect the organisation itself, the role of the individual and their level of seniority and management responsibility. What one expects of a newly qualified professional for example will be very different from what one is wanting from a senior leader in that same organisation. What is encouraged by reward, and the competency one expects in, or for promotion to, a role will change considerably as an individual develops. Further there may be changes that reflect the development of the organisation, perhaps as it pivots to new business activities or markets or seeks to move from a growth to a maturity-based business model.

When considering how your existing reward and promotion policies can be adjusted to reflect the guideline, we think it is helpful to think about the following factors.

What is the broad purpose you are looking to achieve?

It is obviously always a good idea with any policy or system to begin with this and to keep it in mind throughout. This might be as simple as a generally and sustainably happy, healthy and productive workforce for example. It might be that, for a period at least, you want to be focussing more narrowly, perhaps to focus on reducing reported levels of stress.

What is relevant for the individual or level of role in question?

A junior person might be expected to be primarily focussed upon themselves and perhaps their direct peers whereas a more senior person, with influence over a wider group of people and at the same time more meaningful influence by virtue of their seniority, would be expected to have a commensurately broad focus.

Are there particular behaviours you want to include?

This might be a certain amount of time spent supervising/mentoring colleagues or engaged with employee support groups. Existing people management competency frameworks are likely to include relevant factors and it will be evident that good people management should contribute to higher wellbeing for the team.

Are there particular aims you want to include?

This might be reduced employee turnover or sickness absence, higher levels of employee engagement, psychological safety or reported levels of wellbeing. It could be more narrowly focussed such as reduced weekend working. An approach might sensibly look to include a combination of both behaviours and aims.

How are you going to measure these?

For some it will be obvious (eg employee engagement will be measured by way of an engagement survey) but others might include 360 feedback, wellbeing survey data or recorded instances of weekend working (and you will need ways to record and measure this). For others

thought will be needed as to how to accurately and reliably measure the desired factor. Be aware of possible unintended side effects – eg if the measure is reduced sickness absence, then team members could be discouraged from taking or reporting sickness absence. This is not to say these measures should not be used but their potential side effects on ability to be manipulated should be understood and taken into account.

How is the factor going to be taken into account?

There are three possible approaches:

1. A standalone bonus scheme that reflects particular wellbeing related behaviours and aims.
2. A "balanced scorecard" approach which includes all factors you want to include in any decision. In this case you would need to think about the relevant proportions the different factors should carry. With this approach an individual who achieves their target outputs could still get a bonus, for example, albeit at a reduced level, regardless of their behaviours and the negative impact those behaviours had on other aspects of their role, and those around them.
3. Attaining a certain level on your chosen behaviours and/or aims factors is a gateway– you are not eligible for a reward or promotion unless you achieve a certain level. This is arguably the most impactful approach and most clearly demonstrates the importance attached to the required behaviours.

Whichever the approach, you will need to decide whether you want to have an objective formulaic approach or something more subjective. Clearly the risk with the latter is that individual decisions might be less reliable and more capable of being fudged but this could be addressed through some system of checking or requiring decisions to be justified/evaluated.

Of course, it will be important to make sure that the overall demands you are making of any individual are realistic and achievable.

How are you going to train and support people to meet the goals?

Depending upon the factors and measures you may need to think about training or other supports to enable people to meet the requirements. As an example if you want to promote increased levels of psychological safety or employee engagement then most people are going to need help in understanding both what these terms mean and how they can contribute to them.

As with any new approach it might take a few iterations to refine it and iron out undesired/unexpected consequences. It might be a good idea to run a new approach alongside an established approach for the first year to assess it. You might also want to introduce change gradually over time, for example by slowly increasing the weighting of aim related factors, rather than doing it all in one go. Finally, incentivisation is one means of achieving behavioural change. For more discussion of different approaches to behavioural change please see the resources we have created which are in a behavioural change folder in the members area of the website.