

## **The Use of Core Values as A Foundation for A Performance Review System**

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If there is one thing that managers and employees seem to collectively loathe, it's annual performance reviews. Employees hate them because they can be very subjective, personable bias can surface and a connection between performance and corresponding compensation is often lacking. Managers share similar concerns, and they also resent the time reviews take and being put in a position of having to deliver bad news to an employee.

It doesn't have to be this way. A well managed employee performance review system has many features that both the employee and managers can agree with; it's a formal discussion reviewing the past year, that:

- Has a strong culture based upon company values and purpose.
- Provides clear expectations and guidelines on desired employee behaviour.
- Has a self-review component so employees have a chance to share how they feel they have performed.
- Bases the management portion of the review process upon confidential peer reviews, so that the employee is actually being reviewed by people they work with and not by a single manager.
- Provides guidance on wage increases that are tied into adherence to company culture as well as job performance.

### **Solution**

The secret great companies share is that they have created a business culture and they select employees that fit that culture. What is business culture and why should it matter? Simply put, it is the inherent way that a business does things. It can be described as the DNA of the business. The problem is when a company doesn't define their culture, letting culture develop without guidance. This leads to disengaged employees, workplace drama, employees excluding others, inconsistent customer service, etc.

There are two simple steps any company must take if they want to develop a culture; developing core values and defining the purpose of the business. Both are the constants of a business in a changing world. They are the foundation of who the business is. They are discovered within the business, and not created. For example, if you were asked for your personal values you would be able to explain them after a few minutes to think about it. It's not as if you were going to make up a value to suit the person who you are with. It is something inherent in you that has been passed along by parents, mentors, close friends and other influences.

Core values are the guiding principles of a business. They are something you have regardless of market demands. In fact, these are something you adhere to even if they lead to a competitive disadvantage. Quality can be a value and there is a cost to that value because you will spend

more time with a patient, invest in better medical equipment, and prioritize veterinary and staff training. It begins to add up. When times are tight it is tempting to cut corners to save money but adhering to a true value prevents you from doing that. It is more important to your veterinary practice to adhere to high standards, so if you need to cut costs quality is not where you look.

Similarly, discovering the purpose of the business is a bedrock of the practice. It is a guiding light that by definition is never achieved. It isn't a goal, or a strategy, rather it's what is used to help reach that purpose. When we were discovering the purpose of our business my partner and I started by asking ourselves why we went to vet school. What was it that led us to be veterinarians? What we discovered is that both of us hated the way we felt as pet when we had experiences with veterinarians where we were left confused and apprehensive because we felt like we weren't getting the whole story. As a result, our business purpose became clear - that we offer pet owners peace of mind in the health care decisions they make with their pets. This is why we do what we do, and veterinary medicine is something that we love that we can use to help create peace of mind.

Discovering the core values and purpose in a business is essential to creating the culture you want. When you know your business values and purpose you can use them as tools to help select the right people for your business. If you hire people with shared values and purpose you have a better chance of hiring people that "get" what your business is all about. We now hire for the "smile" and train the skills. You can't train attitude so if you get that right it is much easier to train the desired skills in a person. Ultimately, knowing your core values and purpose help in all business decisions. It actually makes making important decisions easier because you have core guiding principles that keep you from diverging from your purpose.

A cohesive, values based, and purposeful company culture is essential for business success. Unless everyone is working together from a basis of common values and are aligned with the purpose of the company, the performance of individuals, teams and the whole company can be impaired. As practice owners and managers, we often lament the one or two bad apples in the company who create tensions affecting everyone else. Aligning company culture to the review system is a great way to ensure that all employees participate positively in the desired company culture. A performance review system that measures people on how they live up to desired cultural behaviours emphasizes that living the values of the company is important - especially when people realize that how they are scored on their review will impact any raises they might get. Incentivizing desired behaviour is very effective, which is why we recommend scoring individual reviews up to 50% on how well the employee adheres to desired company behaviours and actions.

How does measuring values and purpose look in practice? To be able to measure these soft skills we need to develop competencies, or the "action words" that are tangible behaviours and skills. The simple criteria for a competency are that it is teachable and observable. For example, if one of your values is Evolve, it can be described as the idea of continuously moving forward, personally and professionally. It is having the internal drive to better we at all times without

being prompted. It also recognizes that change is inevitable and required in order to keep the business relevant and successful. Associated with this description are specific competencies. For example, we can use Continuous Education as one. It is described as a commitment to personal learning and development. The employee understands their strengths and weaknesses and independently seeks out opportunities for personal development. They keep current with advances in medicine and patient care. They also recognize that innovation is crucial to our business and market climate. With these competencies in mind we can assess the employee based upon how well they demonstrate these behaviours. If someone is continuously bringing new information to staff meetings or learning new skills, they would score higher than someone that is complacent and happy with the status quo.

Yet, compensation and raises cannot be based solely on culture alone, which is why a great performance review system also measures job performance. Technicians, receptionists and veterinarians should have distinct sections on the job they do in the review system. For example, a receptionist can be measured on how well they discuss money issues with clients, or how well they communicate with vets and technicians, while a technician can be evaluated on animal handling, performance in surgery, or how well they perform general technical skills.

Regardless, if we are reviewing values-based behaviour or technical skills it is helpful to have a chart that identifies how performance can be assessed over a range of criteria. For every category that is being scored we will have a list of what below average, average, above average and exceptional behaviour looks like. Since we introduced this into our performance review system there are barely differences between what a self-review and peer review score looks like. Having a clear set of guidelines helps all participants in the review process.

Instead of one person, usually the manager, determining how someone scores on a review, it is very effective to create confidential peer reviews where the people that work with an employee contribute to feedback received. This system eliminates favouritism, or negative bias towards an employee. It also helps identify hidden talents of employees that someone who doesn't work closely with that person would be unaware of. At the very least, it is much easier for the employee to hear constructive feedback when they know it is coming from the trusted people they work with. The role of the manager is simply to collect the confidential feedback from peers, assemble it in the review and use as the basis for scoring.

Rather than a person having to listen only to what management thinks of them, a well managed performance review system has a self-review portion where the employee can evaluate themselves using the same criteria that their co-workers used for the peer reviews. During the review meeting, the employee can bring up any areas of concern or issues they feel they need to address. It's amazing how honest people will be when they know that they can review themselves using the same criteria their co-workers will use. It also helps to remind the manager of accomplishments that were missed in the peer review section.

A key part of the review process is integrating managers scores with the potential for a raise. This can be done by creating wage ranges for each position. Depending on where an employee

is in this range, they have the potential for a higher percentage raise based on their score. If someone is near the top of the range and receives a poor score, they would get a minimal raise; a newcomer that has a great score will get a bigger raise. Employees very quickly realize that they are in control of their raises, based upon how well they do in the review process.

Having a combined self and peer review meeting will give the employee and management an idea of goals that can be worked upon throughout the year. Perhaps someone has poor time management skills, so a short course on the subject might help them improve over the year. Managers can have quarterly meetings with their staff to assess how well the goals are coming along.

Setting up the initial review process for a company can be lengthy, but the benefits are worth the effort. Subsequent years are much easier when everyone is working from the same template and knows what to expect. The whole review process should take 2-3 weeks, depending on the time of year. It is recommended to go through the process during a slow time of the year so everyone can give the attention the review process requires.

Imagine having an employee performance review system that everyone looks forward to because much of the angst of how to score people, or how much raise to offer, is replaced with a system that is transparent and merit based. At the same time the review system encourages behaviour that fosters the values and purpose of the business so that the team works as one. Hopefully, the key factors of this review system can be incorporated into your business so that you and your employees can look forward to reviews.