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## Agency Performance Management Policy

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### Agency Performance Management

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### Policy

It is the policy of North Carolina State Government to provide a performance management system which evaluates employees' accomplishments and behaviors related to goals and values associated with the mission, goals, and business objectives of the organization. An integrated performance management system enables employees to develop and enhance individual performance while contributing to the achievement of the organizational mission, goals, and business objectives. Each agency shall implement the Performance Management Policy as approved by the State Human Resources Commission.

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### Objectives

In establishing this Performance Management Policy, the State seeks to achieve the following objectives:

- Facilitate effective communication between employees and managers/supervisors;
- Ensure employees have a clear understanding of the performance expected of them and how their individual work contributes to the achievement of the organizational mission;
- Ensure employees provide, as well as receive, input into the development of individual goal and ongoing information about how effectively they are performing relative to established goals;
- Provide employees with ongoing opportunities to receive coaching from their managers/supervisors in areas of development and in areas for improvement;
- Identify and implement opportunities for employee development and discussion of career objectives; and
- Provide policy consistency.

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### Definitions

Term	Definition
<b>Agency</b>	A State department, agency, division, office, board, or commission. For the purpose of this policy, agency does not include constituent institutions of The University of North Carolina, for which there is a separate University SHRA Performance Appraisal policy located in Section 10 of the State Human Resources Manual.
<b>Annual Performance Evaluation</b>	The comprehensive review of the employee's performance, relative to the goals and values throughout the entire performance cycle. The annual performance evaluation contains a final overall rating.
<b>Career State Employee</b>	An employee who is in a permanent position who has been continuously employed by the State in a position subject to the State

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	Human Resources Act, for the immediate twelve (12) preceding months.
<b>Calibration Session</b>	A confidential discussion between same-level managers/supervisors, facilitated by the next-level manager/supervisor or a designated Human Resource representative, to evaluate work distribution, goal alignment, goal validity, results, and final ratings.
<b>Coaching</b>	An ongoing process between a manager/supervisor and employee to provide feedback, reinforce desired work actions and values-based behavior, address performance concerns, and/or discuss employee development. Coaching may be either formal (documented electronically or in writing) or informal (not documented).
<b>Documented Counseling Session</b>	A formal documented conversation between a manager/supervisor and an employee to provide specific feedback and initiate a plan to improve the employee's performance and/or values-based behavior to the satisfactory level of performance.
<b>Goals</b>	Organizational, division, work unit, and individual level outcomes which support the strategic mission of the organization. All goals shall be relevant to agency goals/mission. An employee accomplishes a goal by achieving related results aligned with that goal.
<b>Individual Development Plan</b>	A plan used to identify areas of development so an employee (1) shall have the skills, knowledge, and abilities he/she needs to meet the organization's goals and objectives, and (2) is given an opportunity to develop competencies that shall allow him or her to be successful in the future.
<b>Interim Review</b>	A formal documented discussion and documentation of such at the midpoint of the performance cycle between a manager/supervisor and an employee to review the employee's progress and make any necessary adjustments or initiate additional performance-related documentation.
<b>Permanent Employee</b>	An employee who is in a permanent position and has attained career status by being continuously employed by the State in a position subject to the State Human Resources Act for the immediate twelve (12) preceding months.

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<b>Performance Cycle</b>	The continuous 12-month period during which the performance management process takes place.
<b>Performance Expectation(s)</b>	A goal, value, or both, defining outcomes and behaviors that are documented on a performance plan to identify results to be accomplished and how the work should be accomplished.
<b>Performance Management</b>	The written and verbal communication processes for ensuring employees are focusing work efforts in ways that contribute to organizational mission and goals. Performance Management consists of at least three stages: <ol style="list-style-type: none"> <li>1. Performance Planning: setting goals and expectations for employee performance,</li> <li>2. Interim Review (Mid-Cycle Performance Feedback): maintaining a dialogue between manager/supervisor and employee to keep performance on track, and</li> <li>3. Annual Performance Evaluation: measuring actual performance relative to goals and values.</li> </ol>
<b>Performance Plan</b>	A description of the goals and values to be accomplished by the employee within the performance cycle, with emphasis on results to be achieved and how those results shall be measured.
<b>Position Description</b>	A statement or set of duties and responsibilities that represent the major functions of a job which shall be performed to meet the agency's needs.
<b>Probationary Employee</b>	An employee who is in a permanent position but has not attained career status by being continuously employed by the State in a position subject to the State Human Resources Act for the immediate twelve (12) preceding months.
<b>Satisfactory Performance</b>	Work-related performance that meets job requirements as set out in the relevant job description, work plan, or as directed by the management of the work unit or agency.

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<b>Time-Limited Employee</b>	An employee who is in a time-limited position and is not eligible for career status.
<b>Values</b>	Qualitative behavioral attributes that document how work actions should be accomplished. Values reflect core organizational beliefs that guide and motivate actions supporting the accomplishment of the agency mission and goals.

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### Covered Employees

This policy applies to all permanent, probationary, and time-limited employees. This policy does not apply to temporary employees. This policy applies to all exempt policymaking positions, exempt managerial positions, confidential secretary and confidential assistant positions, and all chief deputy positions.

Employees of constituent institutions of The University of North Carolina should refer to the University SHRA Performance Appraisal Policy located in Section 10 of the State Human Resources Manual.

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### Performance Cycle

The standard State government performance cycle is from July 1 through June 30. The annual performance evaluation shall be completed, approved, discussed with the employee, and entered into the system of record within sixty (60) calendar days of the cycle end date. The State Human Resources Director has the authority to change the dates of the standard performance cycle; however, all covered employees shall be notified a minimum of sixty (60) calendar days prior to the start of the new performance cycle.

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### Documentation of Performance

The Office of State Human Resources shall provide standard Performance Planning, Interim Review, and Annual Performance Evaluation templates to be utilized by all agencies and individuals covered by this policy. Templates for the Individual

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Development Plan and Documented Counseling Session will also be provided, but their use is not required.

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### Frequency of Performance Reviews

Performance Reviews are required in the following instances:

Permanent State Employees: The manager/supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of the performance cycle. The manager/supervisor shall conduct an interim review at the midpoint of the performance cycle and shall conduct a final performance evaluation annually, within 60 calendar days of the cycle end date. The permanent employee shall have been functioning under an issued performance plan for at least six (6) months cumulatively over the performance cycle to be assigned a final overall performance rating.

Probationary Employees: The manager/supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of employment; however, if the probationary employee's start date is during the last sixty (60) calendar days of the current performance cycle, then the manager/supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of the next performance cycle. The manager/supervisor shall review the probationary employee's performance by conducting documented performance feedback discussions during the first twelve (12) months of employment. A probationary employee is expected to perform the work at the level expected for this position and consistently meet what is expected in terms of quality, quantity, timeliness, cost, and customer satisfaction on all individual goals and individual values. If the employee's performance indicates he or she is not suited for the position and cannot be expected to meet satisfactory performance standards, the employee shall be separated during the probationary period.

The manager/supervisor shall conduct an interim review at the midpoint of the performance cycle and shall conduct a final performance evaluation annually, within sixty (60) calendar days of the cycle end date. If the probationary employee's start date is within sixty (60) calendar days of either the interim review or the annual

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performance evaluation, then an interim review or annual performance evaluation is not required. The probationary employee shall have been functioning under an issued performance plan for at least six (6) months cumulatively over the performance cycle to be assigned a final overall performance rating. To meet the business needs of the work unit, periodic reviews may be conducted as frequently as necessary.

Time-Limited Employees: The manager/supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of employment; however, if the time-limited employee's start date is during the last sixty (60) calendar days of the current performance cycle, then the manager/supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of the next performance cycle. The manager/supervisor shall review the time-limited employee's performance by conducting documented performance feedback discussions.

A time-limited employee is expected to perform the work at the level expected for this position and consistently meet what is expected in terms of quality, quantity, timeliness, cost, and customer satisfaction on all individual goals and individual values. If the employee's performance indicates he or she is not suited for the position and cannot be expected to meet satisfactory performance standards, the employee shall be separated.

The manager/supervisor shall conduct an interim review at the midpoint of the performance cycle and shall conduct a final performance evaluation annually, within sixty (60) calendar days of the cycle end date. If the employee's start date is within sixty (60) calendar days of either the interim review or the annual performance evaluation, then an interim review or annual performance evaluation is not required. The time-limited employee must have been functioning under an issued performance plan for at least six (6) months cumulatively over the performance cycle to be assigned a final overall performance rating. To meet the business needs of the work unit, periodic reviews may be conducted as frequently as necessary.

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Employees in Trainee Classifications: Employees in trainee classifications will have either a probationary or permanent appointment type. Managers and supervisors shall follow the performance management process based on employee appointment (i.e., probationary or time-limited), as outlined in this policy. See the New Appointments Policy located in Section 4 of the State Human Resources Manual for additional information related to trainee salary progressions.

Transfers: When an employee transfers (lateral, demotion, reassignment, or promotion) within State government, the existing manager/supervisor shall assess performance and document progress and/or recommended ratings prior to the transfer. If the transfer (lateral, demotion, reassignment, or promotion) occurs during the interim review or annual performance evaluation, then the existing manager/supervisor shall complete the transferring employee's interim review or annual performance evaluation. If the transfer (lateral, demotion, reassignment, or promotion) does not occur during the interim review or annual performance evaluation, then the existing manager/supervisor shall provide written performance information (i.e., documentation in the system of record or email) specific to the employee's achievement of established goals and values to the receiving manager/supervisor. If the transferring employee has been functioning under an issued performance plan for at least six (6) months at the time of the transfer, then the existing manager/supervisor shall recommend performance ratings for goals and values in the system of record, prior to the transfer.

Change in Manager/Supervisor: When there is a change in manager/supervisor, the existing manager/supervisor shall provide written performance information (i.e., documentation in the system of record, email, etc.) specific to the employee's achievement of established goals and values to the receiving manager/supervisor. If the change in manager/supervisor occurs during the interim review or annual performance evaluation, then the existing manager/supervisor shall complete the interim review or annual performance evaluation. If the employee has been functioning under an issued performance plan for at least six (6) months at the time of the change in manager/supervisor, then the existing manager/supervisor shall recommend performance ratings for goals and values in the system of record prior to the change.

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Separation: When an employee separates from State government, the manager/supervisor shall assess performance and recommend a final overall performance rating, unless the employee's separation is due to a documented disciplinary action, retirement, disability, illness, or death. The separating employee must have been functioning under an issued performance plan for at least six (6) months cumulatively over the performance cycle to be assigned a final overall performance rating. For an employee who is separated for any reason other than documented disciplinary action, retirement, disability, illness, or death, any final overall performance rating that reflects an unsatisfactory level of performance shall be approved by the agency Human Resources Director or his/her designee.

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### The Performance Management Process

Throughout the performance cycle, the manager/supervisor shall document and validate, based on direct observation and/or feedback from others, employee performance results and values-based behaviors on a regular and consistent basis. In addition, the manager/supervisor shall provide feedback to the employee, both positive and corrective, when appropriate. Both the manager/supervisor and employee should document activities and accomplishments related to goals and values-based behaviors during the performance cycle. All formal coaching and counseling sessions and formal performance discussions shall be documented electronically or in writing.

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### The Formal Performance Discussions

Managers/Supervisors shall conduct a minimum of three (3) formal performance discussions annually, with each employee and timed accordingly:

1. Beginning of the Performance Cycle: Stage One: Performance Planning
2. Midpoint of the Performance Cycle: Stage Two: Interim Review
3. End of the Performance Cycle: Stage Three: Annual Performance Evaluation.

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### Stages of the Performance Management Process

#### Stage One: Performance Planning

Each employee shall have an annual performance plan to include at least three (3) but not more than five (5) strategically aligned critical individual goals (not an exhaustive list of all responsibilities required for continued employment and does not duplicate information in the position description) and criteria to be used to measure work performed. Goals shall be written at the satisfactory level for the position. The agency shall facilitate calibration discussions to systematically assess goal validity and ensure organizational consistency.

Within ninety (90) calendar days of the onset of a performance management cycle, the Office of State Human Resources shall communicate the process for assigning any statewide values to employees subject to this policy. Each agency may choose to add up to five (5) additional organizational values, selected from a predefined list published and communicated by OSHR within ninety (90) calendar days of the onset of the performance management cycle.

The weighting structure of goals and values shall be determined by the Office of State Human Resources and will normally be communicated to agencies within ninety (90) calendar days of the beginning of the performance management cycle.

Managers/Supervisors shall hold a performance planning discussion with each employee and put a performance plan in place with each employee within sixty (60) calendar days of:

- the beginning of the performance management cycle;
- the employee's entry into a position;
- a new (probationary or time-limited) employee's date of employment, unless the start date of employment is within sixty (60) calendar days of the end of the current performance cycle; or
- any significant change to the performance expectations of the current performance plan.

Once signed by the appropriate levels of management, the employee shall review, sign, and date the performance plan. The employee's signature on the performance

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plan acknowledges his/her receipt of the plan. If the employee refuses to sign the performance plan, the manager/supervisor shall document the employee's refusal on the performance plan.

Each employee shall have ready access to his/her performance plan either via paper or electronically.

### Stage Two: Interim Review (Mid-Cycle Performance Feedback)

The Interim Review provides managers/supervisors and employees with an opportunity to discuss, at the midpoint of the cycle, any changes in organizational priorities or employee development goals, review progress toward meeting strategically aligned individual goals and, if necessary, revise performance plans, initiate individual development plans, or address performance problems and identify steps the employee should take to improve or adjust priorities through the remainder of the performance cycle. Additional formal and informal discussions shall also be conducted as needed throughout the performance cycle.

### Stage Three: Annual Performance Evaluation

At the end of the performance cycle, the manager/supervisor shall evaluate employee overall/cumulative performance relative to the three (3) to five (5) individual goals as well as the established organizational values for each position held during the performance cycle.

Managers/Supervisors shall use quantitative and qualitative information collected throughout the cycle and documented by various sources, including information documented by the employee, to determine the extent to which the employee's actual performance has met the expectations defined in the performance plan. The manager/supervisor shall evaluate performance based on the performance information and assign ratings to each goal and value to determine an overall annual performance evaluation rating. Agency Human Resources personnel shall facilitate calibration discussions to systematically assess rating validity and ensure organizational consistency.

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Each individual goal and value shall be rated using the standardized three-point rating scale as determined by the Office of State Human Resources. The standardized scale will normally be communicated to agencies within ninety (90) calendar days of the beginning of the performance management cycle.

The employee's final annual performance evaluation rating shall be based on results achieved cumulatively over the performance cycle relative to his/her individual goals and organizational values. The final annual performance evaluation rating shall reflect timeliness, quantity, and quality of job performance relative to established goals and identified values. A final annual performance evaluation rating that is higher or lower than what is expected of someone in the position shall be supported by appropriate documentation. An employee who performs below the satisfactory level of performance on any goal or value shall not be awarded a final annual performance evaluation rating above the satisfactory level of performance, regardless of the level of results achieved or adherence to values.

Managers/Supervisors shall assign a final annual performance evaluation rating and conduct an annual performance evaluation meeting with each employee.

Managers/Supervisors shall not submit final annual performance evaluation ratings for employees unless an annual performance plan, supported by ongoing performance documentation, has been completed in accordance with this policy

- Once signed by the appropriate levels of management, the employee shall review, sign, and date the annual performance evaluation. The employee's signature on the annual performance evaluation acknowledges his/her receipt of the evaluation. If the employee refuses to sign the annual performance evaluation, the manager/supervisor shall document the employee's refusal on the performance evaluation.
  - Each employee shall have ready access to his/her annual performance evaluation either via paper or electronically.
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### Addressing Unsatisfactory Job Performance

If at any time during the performance cycle an employee is not performing at the satisfactory level for the position, the manager/supervisor will consider the totality of the circumstances in determining at what step to begin the performance discussion. For the majority of performance discussions, the manager/supervisor shall provide feedback to the employee regarding the need for him/her to improve his/her performance. If performance does not improve following the feedback provided by the manager/supervisor, for the majority of performance discussions, the manager/supervisor shall:

1. Consult his/her Human Resource representative regarding the steps necessary for conducting a Documented Counseling Session (DCS).
2. Conduct a Documented Counseling Session (DCS) to:
  - discuss ways to improve the employee's performance and/or values-based behavior,
  - seek input from the employee about whether the performance issue can be corrected through a process change or to determine if the employee needs to receive additional training on current procedures/processes,
  - outline the steps to be taken to improve performance, including the specific timeframe for improvement,
  - identify the consequences, including progressive disciplinary action, of failure to improve, and
  - establish a follow-up date(s).

For some values-based behaviors and performance concerns, immediate improvement may be necessary (e.g., safety concerns, etc.).

If performance improves to the satisfactory level during the established timeframe and performance is maintained at the satisfactory level, then the manager/supervisor should document the employee's performance improvement electronically or in writing.

3. If employee performance and/or values-based behavior does not improve to the satisfactory level during the designated timeframe discussed during the DCS

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and/or employee performance and/or values-based behavior improves to the satisfactory level but is not maintained at that level, then the manager/supervisor shall consult his/her Human Resources representative and the Disciplinary Action Policy found in Section 7 of the State Human Resources Manual.

A DCS shall be conducted prior to beginning disciplinary actions for performance issues. Any disciplinary action issued for unsatisfactory job performance without a prior DCS must first be approved by the agency Human Resources Director or his/her designee. Performance deficiencies occurring during the performance cycle, which result in a Documented Counseling Session or disciplinary action, shall be referenced in the performance record. Consult the Disciplinary Action Policy found in Section 7 of the State Human Resources Manual for information about actions that inactivate disciplinary actions for unsatisfactory job performance.

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### Performance Management Resources and Training

Each agency shall:

- Designate a person as its performance management coordinator, with responsibility for coordinating the development, implementation, and ongoing administration of performance management within the organization.
  - Provide performance management training, made available by OSHR and/or the agency, to all newly hired or promoted managers/supervisors, to be successfully completed within the first three (3) months of the manager's/supervisor's new role;
  - Provide annual refresher training, made available by OSHR and/or the agency, to all employees.
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### Confidentiality, Right to Inspect, and Records Retention

Performance evaluations are confidential documents under G.S. 126-22; however, calibration sessions may require the disclosure of performance evaluations on a need-to-

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know basis among supervisors and managers. To promote communication and coordination, agency management may make some version of performance plans and evaluations visible internally. Any confidential information discussed during calibration sessions shall not be shared outside of the calibration session. A breach of confidentiality shall be considered Unacceptable Personal Conduct and may result in disciplinary action up to and including dismissal.

Additionally, under G.S. 126-24, hiring supervisors and managers shall be able to inspect and examine performance management documents of final job candidates who are current or former State employees during the hiring process.

Annual performance evaluations and supporting documentation shall be securely retained for at least three (3) years, and then maintained according to the applicable records retention schedule.

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### Policy Compliance

The Office of State Human Resources shall monitor and evaluate performance management records and data to ensure agency compliance.

If an employee believes his/her manager/supervisor is failing to adhere to the performance management processes, the employee should notify the next-level manager/supervisor or the agency's Human Resources office. The failure of a manager/supervisor to carry out the performance management process in accordance with this policy shall be addressed as a performance deficiency and shall result in one or more of the following:

- Documented Counseling Session from the next-level manager/supervisor to determine the cause(s) of the deficiency and implementation of a plan to improve performance;
- Participation in skills enhancement training;
- Monitoring and documentation of manager/supervisor progress towards improving in the performance of assigned performance management duties; and/or
- Issuing appropriate disciplinary actions.

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### **Performance Rating Dispute**

Career State employees or former career State employees may grieve an overall performance rating of less than “meets expectations” using the North Carolina Employee Grievance Policy found in Section 7 of the State Human Resources Manual.

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