



**PERFORMANCE MANAGEMENT POLICY**  
APPROVED BY THE STATE HUMAN RESOURCES COMMISSION  
EFFECTIVE JULY 1, 2015

# Performance Management Policy

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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 organizational values to achieve organizational mission, goals, and business objectives. An integrated performance management system enables employees to develop and enhance individual performance while contributing to the achievement of 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 achievement of the organizational mission;
- Ensure employees provide, as well as receive, input into the development of individual goals and ongoing information about how effectively they are performing relative to established goals;

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- Identify and implement opportunities for employee development and discussion of career objectives; and
  - Provide policy consistency.
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### Covered Employees

This policy applies to all probationary, trainee, time-limited and permanent employees. This policy does not apply to temporary employees. This policy does apply 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 Performance Management 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 ability 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 a standard evaluation template, individual development plan template, and Performance Improvement Plan template to be utilized by all agencies and individuals covered by this policy. The State Human Resources Director shall publish and communicate the standard templates a minimum of ninety (90) calendar days prior to the start of the performance cycle.

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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 mid-point of the performance

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cycle and shall conduct a final performance evaluation annually, within 60 calendar days of the end of the performance cycle.

- Probationary Employees:** The Manager/Supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of employment. The Manager/Supervisor shall review the probationary employee's performance by conducting quarterly documented performance feedback discussions during the first twelve (12) months of employment. If a probationary employee, at a minimum, "Meets Expectations" on all individual goals and individual values, at the end of the first performance cycle, then quarterly documented performance feedback discussions are no longer required. 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 conduct an interim review at the mid-point of the performance cycle and shall conduct a final performance evaluation annually, within sixty (60) calendar days of the end of the performance cycle.

If an employee's start date is between November 1 and April 30, the probationary employee shall have either an extended or standard (i.e., 12 month) performance cycle and shall receive a performance evaluation within sixty (60) calendar days of the performance cycle end date of the following cycle year. If an employee's start date is between May 1 and October 31, the probationary employee shall have either an abbreviated performance cycle or a standard (i.e., 12 month) performance cycle and shall receive a performance evaluation within sixty (60) calendar days of the performance cycle end date of the current cycle year.

The probationary employee shall have been functioning under an issued performance plan for at least six (6) months to receive his/her first performance review. To meet the business needs of the work unit, interim reviews may be conducted as frequently as necessary.

### Example Review Schedule for Probationary Employees:

Start Date	Plan in Place Before	First Annual Performance Evaluation
May 1, 2015 – October 31, 2015	July 1, 2015 – December 31, 2015	Within 60 calendar days of June 30, 2016
November 1, 2015 – April 30, 2016	January 1, 2016 - June 30, 2016	Within 60 calendar days of June 30, 2017

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- **Trainee and Time-Limited Employees:** The Manager/Supervisor shall establish a performance plan for the employee during the first sixty (60) calendar days of employment. The Manager/Supervisor shall review the trainee or time-limited\_employee's performance by conducting quarterly documented performance feedback discussions. If an employee's start date is between November 1 and April 30, he or she shall have either an extended or standard (i.e., 12 month) performance cycle and shall receive a performance evaluation within sixty (60) calendar days of the performance cycle end date of the following cycle year. If an employee's start date is between May 1 and October 31, he or she shall have either an abbreviated performance cycle or a standard (i.e., 12 month) performance cycle and shall receive a performance evaluation within sixty (60) calendar days of the performance cycle end date of the current cycle year. The trainee or time-limited employee must have been functioning under an issued performance plan for at least six (6) months to receive his/her first performance review. To meet the business needs of the work unit, interim reviews may be conducted as frequently as necessary. 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. If he or she meets satisfactory performance standards, 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 conduct an interim review at the mid-point of the performance cycle and shall conduct a final performance evaluation annually, within sixty (60) calendar days of the end of the performance cycle.
- **Transfers:** When an employee transfers (lateral, demotion, reassignment, or promotion) within state government, a performance review shall be completed prior to the transfer. If the transfer (lateral, demotion, reassignment, or promotion) occurs within thirty (30) calendar days of the end of the interim review or annual performance evaluation, then a copy of the completed and signed interim review or the completed and signed annual performance evaluation shall be sent to the receiving manager/supervisor. If the transfer (lateral, demotion, reassignment, or promotion) occurs more than thirty (30) calendar days prior to the interim review or annual performance evaluation, 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.
- **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

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of established goals and values to the receiving manager/supervisor. If the change in manager/supervisor occurs within thirty (30) calendar days of the annual performance evaluation, then the existing manager/supervisor shall complete the formal performance evaluation.

- **Separation:** When an employee separates from state government, the manager/supervisor shall assess performance and assign a final overall performance rating, unless the employee's separation is due to a documented disciplinary action, retirement, disability, illness, or death. For an employee who is separated for any reason other than documented disciplinary action, retirement, disability, illness, or death, any final overall performance rating of "Does Not Meet Expectations" shall be approved by the Human Resources Director or his or her designee.

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### The Performance Management Process

#### Stage One: Performance Planning

1. 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), a description of how goals shall be measured, and the level of performance required to meet expectations and values. Goals shall be written at the "Meets Expectation" level. The agency shall facilitate calibration discussions to systematically assess goal validity and ensure organizational consistency.
2. Within ninety (90) calendar days of the onset of a PM cycle, the Office of State Human Resources shall publish and communicate two (2) to four (4) organizational values, which shall be standard for all 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 PM cycle.
3. Organizational values shall be 50% of the total weight relative to overall performance. Individual agencies may determine weight of specific goals; however, goal weight shall be no more than 50% of the total weight relative to overall performance.
4. 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, trainee or time-limited ) employee's date of employment; or

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- any significant change to the performance expectations of the current Performance Plan.
5. Once signed by the manager/supervisor and next-level manager/supervisor, the employee shall review, sign, and date the performance plan. If the employee refuses to sign the performance plan, the manager/supervisor shall document, on the performance plan, the employee's refusal.
  6. Each employee shall have ready access to his or her performance plan either via paper or electronically.

### Stage Two: Performance Feedback

1. Throughout the performance cycle, the manager/supervisor shall document and validate, based on direct observation and/or feedback from others, employee performance results and 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 behaviors during the performance cycle.
2. Managers/Supervisors shall conduct a minimum of three (3) formal performance discussions annually, for each employee and timed accordingly:
  - the performance planning discussion, at the beginning of the performance cycle;
  - an interim review at the performance cycle mid-point; and
  - the annual performance evaluation, at the end of the performance cycle.

The formal discussions provide managers/supervisors and employees with an opportunity to discuss any changes in organizational priorities or employee development goals, review progress 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 to adjust cycle goals, document progression, or address fluctuating business requirements.

3. All formal coaching and counseling sessions and formal performance discussions shall be documented.

### Addressing Poor Performance

If at any time during the performance cycle an employee is not meeting expectations, the manager/supervisor shall:

1. Conduct a formal coaching session to:
  - discuss ways to improve the employee's performance/behavior,

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- seek input from the employee about whether the performance issue can be corrected through a process change or 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 corrective action, of failure to improve, and
- define a follow-up date(s).

If performance improves to the “Meets Expectation” level during the defined timeframe and performance is maintained, no further action is necessary.

2. If employee performance/behavior does not improve to the “Meets Expectation” level during the designated timeframe discussed during the formal coaching session, the manager/supervisor shall consult his/her Human Resources representative, prepare a Performance Improvement Plan (PIP), and conduct and document a formal counseling session to review the PIP with the employee. The PIP documentation shall serve as the first written warning, as specified in the employee disciplinary policy found in Section 7 of the State Human Resources Manual, and shall:

- be in writing and state that it is a warning,
- state the specific performance/behavior problem that is the reason for the warning,
- state the specific steps to be taken to improve performance, including the specific timeframe for improvement,
- state the consequences, including progressive disciplinary action, of failure to make the required improvements/corrections,
- establish a follow-up date(s),
- tell the employee of any appeal rights provided by State law, and
- discuss the Employee Assistance Program (EAP) when appropriate.

When warranted, the agency Human Resources Director or his or her designee may grant an extension beyond the specific timeframe for improvement identified in the PIP. For some behaviors and performance concerns, immediate improvement may be necessary (e.g., safety concerns, etc.). If warranted, the disciplinary process can commence simultaneously with the implementation of a PIP. It is not necessary to have a PIP in place prior to commencing the disciplinary process; however, most performance deficiencies should have a PIP in place prior to commencing the disciplinary process. For specific information regarding the disciplinary process, please refer to the employee disciplinary policy found in Section 7 of the State Human Resources Manual. Performance deficiencies occurring during the



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performance cycle, which result in a PIP, shall be referenced in the annual performance evaluation.

If performance improves to the “Meets Expectations” level during the designated timeframe and is maintained, no further action is necessary.

3. If performance does not improve to the “Meets Expectation” level during the designated timeframe outlined in the PIP and discussed during the formal counseling session, or if the performance/behavior fails to be maintained at the “Meets Expectations” level, the manager/supervisor shall:
  - a. refer to the employee disciplinary policy found in Section 7 of the State Human Resources manual to determine what action is necessary to begin the corrective disciplinary process, and
  - b. contact his/her Human Resources representative.

If an employee receives a performance-based disciplinary action during the performance cycle, corrects, and maintains performance at the “Meets Expectations” level, then the employee shall be considered to have met expectations for the goal/organizational value associated with the disciplinary action. If the employee receives both a “Meets Expectations” for the goal/organizational value cited in the warning or other disciplinary action and a “Meets Expectations” in the overall performance evaluation rating, the performance-based disciplinary action becomes inactive. If the written warning is based on the employee’s failure to complete tasks listed in the job description or is based on the employee’s failure to respond to a direct order from the manager/supervisor, but these warnings are not linked to the goals/organizational values of the performance plan, then the written warning shall remain active, according to the OSHR disciplinary policy. At the conclusion of the performance cycle, if the employee has not successfully satisfied the terms of the PIP, or has an active performance-based disciplinary action, the employee shall be considered not to have met expectations during the current cycle for the performance expectation(s) associated with the disciplinary action.

### III. Stage Three: Annual Performance Evaluation

1. At the end of the performance cycle, the manager/supervisor shall evaluate employee performance relative to the three (3) to five (5) individual goals as well as the selected organizational values. 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 collected performance

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- 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.
2. Each individual goal and value shall be rated using the standardized rating scale. The standardized rating scale shall consist of three (3) levels defined as follows:
    - ***Exceeds Expectations*** - (3) Performance consistently exceeds documented expectations and measurements. The employee consistently does work going far beyond what is expected in terms such as quantity, quality, timeliness, cost, and customer satisfaction. Performance that “Exceeds Expectations” is due to the effort and skills of the employee. Performance is consistently characterized by exceptionally high quality work that requires little or no improvements or corrections. An employee at this level repeatedly makes exceptional or unique contributions to the organization that are above the requirements of his/her duties and responsibilities. An employee performing at this level should be readily recognized by their organization as an outstanding contributor to the organization’s mission.
    - ***Meets Expectations*** – (2) Performance consistently meets and occasionally exceeds the documented expectations and measurements. The employee performs according to expectations. The employee does the job at the level expected for this position and consistently meets what is expected in terms such as quantity, quality, timeliness, cost and customer satisfaction. The performance is due to the employee’s own effort and skills. An employee performing at this level is dependable and makes valuable contributions to the organization. The employee’s judgments are sound, and he or she demonstrates knowledge and mastery of duties and responsibilities. Most employees should meet expectations in a functional, performing work unit.
    - ***Does Not Meet Expectations*** – (1) Performance does not meet expectations and measurements and supervisory attempts to encourage performance improvement are unsuccessful. The employee is performing the job at an unsatisfactory performance level in terms such as quantity, quality, timeliness, cost, and customer satisfaction and performance improvement counseling by the manager/supervisor has not resulted in adequate employee performance improvement. Manager/supervisors are required to continue addressing performance issues with an employee with this rating level, documenting management efforts to encourage satisfactory performance, and documenting subsequent results on a Performance Improvement Plan. Performance counseling sessions should be guided by next-level management and/or HR, and may

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result in disciplinary consequences for the employee who fails to demonstrate improvement.

3. The employee's final overall rating shall be based on results achieved relative to his/her individual goals and organizational values. The final overall rating shall reflect both quantity and quality of job performance relative to established goals and identified values. A final overall rating of "Exceeds Expectations" shall be supported by appropriately documented results and accompanied by demonstrated adherence to organizational values. An employee who does not at least "Meet Expectations" on all organizational values shall not be awarded a final overall rating of "Exceeds Expectations," regardless of level of results achieved on goals. An employee who receives a "Does Not Meet" on any goal or value shall not be awarded an overall rating of "Exceeds Expectations," regardless of the level of results achieved or adherence to values.
  4. Upon completion of calibration, a final overall rating shall be assigned and entered into the appropriate system of record. Managers/Supervisors shall not submit final overall ratings for employees unless an annual performance plan, supported by ongoing performance documentation, has been completed in compliance with this policy.
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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, 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, to all employees.
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### Confidentiality 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-know basis among supervisors and managers. To promote communication and coordination, agency management may make some version of performance plans visible internally. Any information shared during calibration sessions shall be treated as confidential and shall not be shared outside of the calibration session. A breach of confidentiality shall be considered personal misconduct and may result in disciplinary action up to and including dismissal.

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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 (1) or more of the following:

- Coaching from the next-level manager/supervisor to determine the cause(s) of the deficiency and implementation of a Performance Improvement Plan;
  - Participating in skills enhancement training;
  - Monitoring and documentation of manager/supervisor progress towards improving implementation of performance management; and/or
  - The issuing of appropriate disciplinary actions, up to and including dismissal.
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### Performance Rating Dispute

Career State employees or former career State employees may grieve an overall performance rating of "Does Not Meet Expectations" using the agency's internal employee grievance process. For more specific information regarding the employee grievance process, please refer to the State of North Carolina employee grievance policy found in Section 7 of the State Human Resources Manual.

### 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 Performance Management policy located in Section 10 of the State Human Resources Manual.

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<b>Annual Performance Evaluation</b>	The comprehensive review of the employee's performance, relative to the goals 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 Human Resources Act, for the immediate twenty-four (24) preceding months.
<b>Calibration Session</b>	A confidential discussion between same-level managers/supervisors, facilitated by the next-level manager/supervisor or designated Human Resource representative, to evaluate work distribution, goal alignment, goal validity, results, and final ratings.
<b>Coaching Session</b>	Either a formal (which is documented) or informal (which is not documented) conversation between a manager/supervisor and employee to provide feedback and reinforce desired work actions and behavior.
<b>Counseling Session</b>	A formal documented conversation between a manager/supervisor and an employee to provide specific feedback and initiate a Performance Improvement Plan to develop a strategy for an employee to raise his/her performance to a minimum of "Meets Expectations."
<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>	The process 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 mid-point of the performance cycle between a manager/supervisor and an employee to review the employee's progress and make any necessary adjustments, including the initiation of an Individual Development Plan or a Performance Improvement Plan if necessary.
<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 24 preceding months.
<b>Performance Cycle</b>	The continuous 12 month period during which the performance management process takes place.

## Performance Management Policy (Continued)

<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 Improvement Plan</b>	A written document issued to an employee by a manager/supervisor which provides specific instructions to the employee about the action(s) the employee shall take to improve performance and/or conduct deficiencies to the "Meets Expectations" level of performance. A performance improvement plan is issued to an employee who maintains employment and is issued a written warning or other progressive disciplinary action, such as suspension without pay or demotion.
<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. 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 represents 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 24 preceding months.
<b>Satisfactory Performance</b>	Performance for which the employee consistently meets expectations and occasionally exceeds expectations.
<b>Time-Limited Employee</b>	An employee who is in a time-limited position and is not eligible for career status.
<b>Trainee Employee</b>	An employee who is in a permanent position but does not meet the State minimum education and experience requirements outlined in the job specifications.

## Performance Management Policy (Continued)

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<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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