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About This Document

owner	HR
access & use	Restricted to Managers & HR
what it is	<p>A guide that provides overview information, guidelines, and tips relating to the following aspects of performance management:</p> <ul style="list-style-type: none"> ◆ Probationary periods ◆ Performance reviews ◆ Performance improvement plans ◆ Involuntary terminations
who uses it	Managers with direct reports
<p>Note: This document includes sensitive information. It should not be shared with staff members who do not have responsibility for direct reports. Use caution and discretion when using or printing.</p>	

Overview

Managing employee performance and coaching the team is a fundamental part of your job as a manager. But it can be challenging, especially if you're a new manager.

This guide helps you understand the purpose and value of performance management, and provides overview of four key performance management topics:

- ◆ Probationary periods
- ◆ Annual performance reviews
- ◆ Performance improvement plans
- ◆ Involuntary terminations

Why It's Important to Focus on Performance

At CUSTOMIZER: Insert Company name, we believe focusing on employee performance is critical because it:

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- ◆ Regular status employees participate in an annual performance review
- ◆ Employees who are not meeting performance expectations undergo a performance improvement plan with their manager, and
- ◆ Employees who still don't meet performance expectations after the performance improvement plan are subject to involuntary termination.

This guide provides an overview of each of these four stages.



Probationary Period

What Is It?

When new employees join the company, we don't generally know much about them. We've talked to them a few times, and talked to a few people who've worked with them, but in most cases, we've never actually worked with them. The probationary period is like a trial working period that allows the Company and new employee to mutually evaluate and confirm that there's a good fit. We also use the process for existing employees who have been transferred or promoted into new position. Acceptance of a probationary period is a mandatory component of every employment contract we offer.

The probationary period is an excellent method of helping the manager and employee get the new working relationship off to a good start, but the onus is on the manager to set the direction. You must communicate clear expectations, check in regularly, and give frequent feedback.

These are the kinds of things we do in the probationary period:

- ◆ Evaluate the employee's skills, progress in learning the job, and results.
- ◆ Set goals and assign appropriate tasks.
- ◆ Monitor traits and behaviors, looking for alignment with our Company Core Success Traits and the position requirements.
- ◆ Decide if the employee's performance meets the manager's expectations and the Company's needs.

Once an employee successfully completes the probationary period, they achieve 'regular' status in the Company, as defined in their employment agreement.

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Probationary period length depends on the nature of the position. For example, it's hard to justify a probationary period longer than 3 months for an administrative position, whereas 6 months may be reasonable for a new salesperson, Director, VP, or CEO.

The following are general guidelines, but do not take into account job-specific factors.

- ◆ Executive positions: 6 months
- ◆ Positions with long learning curves and/or numerous direct reports: 6 months
- ◆ Entry-level and administrative positions: 3 months

Managing the Probationary Period – Support, Feedback, and Leadership

It's not enough to explain terms and conditions of employment, set expectations, and then leave the employee to make it on their own from there. Continue to show your interest and offer support throughout the probationary period:

- ◆ Arrange monthly reviews to keep communication flowing and address concerns, training, or accountability issues in a timely manner.
- ◆ Provide positive or constructive feedback in 'real-time'. Reinforce or adjust performance and behaviors immediately.
- ◆ Document all feedback provided—positive or negative—along with specific examples.
- ◆ Practice what you preach. If you or your staff take long lunches, are often absent on personal errands, take frequent breaks, make long personal phone calls, engage in excessive social chat or personal computer use, call in sick regularly or come in late, the new employee will quickly understand your true performance standards, no matter what you say.

If you're uncomfortable providing constructive feedback, contact CUSTOMIZER: Insert the title of the contact (not their name). Example: HR Manager who can provide you with coaching and support.

Probationary Period Outcome

Towards the end of the probationary period, ask yourself, "If I could go back to the decision-making stage, would I hire this person again?"

- ◆ If the answer is "Yes", great! Notify CUSTOMIZER: Insert the title of the contact (not their name). Example: HR Manager and take the next steps toward formalizing their status as a permanent employee.
- ◆ If the answer is "No", take action.
- ◆ If the answer is "Not sure", take action.

In fact, if the answer is anything but an unequivocal "Yes!", take one of two actions: extend the probationary period, or terminate employment.

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However, before you make this decision, ask yourself:

- ◆ Has the employee received clear direction?
- ◆ Have performance standards been clearly communicated?
- ◆ Has the employee had sufficient time to understand the job duties and demonstrate performance?
- ◆ Has the less-than-satisfactory progress been discussed with the employee? Has it been documented?
- ◆ Has the employee had sufficient time to correct the deficiency? Does the employee know the behavior is unsatisfactory?

If a decision is made to terminate employment, remember:

- ◆ There must be **bona fide documented performance reasons** to terminate an employee during the probationary period. If performance has not been managed or documented, the termination is deemed 'without cause' and will likely warrant severance/liability.
- ◆ If an employee is terminated as a result of not successfully completing the probationary period, they must be informed of the reason(s) for the termination.

Annual Performance Review

What Is It?

A performance review is a formal method by which the job performance and behavior of an employee is evaluated and documented. It's intended to be a fair and balanced assessment, providing the employee with the opportunity to discuss:

- ◆ Goals and accomplishments achieved during the review period.
- ◆ Success traits and skills demonstrated achieved during the review period.
- ◆ Overall job performance.
- ◆ Goals and expectations for the next review period.

Why It's Important

In addition to evaluating performance and measuring progress, the performance review process:

- ◆ Provides managers with opportunity to give feedback and guidance.
- ◆ Provides employees with opportunity for self-evaluation.
- ◆ **CUSTOMIZER: Enables the Company to reward high performers through compensation .**

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- ◆ Keep notes/examples about performance of your direct reports throughout the year. When it's time to prepare the review, you'll be able to review them and provide specific feedback instead of relying on vague (and sometimes incorrect) memories.
- ◆ Where applicable, obtain input and feedback about the performance of your direct reports from other people they work with or support.
- ◆ When a manager leaves the Company, he/she must conduct a performance review for each direct report before departing.
- ◆ When an employee moves into a new position reporting to a different manager, the previous manager should conduct a performance review for the employee. If it isn't done, the previous and current managers must collaborate on the individual's annual performance review.
- ◆ Evaluation and management of staff performance is a key part of your responsibilities as a manager. Be aware that during the performance review process, your direct reports may be asked for feedback about you as a manager.

The Challenges with Ratings

Rating performance is tough. How do you sum up a whole year's performance with one number?

It's not easy, but by rating individual items according to a common scale and then rolling them up into an average score, we get a fairly accurate sense of an individual's overall performance level. Rating performance will always include a level of subjectivity, but we do our best to minimize it by clearly defining what each rating represents and seeking consistency in how ratings are applied.

Tips for Conducting Effective Performance Reviews

Provide ongoing feedback

The annual performance review process will be much more efficient and effective if you have proactively managed performance throughout the year, and have provided feedback in areas that require improvement.

Ideally, the performance review meeting should be a summary of your ongoing performance conversations from the preceding year, and a discussion point for setting goals for the next year.

If constructive feedback discussed in the performance review meeting is new or surprising to your employee, you haven't done your job as a manager.

Prepare

Don't throw your performance reviews together at the last minute. You are giving up an ideal opportunity to provide well thought-out feedback, which takes time to put together. Focus on documenting specifics.

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Communicate the big picture

Make sure every employee knows how their work contributes to the Company achieving its overall goals. Individual roles and responsibilities are much more meaningful when connected to the bigger picture.

Don'ts

- ◆ **Don't go with your 'gut feel'**. This is subjective. If you can't substantiate it, don't mention it.
- ◆ **Don't assess performance using biases.** For example:
 - *Similar to me* – Providing higher ratings to individuals who are more like you, or with whom you have a connection.
 - *Positive / negative leniency* – The tendency to give everyone high or low scores.
 - *Central tendency* – Avoiding making extreme judgments about an employee's performance and rating everyone in the middle.
 - *Halo effect* – Taking one attribute or overall impression and applying it to each performance criteria: "The employee is smart, so must be a high performer." "The employee is always late, so must be a low performer." "The employee is a strong project manager so must also be a good communicator." Evaluate competencies and skills independently.
 - *False attribution* – Assuming success or failure are both under the control of the employee. For example, suppose an employee is rated on productivity, and a supplier is late with a raw material shipment. Productivity rate may well go down, but not because of the employee. Consider all the factors in the system within which the employee works, and assess performance in context.
 - *Stereotyping* – Passing incorrect judgments (usually negative) based on assumptions about certain individuals or groups: "Overweight people are lazy." "Women will want time off to have babies."
 - *Unfair comparison* – Comparing one employee against another when the comparison is 'apples to oranges'. Stay focused on the individual and the performance standards for the position.
 - *First impression* – Sticking with an initial perception about traits or performance observed about an individual, either during a first meeting or at the beginning of a performance review period. Keeping records and concrete examples of performance throughout the year provides evidence to help you avoid this pitfall.
 - *Recency tendency* – Allowing recent performance, challenges, or successes to carry too much weight. As above, keeping records provides evidence to help you avoid this pitfall.
- ◆ **Don't leave the employee feeling unsupported** – Don't give negative feedback without discussing how to fix the problem. Provide a game plan and support for all areas where development is needed.

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The process allows managers to formally document the performance/behavior challenge(s)—and the related discussions with the individual about those challenges—and create a written plan of action for improvement that both the manager and the employee agree to.

It's typically used when:

- ◆ An employee's overall performance review rating is not meeting expectations.
- ◆ An employee is not meeting the expectations of management, or the job, during the probationary period.
- ◆ There is a need to address differences between management expectations and an employee's demonstrated performance, outside of the formal annual performance review process.
- ◆ The manager believes an employee is genuinely motivated to make the changes required to improve performance.

A PIP is not appropriate:

- ◆ For serious incidents such as theft or gross insubordination. These mandate immediate termination with cause.
- ◆ When a manager has reason to believe the employee's performance will not improve, and the only purpose of the PIP is to create a paper trail to justify terminating the employee.

Process Stages

The PIP process has 3 stages:

1. Preliminary discussion/verbal warning
2. Written warning
3. Performance evaluation

The length of each stage varies depending on the severity of the performance/behavior issue and the employee's demonstrated progress during the performance improvement period. Typically, each stage lasts 30 to 90 days.

At any stage:

- ◆ If the employee does not appear to making an effort to meet expectations, additional action can be taken before the end of the performance improvement period.
- ◆ If the employee is not willing to commit to improving performance or correcting behavior, it is noted by the manager. The manager must then inform the employee that if they don't agree to the terms of the PIP, they will be subject to the consequences.
- ◆ Initial discussions and actions relating to the performance improvement process may be informal or formal, depending on the circumstances.

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- Significant time commitment from staff (Manager, HR, CFO/CEO) to defend its position.
- Lost opportunities. Time spent away from achieving the Company's mission is money not well spent.
- Hefty legal fees.
- Additional severance costs.

If the Company does everything it can to help a previous employee mitigate their circumstances and the employee still chooses to file a claim against the Company, the Company must defend its position. Following Company processes will help us to do this.

Note that in all involuntary termination scenarios:

- ◆ Managers must consult with HR to determine the details of the termination.
- ◆ HR is responsible for providing the employee with written notification of their termination, and any other related documentation required.
- ◆ HR attends all termination meetings along with the employee's manager.