

## Performance Management System

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### Policy

It is the policy of the State of North Carolina that top management within each department, agency, and institution initiate and maintain an operative Performance Management System approved by the Office of State Personnel. This system is based on the importance of managing each individual's work and continuous communication between employees and their supervisors. It ensures that all employees:

- are aware of what is expected of them,
- are provided with continuous feedback about their performance,
- are provided with opportunities for education, training, and development, and
- are rewarded in a fair and equitable manner.

It is desirable that each Agency have a system for managing performance with a two-fold purpose: (1) establishing, monitoring, and evaluating organizational goals, and (2) establishing individual expectations, monitoring progress, and appraising performance. The first purpose is required under G.S. 143 A-17 and G. S. 143 B-10(h). This policy addresses only the second purpose. These two processes should operate in tandem. Once organizational goals are established and communicated, individual expectations can be set based on these goals so that each employee understands and can relate assigned duties to Agency mission and goals.

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### Performance Management Process

The Performance Management Process is the sequence of actions that supervisors and managers take when interacting with employees about their performance. The three parts of this Process are planning, managing and appraising.

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## Performance Management System, Continued

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### Performance Management Process (continued)

- **Planning.** At the beginning of the work cycle, the supervisor and the employee shall meet to develop the employee's work plan. It is the supervisor's responsibility to explain the performance management process to the employee so that the employee understands the importance of his/her role in the organization. The purpose of this planning meeting is to discuss and record the employee's current responsibilities/results and behavior/skills, the expectations that describe successful completion of each one, and the tracking sources. Behavior/skills are the actions, proficiencies or abilities an employee needs to use to achieve specific results.
- **Managing.** This part of the Performance Management process includes the day-to-day tracking of the employee's progress toward achieving the performance expectations. The supervisor and the employee track performance using the sources and frequency of these in monitoring as agreed upon and recorded on the work plan. This information should provide the base for specific feedback and discussion. It also includes the interim review and other feedback given to the employee through coaching and reinforcing discussions. These discussions should be held at the discretion of the supervisor any time throughout the work cycle when performance changes.

Every supervisor shall meet with each employee at least one time at the middle of the work cycle for an interim review of performance. The purpose of this meeting is to discuss the employee's progress toward each of the established expectations and initiate action toward improvement, if needed. Although this interim review is intended to be informal in nature, the supervisor must document the actual results and behavior that falls below the "Good" level and establish an improvement plan to overcome deficiencies. The overall rating must be discussed but does not have to be recorded.

During the monitoring process, the work plan results, behavior/skills or expectations should be adjusted when it is determined that they have changed or are beyond the employee's control to perform.

Throughout the work cycle, the supervisor continues to coach and reinforce employees because this is a vital part of the Performance Management Process.

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**Performance Management System, Continued****Performance Management Process (continued)**

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- **Appraising.** At the end of the work cycle, the supervisor shall meet with each employee to discuss the employee's performance and record the actual results and behavior for each expectation. The supervisor must then rate each responsibility and record the rating on the work plan. If Dimensions are used by the agency, the supervisor must also record the actual behavior for each expectation and the rating for each Dimension on the work plan. (Dimensions are defined and explained in the Guidelines.) The overall rating shall also be discussed with the employee and recorded on the work plan. The overall summary statements supporting the rating shall be written.
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**Components of an Operative System**

In addition to the three-part process that supervisors must use when interacting with employees, there are certain components which each Agency's system must have. An operative Performance Management System must have all of the following components.

- I. **Agency-Specific Policy.** Top management within each Agency shall develop, implement, and administer a Performance Management policy. This policy and procedures shall be tailored to meet the needs of the organization within the parameters of this policy. Each policy must reflect the conscious decisions that Agency management makes in designing their performance management system.

An Agency's policy must include:

- all of the components of an operative system;
  - instructions about how the system will operate using the three-part Performance Management Process;
  - a provision requiring that one of the responsibilities included in each supervisor's and manager's work plan is managing the performance of subordinate employees in accordance with the Agency's Performance Management policy and procedures;
  - sanctions to be levied by the Agency head if all provisions are not met;
  - relationships of Performance Management to other human resource systems;
  - responsibilities/roles of the employee, the supervisor, the supervisor's manager, top management, and Agency personnel.
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## Performance Management System, Continued

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**Components of  
an Operative  
System  
(continued)**

II. **Individual Work Plan.** Each employee shall have a work plan established at the beginning of the cycle on an annual basis. A work plan must include the results to be accomplished and the behavior/skills needed to produce these as well as any special one-time projects and/or goals. The work plan shall be based on each employee's position description or an equivalent document based on job analysis (this would include a generic or a specific job description; a listing of job duties or responsibilities, etc.). If no position description exists, a job description or its equivalent shall be written using a job analysis approach. Each employee's work plan must also include expectations, tracking sources/frequency and actual performance.

Performance expectations must be written at the "Good" level. To be considered substantive at "Good", performance expectations must have one or more indicators for measuring (quality, quantity, timeliness or cost). In order to be as fair as possible to employees and to ensure that work plans are defensible, supervisors should also discuss performance at the "Outstanding" and "Unsatisfactory" levels. The supervisor's manager is responsible for insuring that expectations for similar jobs across units reporting to them are consistent and equitable. Management should endeavor to establish standard work plans for employees performing the same work except for the parts of the job which vary.

After the work plan is completed at the beginning of the cycle, it must be signed and dated by the employee, the supervisor, and the supervisor's manager. If changes are made on the work plan during the cycle, the employee, the supervisor and the manager must initial and date the changes before it is effective. In both of these cases, the supervisor retains the original and the employee must receive a copy.

Unusual circumstances within certain jobs/classifications may require alternative practices to ensure reasonable requirements and equitable treatment. These situations should be discussed with the Office of State Personnel so that adjustments may be made.

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## Performance Management System, Continued

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**Components of  
an Operative  
System  
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III. **N. C. Rating Scale.** The State Personnel Director is responsible for establishing a uniform rating scale, entitled the North Carolina Rating Scale, consisting of five levels with two levels of exceeds. The North Carolina Rating Scale shall be used by every Agency to determine the employee's progress toward achieving performance expectations. The "Instructions for Completing the Work Plan", as published by the Office of State Personnel shall be used throughout the cycle by every Agency. Refer to the North Carolina Rating Scale and the Instructions for Completing the Work Plan in this Section.

Agencies may petition the Office of State Personnel to use a rating scale levels other than this five level scale with the two levels qualifying for performance increases. The agencies must demonstrate that a number of levels other than the required five would be appropriate for particular job classifications in a particular employing unit.

All employees, supervisors and managers must be informed of the N. C. Rating Scale at the beginning of the cycle in which it is used.

The following actions are required when an employee's overall summary rating falls below the "Good" level:

The "BELOW GOOD" rating level is transitional. Employees should not maintain an overall rating of "BELOW GOOD" for more than one-half of the agency's work cycle or for more than a period of time specified in the agency's policy. It is intended that this time be used by the supervisor to work with employees in an effort to correct deficient performance.

If an employee maintains an overall summary rating of "UNSATISFACTORY" for one half of the Agency's work cycle or for a period of time specified in the Agency's policy, the supervisor should begin corrective, progressive disciplinary action.

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**Performance Management System, Continued**

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**Components of  
an Operative  
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**IV. Performance Appraisal Summary.** An official Performance Appraisal Summary is required on at least an annual basis for all employees. It shall be completed at the end of the work cycle and treated confidentially.

At the end of the work cycle, the supervisor shall indicate a rating for each responsibility/result as well as behavior/skill (when Dimensions are used) and record the actual results for each performance expectation. The overall summary rating is determined based on the N. C. Rating Scale and recorded. Summary statements by the supervisor supporting the overall rating must be included. Employees shall also be provided space and the opportunity to comment on their rating. The Performance Appraisal Summary shall be dated and signed by the employee, the supervisor, and the supervisor's manager. If an employee chooses not to sign the Summary, it is management's responsibility to determine an alternative method of documenting that the appraisal has been discussed completely with the employee.

Each employee shall receive a copy of the signed and completed work plan document and shall be informed where this document is kept when the annual appraisal is completed. Agency management may choose to file work plans in each employee's personnel file or in the agency's official performance appraisal file. Whatever the choice, the employee must be told where the work plan is kept. The work plan, including the Summary, shall be kept for three years and disposed of according to G. S. 121.5(b & c).

The same overall rating must be indicated on the form requesting an employee's performance increase.

**V. Development or Performance Improvement Plan.** Each Agency's work plan document must include space for a development or performance improvement plan to be used as appropriate to document each employee's needs, interests, and activities to enhance the work being done. The development or performance improvement plan provides a course of action to be taken to improve the employee's performance or to document any growth opportunities in which the employee is participating.

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## Performance Management System, Continued

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**Components of  
an Operative  
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**VI. Education/Training Program.** The State Personnel Commission recognizes the need for comprehensive training within Agencies to implement a fair and consistent Performance Management System. Having the skills to work with employees in managing their performance on an on-going basis is the foundation of a performance management program. If managers and supervisors do not have the skills necessary to carry out the performance management process, the system cannot be applied fairly and consistently. Agency management shall establish an information and skills training program for employees, supervisors, and managers respectively.

A training package is available through the Office of State Personnel. The learning units which comprise the package are specifically tailored to N. C. State Government. In order for an Agency to use this program, trainers must be certified (by State Personnel staff) based on specific competencies. Consultation concerning implementation and other program issues is available.

This training package introduces a performance management system designed to be as legally defensible as possible, incorporating the following features: a thorough and organized approach to defining results and related behavior/skills required to perform the work; skills on how to successfully conduct the performance discussions between the supervisor and employee; skills for tracking actual results; and methods for overcoming rater bias.

**VII. Performance Pay Dispute Resolution Procedures.** Each Agency shall have a procedure for reviewing and resolving disputes of employees concerning performance ratings and/or performance pay decisions. Such a procedure may be incorporated as part of an existing grievance procedure, or it may be administered separately. For policy requirements and guidelines, see Internal Pay Dispute Resolution Procedure.

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**Performance Management System, Continued****Components of  
an Operative  
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**VIII. Performance Management and Pay Advisory Committee.** Each Agency shall establish a performance management and pay advisory committee as part of its performance management system. This committee shall be appointed by the Agency head and must have a minimum of five members. These members must equally represent nonsupervisory, supervisory, and management ranks. The committee shall also elect a chair from within this group.

The purpose of this committee is to insure that performance increases are made in an equitable manner, is responsible for reviewing the Agency's performance pay plan, the education and training program, and whether equitable distribution of performance increase monies have been made.

This committee must meet at least two time a year. It shall submit a report following each meeting to the Agency head recommending changes in program administration. The Agency head must respond to these two reports within three months of receipt of each.

Copies of these reports must be included in the annual report furnished to the Office of State Personnel.

**Relationship of  
Performance  
Management to  
Other Human  
Resource  
Systems**

Performance management is an integral part of the total management of an organization. Information obtained during the Performance Management Process about individual employees or from specific units of the organization shall be a consideration in making other personnel management decisions. In fact, connections with other systems indicate how effective the performance management system is. From an organizational perspective, information obtained from performance appraisals must influence selection, staffing, discipline, training, and development.

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## Performance Management System, Continued

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**Relationship of  
Performance  
Management to  
Other Human  
Resource  
Systems  
(continued)**

Performance appraisal information is one consideration in making other personnel decisions such as promotions, all performance-based disciplinary actions, performance salary increases, and reductions in force. Since the work plan may not represent all of the responsibilities/results and behavior/skills needed to do the job, disciplinary action shall be documented as it occurs and shall be considered in the overall rating. Personnel policies dealing with these actions also require consideration of other information; therefore, performance appraisals alone cannot determine such decisions.

In order to achieve internal consistency in personnel administration, Agencies shall adopt procedures which meet the following requirements:

- A current (within the past 12 months) Performance Appraisal Summary shall be on file for an employee before any of the personnel actions listed above can be effected.
- Any proposed personnel action as mentioned above shall be consistent with the overall rating of the employee's performance.
- In cases in which the recommended personnel action appears inconsistent with the current overall rating, a written justification shall accompany the recommendation.

In order to ensure that all employees have the opportunity to qualify for performance increases, Agencies shall adhere to the following:

1. Probationary employees shall have a position description or equivalent and work plan established within 30 to 90 calendar days from the date of employment and an appraisal completed at the end of the Agency's work cycle. A review shall be completed before an employee can be moved into permanent appointment in accordance with policy on Probationary Period.
2. Every employee in a trainee progression must have a work plan within 30 to 90 calendar days of employment. This plan helps guide the employee in reaching requirements for the full classification. A review shall be completed before each salary increase is granted within the progression.

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**Performance Management System, Continued**

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**Relationship of  
Performance  
Management to  
Other Human  
Resource  
Systems**  
(continued)

3. Employees whose responsibilities and duties are changed either within their current position or by transfer (lateral, promotion, or demotion) shall have a new position description or equivalent and work plan established within 30 to 90 days of the new assignment.
4. A Performance Appraisal Summary Transfer Form shall be completed with employees who transfer within state government, prior to their last day of work. The Work Plan and Summary Transfer Form must be placed in the employee's personnel file and sent to the receiving unit. The employee, supervisor, and the supervisor's manager shall date and sign the form.

When the transferred employee arrives in the new unit, the supervisor may consider the level of documented performance in appraisal from the previous unit along with the current overall performance rating in determining the time and amount of a performance increase.

To provide continuity and consistency in treatment when a supervisor changes, Agencies shall assure that when a supervisor is leaving a unit, the next level manager and the supervisor agree on the employees' progress toward their work plans and document this.

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**State Personnel  
Responsibilities**

The State Personnel Commission, under the authority of G. S. 126-4 (8) and G. S. 126-7, shall adopt policy and rules for performance appraisal. The Commission shall submit a report on the Performance Management System annually to the Governor. Said report shall include an evaluation of the administration of the performance management system in each Agency and the distribution of performance salary increases including occupational and demographic data. It shall include recommendations for improving and correcting any inconsistencies in the total Performance Management System and in each Agency.

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**Performance Management System, Continued**

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**Office of State  
Personnel  
Responsibilities  
(continued)**

The Office of State Personnel, under the authority of G. S. 126-3, shall have the authority to administer and enforce all policy, regulations, and procedures for the performance management system throughout North Carolina State Government by requiring each Agency to submit whatever evidence and/or information it deems appropriate. This shall include submission of planning documents as well as participating in audits conducted by the Office of State Personnel. It shall be the responsibility of the Office of State Personnel to set the performance increases allowable for levels of performance which exceed performance requirements.

The Office of State Personnel shall monitor the performance management systems in all Agencies. This includes monitoring performance increase distribution of each employing unit within each Agency. The Office of State Personnel shall review the analyzed data from each Agency to submit whatever evidence and/or information it deems appropriate. This shall include submission of planning documents as well as participating in audits conducted by the Office of State Personnel. It shall be the responsibility of the Office of State Personnel to set the performance increases allowable for levels of performance which exceed performance requirements.

The Office of State Personnel shall monitor the performance management systems in all Agencies. This includes monitoring performance increase distribution of each employing unit within each Agency. The Office of State Personnel shall review the analyzed data from each Agency to ensure that performance increases are distributed fairly and equitably. A summary report with conclusions drawn about the statewide system shall be prepared and submitted annually to the Personnel Commission. The Personnel Commission shall, in turn, submit a report to the Governor, the General Assembly, and others as required by G. S. 126-7. This report shall also include recommendations for improving the total performance management system and alleviating existing inconsistencies. If deficiencies exist within any Agency's system, sanctions may be recommended.

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**Performance Management System, Continued**

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**Office of State  
Personnel  
Responsibilities  
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It shall also be the responsibility of the Office of State Personnel to advise Agencies in planning, establishing, and administering their performance management systems. This includes consultation concerning initial and ongoing training programs. If any Agency requests, the Office of State Personnel shall also assist in establishing an internal performance review system or in using its existing grievance procedure to hear performance pay disputes.

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**Agency  
Responsibilities**

Top management within each Agency shall establish, monitor, and evaluate their individually tailored performance management systems subject to approval by the Office of State Personnel as being in full compliance with this policy. Failure to meet all policy requirements may result in the loss or withholding of performance increase funds throughout an entire Agency.

It shall be the responsibility of each Agency head to submit an annual report to the Office of State Personnel which includes a complete description of the current performance management system, performance increase distribution of each employing unit, demographic data of performance ratings, frequency of evaluation, performance increases awarded, the implementation schedule for performance pay increases as well as all other information requested. Within 60 calendar days after receipt of feedback on this annual report from the Office of State Personnel, the head of each Agency shall prepare a written plan alleviating inequities and systematic deficiencies and submit it to the Office of State Personnel for concurrence. The head of same Agency shall also take sanctions against the managers of those units in which inequities or systematic deficiencies exist.

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