

Performance Management Policy

For Australian Small & Medium Enterprises

Template Version 1.0 | December 2024

Important Notice

This template provides general guidance on performance management. It should be customised to your specific workplace needs and aligned with your organisational goals. Regular review and consistent application are essential for effectiveness.

1. Purpose

This policy establishes a framework for managing and improving employee performance at [Company Name]. It ensures that employees understand expectations, receive regular feedback, are supported in their development, and are held accountable for their performance.

2. Scope

This policy applies to:

- All employees who have completed their probation period
- All levels of the organisation
- Both formal performance reviews and ongoing performance discussions

Employees in probation are covered by the Probation Policy.

3. Objectives

[Company Name]'s performance management system aims to:

- Align individual goals with organisational objectives
- Clarify expectations and performance standards
- Provide regular, constructive feedback
- Identify and address performance gaps
- Recognise and reward good performance
- Support employee development and career growth
- Build a culture of continuous improvement

4. Performance Cycle

4.1 Annual Cycle

The performance management cycle runs from [start month] to [end month] and includes:

- Goal setting at the start of the cycle

- Ongoing feedback throughout the year
- Mid-year review (informal check-in)
- End of year formal performance review

4.2 Key Dates

- Goal setting: [Month]
- Mid-year review: [Month]
- Year-end review: [Month]
- Performance ratings finalised: [Month]

5. Goal Setting

5.1 SMART Goals

Goals should be:

- Specific - Clearly defined and understood
- Measurable - Quantifiable or observable
- Achievable - Realistic given resources and constraints
- Relevant - Aligned with team and company objectives
- Time-bound - Have clear deadlines

5.2 Types of Goals

- Performance goals - Related to job responsibilities
- Development goals - Skills and capabilities to build
- Behavioural goals - How work is done (values, behaviours)
- Career goals - Longer-term aspirations

5.3 Number of Goals

Employees should typically have 3-5 key goals that:

- Cover key responsibilities
- Include at least one development goal
- Are agreed between employee and manager
- Are documented in the performance system

6. Ongoing Performance Discussions

6.1 Regular Check-ins

Managers and employees should have regular performance conversations:

- Frequency: At least monthly
- Focus: Progress, obstacles, support needed
- Duration: 15-30 minutes

- Documentation: Brief notes on key points

6.2 Real-Time Feedback

- Feedback should be given promptly, not saved for reviews
- Both positive and constructive feedback is valuable
- Feedback should be specific and actionable
- Focus on behaviour and impact, not personality

7. Mid-Year Review

The mid-year review is an informal check-in to:

- Review progress against goals
- Discuss any obstacles or challenges
- Adjust goals if business needs have changed
- Identify support or resources needed
- Discuss development progress

This is not a formal rating but a developmental conversation.

8. Year-End Performance Review

8.1 Preparation

- Employee completes self-assessment
- Manager gathers feedback from relevant sources
- Manager reviews evidence of performance
- Both parties prepare for the discussion

8.2 Review Meeting

- Dedicated time (45-60 minutes) without interruption
- Review achievement of goals
- Discuss strengths and areas for development
- Provide overall performance rating
- Discuss career aspirations
- Set preliminary goals for next period

8.3 Documentation

- Review form completed and signed by both parties
- Employee comments recorded
- Stored in personnel file

9. Performance Ratings

9.1 Rating Scale

[Company Name] uses the following performance ratings:

- Exceptional - Significantly exceeds expectations
- Strong - Consistently exceeds expectations
- Effective - Meets expectations
- Developing - Partially meets expectations
- Unsatisfactory - Does not meet expectations

9.2 Rating Guidelines

- Ratings should reflect actual performance against goals
- Calibration sessions ensure consistency
- Ratings should not be influenced by recent events only
- Documentation should support the rating given

10. Recognition and Rewards

High performance may be recognised through:

- Verbal and written recognition
- Performance bonuses (where applicable)
- Salary increases
- Promotion opportunities
- Development opportunities
- Awards and public recognition

11. Addressing Performance Issues

11.1 Early Intervention

- Address concerns promptly through informal discussions
- Clarify expectations and provide support
- Document conversations and agreed actions
- Set clear timeframes for improvement

11.2 Formal Process

If informal approaches do not resolve issues:

- Refer to Capability Management Policy for capability issues
- Refer to Misconduct Policy for conduct issues
- Follow proper procedures

- Seek HR guidance

12. Development Planning

12.1 Development Discussions

- Discuss development as part of performance reviews
- Consider career aspirations
- Identify skill gaps and development needs
- Create a development plan

12.2 Development Activities

- On-the-job learning and stretch assignments
- Coaching and mentoring
- Formal training and courses
- Cross-functional projects
- External conferences and workshops

13. Responsibilities

13.1 Employees

- Take ownership of their performance
- Actively participate in goal setting
- Seek feedback and act on it
- Complete self-assessments thoroughly
- Raise concerns about obstacles
- Drive their own development

13.2 Managers

- Set clear expectations and goals
- Provide regular feedback
- Conduct timely performance reviews
- Support employee development
- Address performance issues promptly
- Rate performance fairly and accurately

13.3 HR

- Administer the performance management system
- Provide training on performance management
- Support calibration processes
- Advise on performance issues

- Maintain records

13.4 Senior Leadership

- Model effective performance management
- Participate in calibration
- Allocate time for the process
- Link performance to rewards

14. Confidentiality

- Performance information is confidential
- Only shared on a need-to-know basis
- Stored securely
- Employees may access their own records

15. Appeals

Employees who disagree with their performance rating may:

- Discuss concerns with their manager
- Escalate to the next level of management
- Request HR involvement

Appeals should be raised within 14 days of the review.

16. Review

This policy will be reviewed:

- At least annually
- When business needs change
- Following feedback from managers and employees
- When best practices evolve

Employee Acknowledgement

I acknowledge that I have read and understood [Company Name]'s Performance Management Policy. I understand the performance cycle, my responsibilities, and how my performance will be managed and assessed.

Employee Name: _____

Signature: _____

Date: _____