

Georgian State Electrosystem JSC

Performance

Management Model

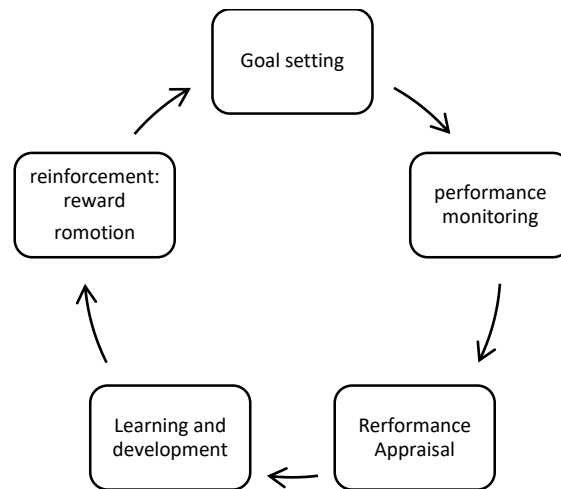
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## Introduction

This document describes proposed changes to GSE existing performance management model. The proposed changes aim to strengthen individual performance measurement, appraisal indicators development and individual development planning. The model includes all main components of performance management: goal setting, monitoring, appraisal, development and reinforcement. Please see the components in the chart 1.

Chart 1. Performance management components.



### GSE performance management objectives are:

- Ensure fair distribution of incentives
- Increase the quality of outputs
- Provide tailored professional development
- Substantiate promotion
- Improve quality of communication and feedback between manager and subordinate

## Performance management model

### Evaluation components

Proposed performance appraisal model is based on measuring performance results and behavioral competencies.

### Results evaluation

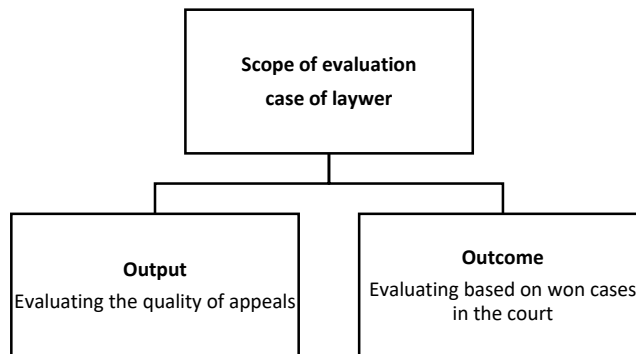
Measuring results provides “As Is” description, snapshot about the performance outputs based on evaluation indicators. According the model results evaluation is done at two levels: **structural unit** and **individual** levels.

- at the unit level - results are measured by assessing fulfillment of objectives defined in work plans. Assessment is based on SMART performance indicators defined in work plans.
- At individual level- performance results are measured by assessment of performing of the core functions. The number of assessed functions should vary between 5 to 9. The functions are selected from employee's job description and have a high priority and/or are most frequently performed.

The functions performance assessment is based on the qualitative and quantitative indicators defined during the goal setting period. The detailed methodology for functions performance assessment will be described later.

This model is focused on measuring the **outputs**, which are results within the control of employees. In order to avoid the difficulties of measurement- the outcomes are not taken in consideration at individual performance level. At individual level employee is evaluated based on the output related indicators regardless outcome was achieved or not. Above is presented example in chart 2:

Chart 2. Example of evaluation based on outputs



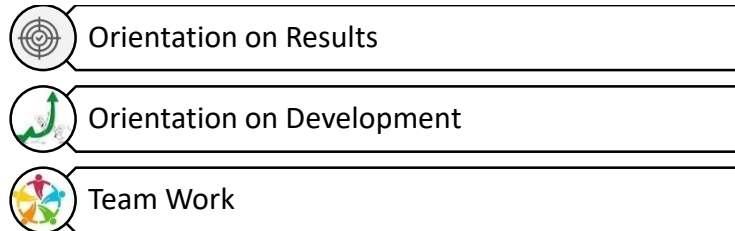
### Competencies Evaluation

**Behavioral Competencies** – encompass skills, knowledge and experience which are demonstrated through behavior and affect the final result. Competencies are important for individual and organizational development in a long run.

This model differentiates **core, managerial and technical or functional** competencies.

**Core competencies** are behavior patterns which are based on organizational values, management vision and expected to be fulfilled by all staff members regardless function and level. They provide signaling information about desired patterns and corporate culture.

Core competencies evaluation is mandatory. Three core competencies are proposed within this model:

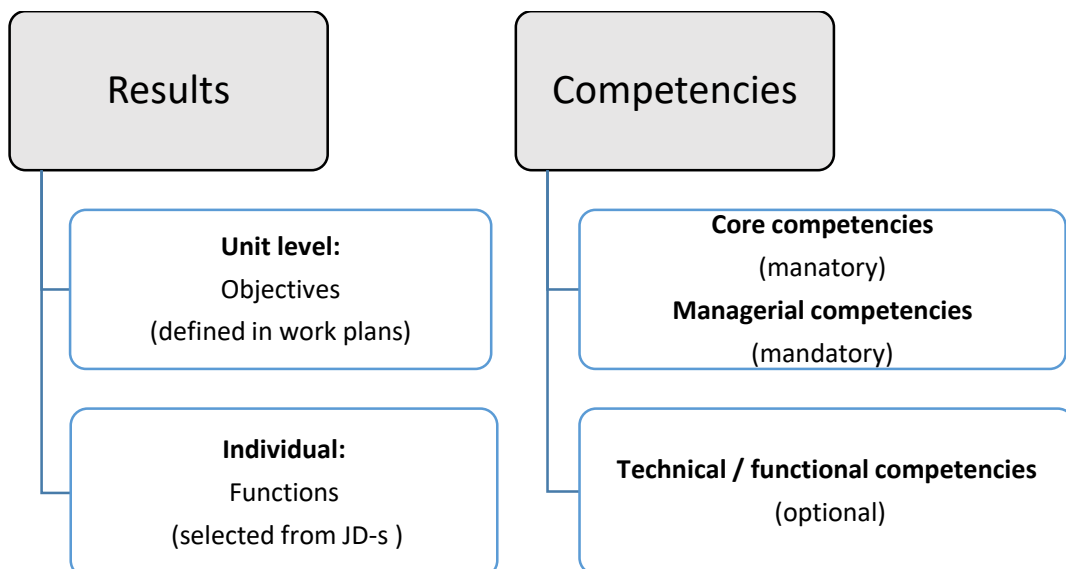


**Managerial competencies** are considered as essential for any supervisory level including the top management. Evaluation of managerial competencies is mandatory for all supervisory and managerial levels.

**Technical or functional** competencies are essential to perform any job in the organization within a technical and functional area of work. Evaluation of these competencies is optional upon immediate manager decision.

The GSE performance appraisal model and evaluation components are summarized below in the chart 3:

Chart 3. GSE Performance Appraisal Model and assessment components.



This model does not incorporate measuring knowledge components and discipline. Knowledge evaluation is voided due to the rationale that employee knowledge is crucial when it is applied in the work process and demonstrated through results. Therefore, knowledge component is indirectly evaluated by evaluating performance results. Although knowledge related gaps and their improvement means are reflected in individual development plans.

Disciplinary issues are independently regulated in GSE and has relevant sanctions. For this reason, the latter was not included in performance appraisal model.

### Roles and Responsibilities

The employee evaluation is made by the immediate manager. Self-evaluation is part of this model, although it is left as optional. The self-evaluation components and form is identical to evaluators forms. The managers can request subordinates to provide self -evaluation. Manager are not allowed to discourage subordinates to provide and discuss self -evaluation results. The responsibilities of the parties involved in performance management process are discussed below:

#### **Immediate manager is responsible to:**

- Conduct goal setting session with subordinate
- Monitor subordinate performance throughout the year and provide the feedback
- Provide mid- term and final evaluation of subordinates and provide evaluation feedback
- Provide employee individual development plan
- Encourage and motivate employees

#### **Top management is responsible to:**

- Promote and implement performance management system
- Develop the performance management and development oriented culture
- Mentor subordinated managers on managerial competencies development
- Encourage applying the best managerial practices.

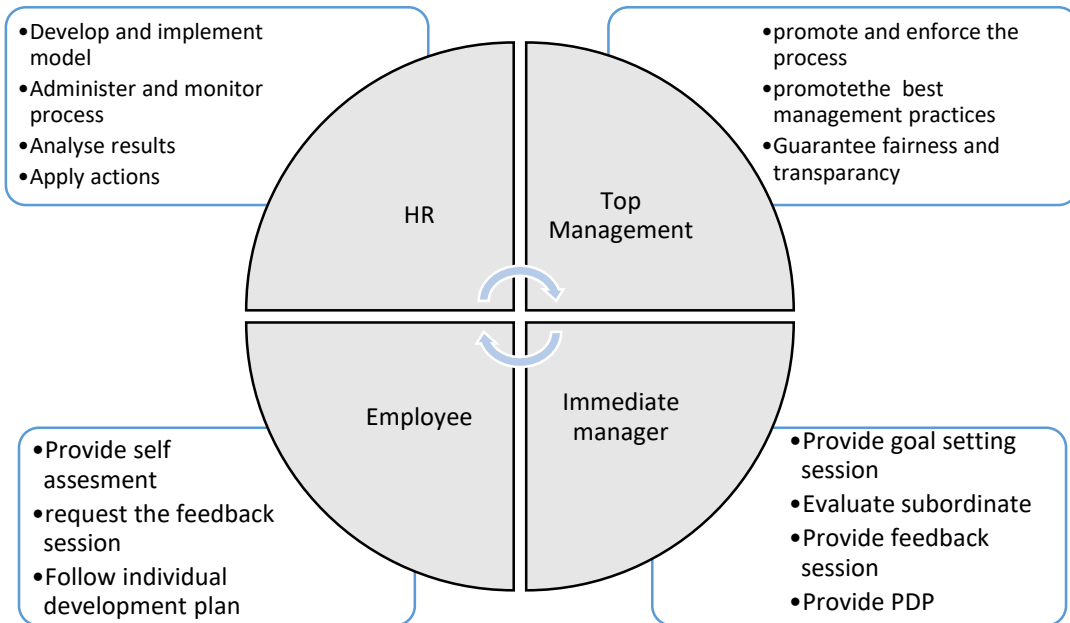
#### **HR Unit is responsible to:**

- Develop performance management model and procedure
- Administer the performance evaluation process
- Provide training, informational sessions and materials to employees regarding performance management system
- Monitor the performance evaluation process
- Analyze the performance evaluation process and results, prepare reports for the top management
- Administer the actions related to performance results (bonus, gratitude, development etc.)

- Arrange the appeal process.

**Employee is responsible to:**

- Get introduced with performance objectives and indicators
- Request feedback session in midterm and final evaluation (if latter is not provided)
- Optionally fill the self- evaluation form
- Follow individual development plan



**Score distribution / calculation**

Performance is measured by 4 level system whereas:

- **Level 4 – unsatisfactory performance:** Duties were not performed, employee performance results/ competencies and skills do not meet established requirements.
- **Level 3- satisfactory performance:** duties were partially performed or need improvement, employee is not distinguished in terms of performance results/ competencies and skills.
- **Level 2- meets expectations:** duties were performed according established indicators/ standards. Employee’s performance results, competencies/ skills are consistent and stable in terms of established requirements.

- **Level 1-** exceeds expectations: Duties or/and extra workload was performed in excellent manner. Employee is significantly distinguished in terms of performance results/ competencies and skills.

Please find detailed definitions of levels in the annex 1.

Bonus calculation is based only on unit and individual results (work plans and functions performance). Performance results are calculated as follows:

- The unit performance scores compared to other units defines the bonus range
- Individual average score is compared to the average score of unit individual performance.
- The bonus is calculated within unit bonus range according individual score.



**Competencies' scores are excluded in bonus calculation.**

### Personal development planning (PDP)

Personal/ Individual planning is core activity in GSE performance management system and ensures employees' tailored individual professional development. The goals of PDP is to improve performance by strengthening the professional knowledge, competencies and skills.

Personnel development planning is part of the employee evaluation process, taking part at the end of the evaluation feedback session.

The manager is responsible to provide PDP-s which identifies the area of the improvement based on evaluation results. Manager together with the employee defines the effective developmental activities, the improvement timeframe, the indicators of improvement and fills in the resources necessary to provide developmental activity.

The developmental activities pool is unlimited. There are some examples:

- Mentoring
- Coaching
- Stretching assignments
- Broadening the scope of assignments
- Increasing responsibility level
- Self-study- reading materials
- On-job training
- Rotation
- Seminars



- Trainings
- Business trip and etc.

Success indicators describe the condition when improvement is obvious, they can be qualitative or quantitative. Example: performance gap- poor business communication skills. Success indicators- the business communication is clear, structured and in line with business communication style. Communication is delivered within reasonable time and independently.

Chart 4. Personal development planning (PDP) example.

Area of improvement	The developmental activity	Timeline	Success indicators	Resources needed
— Knowledge	— Training	— Till XX.XX.	— Qualitative indicators	— Financing
— Competencies	— Mentoring	— X month	— Qualitative indicators	— Approval
— Skill	— Stretching assignments			— Involvement
	— etc.			

## Performance appraisal process

### Regularity

Performance appraisal takes place twice a year in **June-July and December**. The process is initiated and administered by dedicated HR unit. Before the starting the process preliminary consultation and informational sessions or trainings, and reference documents/ links are distributed to managers and employees via emails.

### Procedure

Performance appraisal in GSE takes place twice a year. The process starts with a goals setting process. The goal setting is followed after each appraisal period. Goal setting takes place on two levels:

**Unit level-** Unit develops 6-month work plans based on company strategy, assignment imposed by the government, regulator or due to new circumstances.

Unit work plans are reviewed and corrected by the upper level manager when necessary. The unit level goal setting starts from higher hierarchy levels to the lower.

**Individual level-** Immediate manager agrees the scope of evaluated functions, in case there is change; discusses variable technical competencies and develops PDP for next 6 months. Technical competencies are optional; core competencies remain static.

Unit and individual results are evaluated after 6 month of goals setting. First are evaluated unit results and then individual level. Unit work plans are appraised by unit head and corrected by the upper managers, including management board member.

## Monitoring

The immediate managers are responsible to monitor subordinates' performance and provide timely feedback. Special cases/ tasks/ assignments/ behaviors which are important for appraisal results should be recorded/ kept by the manager.

## Score calibration

Score calibration means developing the common standard in evaluation. This means developing the shared vision about the distribution of scores, certain agreement in which cases what kind of evaluations are expected. For example, when are the cases that level "exceeds expectation" is used.

Score calibration needs regular activities in the organization and they are initiated by the HR Unit and top management. That can be done in several ways:

- At the beginning of the launching PA model through workshops, elaborating broader definitions of scores/ levels and identification of the cases when they are applied.
- Before appraisal period discuss calibration topics on the meeting under each board member director.
- Limit automatic use of "exceeds exaltations" and "unsatisfactory" levels and require written comment and upper level manager confirmation.
- Launch post appraisal discussions between managers under each management board member. That is optional activity decided by the management board member.

## Appeal

Evaluated employees may disagree with appraisal results. In this case they can apply to upper level manager and CC- dedicated person in HR unit within 3 days' period after receiving appraisal results.

The relevant manager will decide the case will be studied personally or in the frame of committee. In case of committee setting will be opted further principles will be applied.

Committee members number should be even. The members of the committee can be HR, audit, legal representatives and representatives of the unit which are functionally close.

## Performance appraisal results

Performance appraisal results are related to other performance management activities in order to achieve performance management objectives. The model distinguishes further practices:

- Bonus distribution

- Gratitude
- Promotion
- Professional development

The condition for promotion is good/ excellent results in work results and in competencies. This means that employee is placed in the promotional pool and does not guarantee automatic promotion.

## Confidentiality

Individual appraisal results are confidential and appraisal data is protected. The individual scores are available to employee, immediate manager, dedicated HR manager, upper level managers upon request.



### Annex3. Sample description of competencies

#### Orientation on results

Definition		Why is it important?	
Orientation on results is about having the sustained energy and determination in the face of obstacles to set and meet challenging targets, in compliance with quality, time and diversity standards, and delivering the required business results.		This is important for the GSE in getting the results which assure achievement of its Strategic Objectives. This behaviour shows the necessary determination and tenacity to complete high quality work as well as raising performance levels over the short, medium and long term. It involves overcoming obstacles caused by conflicting priorities, lack of resources or difficult or demanding situations in the internal or external environment.	
Level 1	Level 2	Level 3	Level 4
Wants to do a good job and does not give up	Works to goals and drives for improvement despite frequent obstacles	Sets and meets challenging goals	Seeks long term improvement, assesses and takes risks to make significant gains
<ul style="list-style-type: none"> <li>- Clarifies what is expected</li> <li>- Is positive and enthusiastic about the job</li> <li>- Does not give up at the first obstacle</li> <li>- Understands and works towards goals set by others</li> <li>- Respects the rights of others whilst achieving one's own goals</li> <li>- Understands and complies with internal policies, seeking advice as required</li> <li>- Acknowledges the work and contribution of others.</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Measures progress against targets Seeks to understand reasons for obstacles and to find ways to overcome</li> <li>- Tackles difficult problems and takes personal responsibility for reaching solutions</li> <li>- Mobilizes best team for the project</li> <li>- Controls small projects with little supervision</li> <li>- Monitors completion and quality of work for a small group; takes corrective action to keep them on track</li> <li>- Decides on the allocation of tasks, the timescale and the budget</li> <li>- Prepares and plans for situations that require the input of others, so that they are organised effectively</li> </ul>	<ul style="list-style-type: none"> <li>- Seeks ways to improve overall performance levels to give higher levels of satisfaction to target groups</li> <li>- Manages complex projects to ensure multiple resources are effectively deployed</li> <li>- Takes personal responsibility for final delivery, quality and cost of major projects</li> <li>- Continuously reviews the delivery of actions to keep key stakeholders committed</li> <li>- When organising work they are conscious of the need to achieve high profitability, and to deliver within budgets / on target</li> </ul>	<ul style="list-style-type: none"> <li>- Achieves significant progress in the long term, wider performance of the GSE Sets out to be the best – has own measures of excellence and works to these.</li> <li>- Makes decisions through weighing up the cost-benefit and risk implications. Acts entrepreneurially to make performance gains.</li> </ul>
Warning signs:		Positive indicators:	
<ul style="list-style-type: none"> <li>■ Stops and gives up at the first obstacle.</li> <li>■ Seeks excuses rather than solutions or ways forward.</li> <li>■ Takes 'no' for an answer without probing further.</li> <li>■ Loses sight of how a task fits into wider objectives.</li> <li>■ Fails to meet deadlines or keep within budget without proper reason.</li> <li>■ Has to be chased for completion of job.</li> </ul>		<ul style="list-style-type: none"> <li>■ Agrees achievable goals at the start of each project.</li> <li>■ Strives towards targets.</li> <li>■ Refuses to settle for second best.</li> <li>■ Keeps a 'to do' list, and specifies due dates.</li> <li>■ Monitors tasks for accomplishment, quality and timeliness.</li> <li>■ Asks for feedback.</li> </ul>	