



# How to Establish a Performance Improvement Plan

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A performance improvement plan (PIP), also known as a performance action plan, is a great way to give struggling employees the opportunity to succeed while still holding them accountable for past performance. It is not always clear why an employee has poor performance. Did he or she not receive appropriate training? Does the employee not understand the expectations of the job? Are there unforeseen roadblocks in the way? Therefore, it is critical to allow for an open dialog and feedback from the employee to help determine whether the employee has been provided all the tools and resources necessary for him or her to be successful. PIPs may be used to address either failures to meet specific job performance-related issues or behavior-related concerns. PIPs may lead to several different outcomes, including improvement in overall performance, the recognition of a skills or training gap, or possible employment actions such as transfer, demotion or termination. Alternatively, a PIP may be used for employees who may be new to a role as a tool to communicate performance expectations.

## Step 1: Document Performance Issues

The first step in the PIP process is for the supervisor to document the areas of the employee's performance that need improvement. In documenting the main performance issues, the supervisor should be objective, factual and specific and provide facts and examples to further clarify the severity or pattern of performance concerns. Examples of detailed documentation are included in the two scenarios at the end of this guide. When developing a performance improvement plan, it is generally a best practice to use an established format to ensure consistency in the information given to all employees and to help protect the employer should legal claims arise at some point in the future. The format of the performance improvement plan will vary by employer and should include the following components:

- Employee information.
- Relevant dates.
- Description of performance discrepancy or gap.
- Description of expected performance.
- Description of actual performance.
- Description of consequences.
- Plan of action.
- Signatures of the manager and the employee.
- Evaluation of the plan of action and overall performance improvement plan.

At the end of this guide are sample performance improvement plan templates that may assist supervisors in their documentation and communication.

### **Step 2: Develop an Action Plan**

Next, the supervisor should establish a provisional action plan for improvement, which may be adjusted based on employee feedback in the meeting. Making the process collaborative can help in identifying areas of confusion or misunderstanding on the employee's part and can encourage ownership of the issue by the employee. This action plan should include specific and measurable objectives that are accurate, relevant and time-bound (otherwise known as SMART goals). When developing a performance improvement plan, it would be useful to draw on the job description and HR policies to clearly identify the performance or behavioral issues and expectations.

SMART goal examples:

- *In May, June and July, Jane Doe must have less than 3 percent quality errors per month and produce at least 150 units per month.*
- *During this 90-day performance evaluation, John Doe must have perfect attendance, with the exception of approved medical or family absences. This means that he must clock in and be ready for work by the start of each scheduled shift, return from all scheduled breaks on time and remain at work for his entire shift.*

The supervisor should determine if the employee may need any additional resources, time, training or coaching to meet these objectives. The plan should identify exactly what management will do or provide to assist the employee in achieving these goals.

This action plan should help set performance expectations and should include a statement about the consequences for not meeting those objectives. If termination is a possibility, it should be clearly communicated in the plan document.

### **Step 3: Review the Performance Plan**

Prior to meeting with the employee, the supervisor should seek assistance from his or her manager or an HR professional to review the PIP. This third party should ensure the documentation is stated clearly and without emotion. The third party can also review the suggested action plan to make certain it is specific, measurable, relevant and attainable within the PIP timeline (PIP timelines are commonly 60 or 90 days in length).

### **Step 4: Meet with the Employee**

During this meeting, the supervisor must clearly lay out the areas for improvement and plan of action. The supervisor may need to modify the action plan slightly after receiving the employee's input and feedback. After changes to the plan are made, the supervisor and the employee should sign the PIP form.

### **Step 5: Follow Up**

The employee and supervisor should establish regular follow-up meetings (weekly, biweekly or monthly), which can be outlined in the PIP. These meetings should discuss and document progress toward objectives. But ultimately, it is best when an employee is provided the opportunity in follow-up meetings to ask questions and seek guidance or clarification on performance expectations. The supervisor should ensure that any potential roadblocks are discussed and that the employee has been provided the necessary tools and training.

Successful progress made toward the goal should be recognized as a means of motivating the employee to continued improvement.

### **Step 6: PIP Conclusion**

If an employee is unable to improve or refuses to commit to the PIP, or if his or her performance actually worsens, then the employer should close the PIP and consider a possible reassignment, transfer or demotion or terminate employment based on the specific circumstances.

When the employee does show some improvement but is unable to achieve some or all of the established action plan objectives within the PIP timeline, there are a few options:

- If the employee is doing his or her best but just cannot meet one or more objectives, the employer may agree to extend a PIP for a few more weeks or months.
- If the employer determines in retrospect that the objectives were too hard or not completely within the employee's control, the employer may decide to either extend the PIP or end the PIP due to the progress that was observed.
- If the employer determines the employee is not a good fit or is not really trying to improve even after all this effort, then the employer should consider job reassignment, transfer or demotion or terminate employment based on the specific circumstances.

When the employee has responded positively by meeting the objectives, the employer should formally close the PIP and allow the employee to continue employment. This may occur prior to the deadline outlined in the PIP document. This should be a positive occasion for the employee, but the supervisor must be sure the employee understands that continued good performance is expected. Two scenarios below provide examples of PIP closure situations.

#### *Example 1*

**Scenario:** An employee has perpetual problems with attendance.

#### **Actions:**

1. *Documentation of problem or concern.* A pattern of calling in sick on Fridays and Mondays has been observed. The employee has exhausted all available paid time off (PTO). The employee had five unexcused absences and has been tardy for his shift nine times in the last month. Attached is a list of attendance issues over the past two months by day of the week and hours missed. The employee has received two prior attendance warnings.
2. *Action plan, SMART objectives and consequences.* The employee will arrive at work prior to the start of each work shift and clock in on or shortly before his start time. The employee will promptly return from scheduled break times and work until the end of each shift. This is the final attendance warning; failure to work all scheduled shifts (unless excused) in their entirety during the next 90 days, or continued attendance issues beyond this performance improvement plan, may result in discipline up to and including immediate termination of employment.
3. *Possible PIP resolution.* The employee was on time for all of his shifts, except for one instance when the employee had already scheduled to come in late due to a student-teacher conference for his daughter. The PIP was determined to be successfully completed. The employee is expected to continue having good attendance, and he is made aware that future attendance issues may result in termination without another warning or PIP.
4. *Alternative ending.* During the first month on a Monday, the employee called in five minutes after the start of his shift, stating that his daughter had missed the bus. The employee explained he was going to drive his daughter to the school and would be half an hour late. The employee arrived at work three hours later. The employee is not meeting the PIP expectations and should be terminated.

#### *Example 2*

**Scenario:** An employee has quality performance errors.

#### **Actions**

1. *Documentation of problem or concern.* Over the past six months, the employee's monthly quality ratings have been below expectations four times. Departmental quality expectation is less than 3 percent quality errors per month. The employee has had as high as 15 percent and 11 percent quality errors, resulting in [dollar amount] of additional scrap and rework costs in April and May alone. Attached is a report of the employee's monthly quality ratings over the past year.
2. *Action plan, SMART objectives and consequences.* The employee will attend a quality training session with Lisa in quality assurance next Monday from 9 a.m. to 11 a.m., which is to include a review of proper procedures and observation of the hands-on work process at the employee's work station. The employee will be subject to additional quality spot checks from the quality assurance team and supervisors during the next three months. Quality errors must drop during the first month of this PIP. During the second and third months, regular monthly reports must show that the employee is achieving departmental expectations for quality and quantity of work (3 percent or less quality errors and at least 150 products per month) without need for unscheduled overtime. The employee is expected to notify her supervisor or the quality assurance team *immediately* if she experiences any roadblocks that may affect her ability to meet these goals. An immediate improvement in quality ratings and a sustained ability to meet departmental quality *and* quantity expectations are required for continued employment.
3. *Extending the PIP.* The employee was interactive in the training and appreciated all of the advice and coaching from quality assurance and the supervisors. The employee exceeded departmental expectations in the first and last months, but had a quality errors rating of 3.2 percent in the second month, which is just above the departmental expectation. The employee, unfortunately, was using a new technique taught to her the day before, but did not realize until too late that this new technique works with only one product model and not all. She did notify her supervisor and quality assurance as soon as she realized her mistake. Due to the employee's attitude, hard work and ability to exceed expectations in the other months, the PIP will be extended for an additional 30 days with the same expectations.
4. *PIP conclusion.* The employee successfully met all PIP requirements during the PIP extension. Due to the training received and the employee's drive to improve, she has pulled herself out of a poor performance situation and into one in which she can see and appreciate her own successes. The performance improvement plan is formally closed, although the employee is expected to continue to consistently perform at or above current department expectations. Additional performance issues may result in discipline up to and including termination of employment.

## Templates and Tools

### Samples

Performance Improvement: Action Plan (PIP #1) ([www.shrm.org/ResourcesAndTools/tools-and-samples/hr-forms/Pages/cms\\_002012.aspx](http://www.shrm.org/ResourcesAndTools/tools-and-samples/hr-forms/Pages/cms_002012.aspx))

Performance Improvement: Action Plan (PIP #2) ([www.shrm.org/resourcesandtools/tools-and-samples/hr-forms/pages/performanceimprovementplan\\_pip2.aspx](http://www.shrm.org/resourcesandtools/tools-and-samples/hr-forms/pages/performanceimprovementplan_pip2.aspx))

### Information tools

ANSI/SHRM Performance Management Standard ([www.shrm.org/resourcesandtools/tools-and-samples/how-to-guides/documents/12-0794%20performance%20mngmt%20standard\\_interior\\_viewonlyfnl\\_rvstd10-4-13.pdf](http://www.shrm.org/resourcesandtools/tools-and-samples/how-to-guides/documents/12-0794%20performance%20mngmt%20standard_interior_viewonlyfnl_rvstd10-4-13.pdf)) (see section "Performance Improve Plan Standard")

Managing Difficult Employees and Disruptive Behaviors (/ResourcesAndTools/tools-and-samples/toolkits/Pages/managingdifficultheemployeesa.aspx)

Managing Employee Performance (/ResourcesAndTools/tools-and-samples/toolkits/Pages/managingemployeeperformance.aspx)

### Express Requests

The HR Knowledge Center has gathered resources on current topics in HR management. Click here ([www.shrm.orghttps://apps.shrm.org/HRResources/ExpressRequests.aspx?type=6](https://apps.shrm.org/HRResources/ExpressRequests.aspx?type=6)) to view and request information.

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