Performance Management
Year End Process

Topics of Discussions

➢Performance Management Overview

➢ePerformance System

➢Focus on Year-End Process

➢Questions

Aligning Objectives with Business Goals

The key to our continued success is the performance of our employees.

Performance Management at McKesson:
➢ Consistent business process, owned by management
➢ Drives the business forward
➢ Enables employees to align individual objectives to business goals

The Performance Management process is designed to help employees to:
➢ Provide the highest level of contribution
➢ Deliver quality products and services to both internal and external customers
➢ Adapt to continuously changing performance requirements
➢ Embrace lifelong learning to ensure that we individually have the skills necessary to meet and exceed customer demands

Performance Management – An On-Going Process

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- All employees have performance plans
- Managers and employees work together to develop a performance plan including:
  - Performance objectives
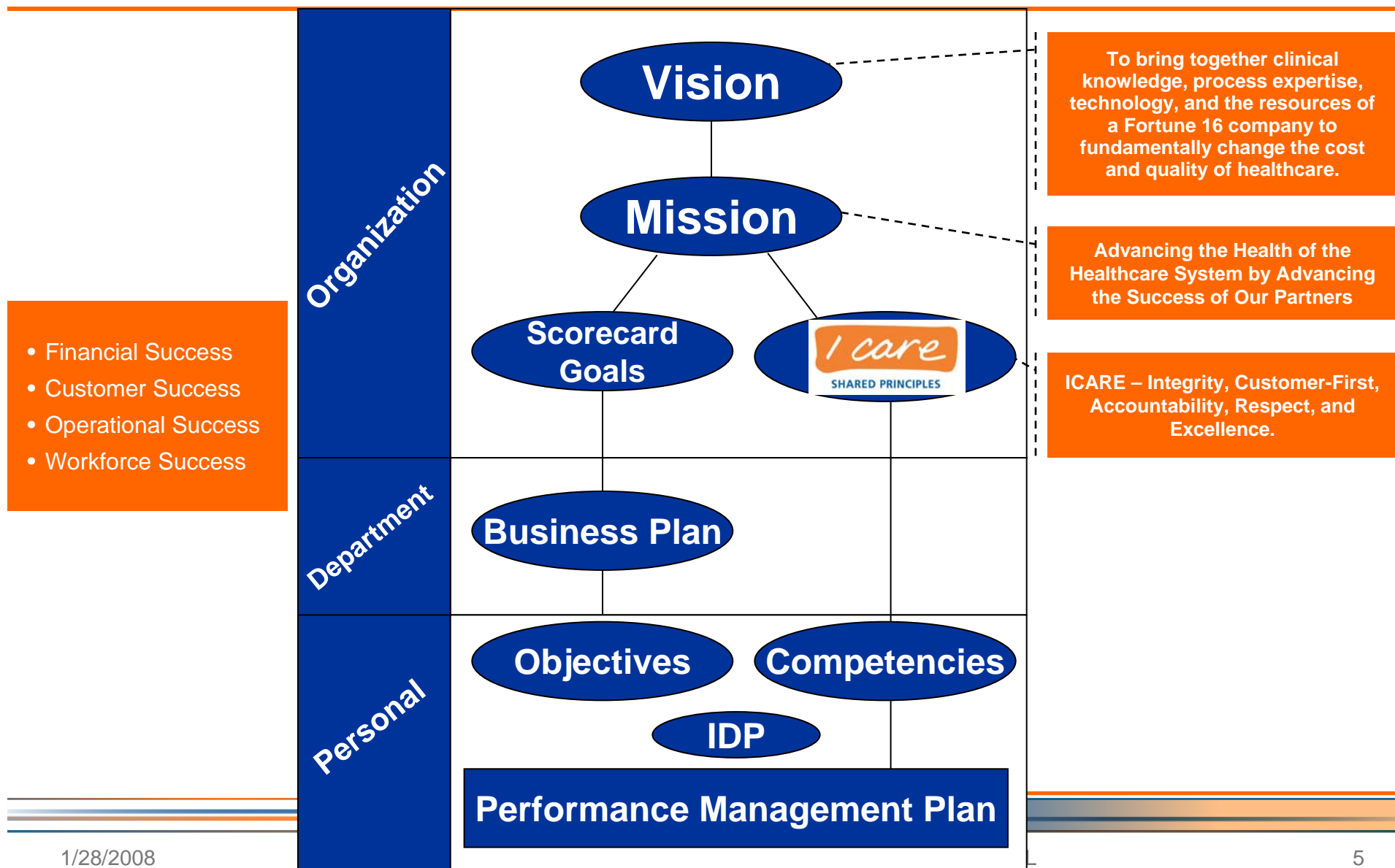 - ICARE and Competencies
  - Development plan

- Both Managers and employees observe and track performance
- Managers provide real-time feedback and coaching
- Managers conduct a mid-year review

4 Phases Of McKesson's Performance Management Process

Planning

Managing

Rewarding

Reviewing

- Results are linked to pay
- Differentiating pay based on individual contribution to the attainment of business unit and company objectives

- Employees may complete a self-assessment
- Managers rate the employee on all performance management components and provide an overall rating
- Managers may participate in rating calibrations
- Managers conduct a year-end review with the employees

Supporting Strategic Alignment…

- Financial Success
- Customer Success
- Operational Success
- Workforce Success

Organization

Vision

Mission

Scorecard Goals

I care
SHARED PRINCIPLES

To bring together clinical knowledge, process expertise, technology, and the resources of a Fortune 16 company to fundamentally change the cost and quality of healthcare.

Advancing the Health of the Healthcare System by Advancing the Success of Our Partners

ICARE – Integrity, Customer-First, Accountability, Respect, and Excellence.

Department

Business Plan

Personal

Objectives

Competencies

IDP

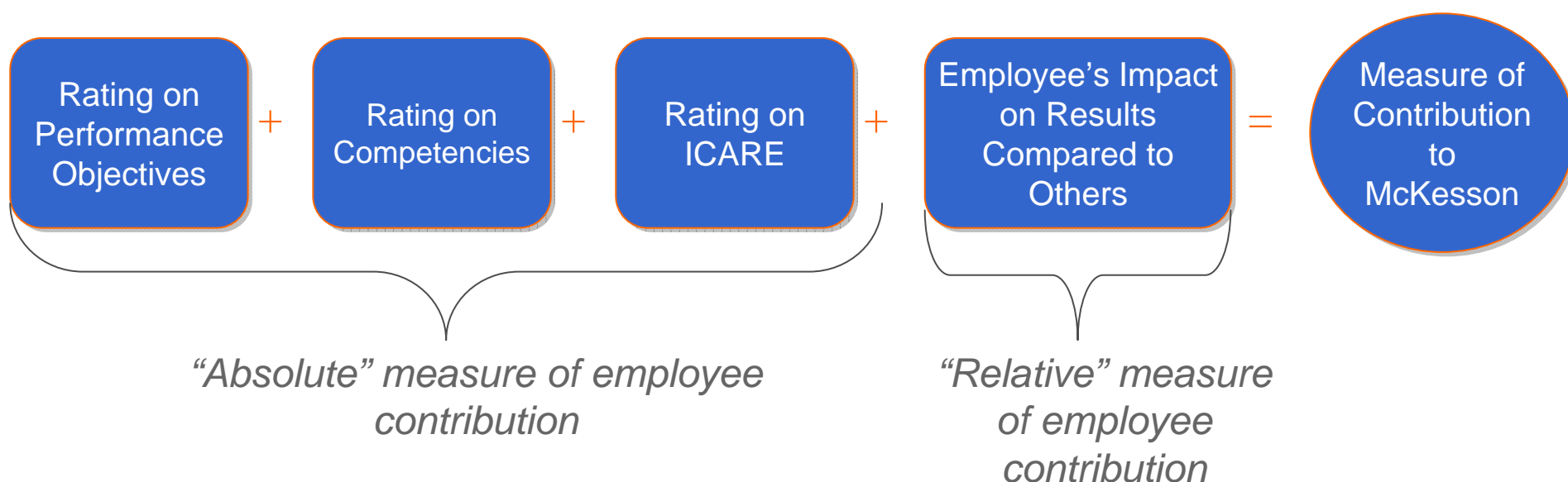**Performance Management Plan**

'What' and 'How' of Results

Vision / Mission / Scorecard Goals	➢ McKesson's Vision and Mission ➢ Objectives should align with one of the 4 Business Scorecard goals
Objectives	➢ 5 (+/- 2) SMART (**S**pecific, **M**easurable, **A**chievable, **R**elevant, **T**imebound) Objectives (10 maximum). Each align with one of the scorecard goals. ➢ Additional developmental objective for managers
Competencies	➢ Core set of competencies with behavioral indicators tiered by: Professional, Leader, Executive ➢ Aligned with Talent Review Process (TRP) ➢ Written comments for ratings other than 3
ICARE	➢ Rate the principles as a whole (not individual principles) ➢ Written comments for ratings other than 3
Individual Development Plan	➢ An action plan for your expertise and career development ➢ Define 1 - 4 SMART Development Objectives ➢ Development objectives may span more than one fiscal year

WHAT
Objectives

+

HOW
Competencies
& ICARE

=

REWARD
Overall
Performance Rating
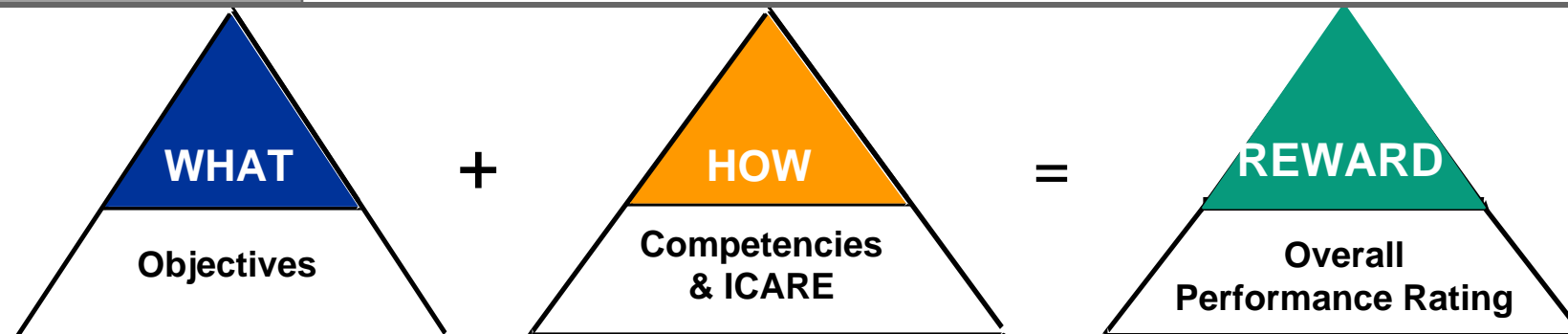
Evaluating Relative Contribution

Relative Contribution is the measure of an employee's overall contribution relative to his or her peers.

The components that we use to measure relative contribution include:

Rating on Performance Objectives	+	Rating on Competencies	+	Rating on ICARE	+	Employee's Impact on Results Compared to Others	=	Measure of Contribution to McKesson

"Absolute" measure of employee contribution

"Relative" measure of employee contribution

Differentiating Rewards Consistently...

➢ Gives a more accurate, complete picture of contribution

➢ Increases the consistency in how we apply performance ratings

➢ Helps us identify who truly performed at the highest level for the year

➢ Helps us differentiate rewards

Rating Scale and Recommended Distribution

Rating Scale	OBJECTIVES DEFINITIONS	COMPETENCIES / ICARE DEFINITIONS	YEAR-END OVERALL DEFINITIONS
1	Significantly exceeds performance requirements of the objective.	Successfully demonstrates role model key actions/behaviors on this competency that significantly exceed expectations.	Among the top performers for the year; outperformed most others; contributions significantly and consistently exceeded performance requirements. **5%**
2	Exceeds performance requirements of the objective.	Frequently demonstrates strong key actions/behaviors that exceed expectations on this competency.	Strong performer; outperformed many others in his/her contributions. Frequently exceeded all performance requirements. **23%**
3	Successfully meets performance requirements of the objective.	Effectively demonstrates fully acceptable key actions/behaviors on this competency. May occasionally exceed expectations on some key actions/behaviors.	Solid performer this year; contributions added value, successfully met, and occasionally exceeded performance requirements. **60%**
4	Inconsistent; does not meet some key performance requirements of the objective.	Inconsistently demonstrates acceptable key actions/behavior in some, but not all areas on this competency.	Inconsistent performance this year; contributions did not meet expectations in some key areas. • Learning curve/ in a new role OR • Needs improvement **11%**
5	Does not meet performance requirements of the objective.	Rarely demonstrates acceptable key actions/behaviors effectively and needs substantial improvement in this competency.	Unacceptable performance this year; immediate performance improvement is required. **1%**

Determining the Overall Rating

The determination of the overall rating is not formulaic, several factors are considered:

1. What an employee has achieved,

2. What the Manager and the employee agreed would be achieved,

3. How others in a similar grade level and job role performed during the same period.

Managers evaluate how much an employee contributed to the company's overall success for the year relative to their peers in the same grade level and similar job roles.

Individuals who made the biggest relative contribution will get the highest rating and top rewards for that performance year.

ePerformance System – Supports Performance Management

When individuals do well, teams do well, and our business does well.

Employees can…	Managers can…
➢ Access and create performance document and individual development plan ➢ Keep performance notes	➢ Access and create performance documents and individual development plans for direct and indirect reports ➢ View performance history ➢ Keep performance notes for their team ➢ Run reports for their entire organization

My Performance

Access Performance Documents
Maintain and update your current performance documents, or review your prior performance documents.

Performance Notes
Maintain personal notes about your goals and performance. You can access these notes later when updating your performance documents.

Managing Performance

Access Performance Documents
Maintain and update performance documents that you own.

View Performance History
View the historical performance documents for an employee.

Maintain Performance Notes
Enter personal notes regarding an employee's performance. These notes can be referenced when updating a performance document.

Create Performance Documents
Create performance documents for one or more of your direct reports or indirect reports.

Transfer Performance Documents
Transfer a performance document to another manager. The other manager becomes the new owner of the document.

ePerformance Reports
Run ePerformance reports for your organization

ePerformance System:
Roles and Accountabilities

Phase / Status	Employee Tasks	Manager Tasks
Planning	Add / Edit / Update the performance document.	Add / Edit / Update the performance document Click **Planning Complete** – starts Tracking phase,
Tracking	Add comments and rate sections. At Mid-Year, enter mid year comments. At Year-End, complete self assessment.	Add / Edit / Update the performance document. Add comments and rate sections. At Mid-Year, enter mid year comments, conduct Mid- Year Review and click **Mid-Year Review Conducted.** At Year-End, enter final ratings and comments, conduct Year-End review and click **Year-End Review Conducted** – starts Review Conducted phase.
Review Conducted	Review document, add Year-End comments and click **Acknowledge** – starts Acknowledged phase.	None.
Acknowledged	None.	Review employee comments and enter comments in the Year End Comments section. Document goes into Complete phase.
Complete	None.	None.

Focus on Year End Process

1. Employee completes self assessment
2. Managers completes Preliminary Review
3. Calibrations
4. Manager finalizes overall rating
5. Ratings feed to eCompensation for compensation planning
6. Manager conducts review with the employee

Employee Access to a Performance Document

Performance Documents

Employee Name

Listed below are your Performance Documents. To access a Performance Document, click the "Author" Name hyperlink.

To search for specific Performance Documents, expand the Search Criteria section. You can search by Document Status, Employee ID, and Fiscal Year Plan End Dates (and forward) by entering one or more of the criteria. Click the **Display Results** button to view Performance Document(s) that fit the criteria.

▷ Search Criteria

Your Documents

Begin Date	End Date	Template	Document Status	Author	Employee Job Title	Employee Status
04/01/200	03/31/200	Perf Doc 1	Tracking	Manager Name	Job Title	A

To open the performance document, click the Manager Name hyperlink

Maintain Performance Document

Employee Name

The status of the performance document is Tracking, where you may enter comments and ratings in the Employee sections.

INSTRUCTIONS: **SAVE and SAVE OFTEN** - the system will automatically time out after fifteen minutes of inactivity within e-Performance and all unsaved information will be lost.

Save and Continue

Save for Later   Go To Section: [▾]

Job Data Information

Name:	Employee Name	**Supervisor Name:**	Manager Name
Employee ID:	12345	**Grade:**	505
Job Title:	Job Title	**Document Status:**	Tracking
Begin Date:	04/01/200	**End Date:**	03/31/200

Expand All Sections   Collapse All Sections   Print Document   File Attachments
Mission/Vision/Goals Business Scorecard   Shared Principles   Performance Mgmt Overview

▶ Performance Objectives
▶ Competencies
▶ Shared Principles (ICARE)
▶ Individual Development Plan
▶ Mid-Year Comments
▶ Year-End Review

Save and Continue
Save for Later

Mid-Year Review Conducted:

Year End Review Conducted:

Review Acknowledged:

Completed:

Performance Objectives SMART (WHAT)

Competencies (HOW)

ICARE (HOW)

Individual Development Plan

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Focus on Year End Process

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2. Managers completes Preliminary Review
3. Calibrations
4. Manager finalizes overall rating
5. Ratings feed to eCompensation for compensation planning
6. Manager conducts review with the employee

Maintain Documents

Below are performance documents you own or have access to. To access a performance document, click the appropriate employee name hyperlink.

Below are definitions regarding the buttons:

View My Organization: Allows managers to view and print the performance documents for their direct and indirect reports.

Copy / Cascade Items: When a document is in the Planning or Tracking status, this allows managers to copy & cascade items from an existing performance document to their direct report(s) and/or create a new item and cascade the item to their direct report(s).

Terminate Document: Allows managers to terminate a performance document for an employee or groups of employees that are no longer McKesson employees.

Allow Employee to Edit: When a document is in the Tracking status, this allows managers to "unlock" a performance document allowing the employee to edit their performance document. The employee will have 7 days to edit their document. After 7 days, the employee will no longer be allowed to make edits.

| View My Organization | Copy / Cascade Items | Terminate Document |

▷ Search Criteria

Documents you own

Select to Complete	Allow Empl to Edit	Employee	Begin Date	End Date	Template	Document Status	Rating Author	Employee Job Title
☐	☐	Employee Name	04/01/200	03/31/200	Perf Doc 1	Tracking	Author Name	Job Title
☐	☐	Employee Name	04/01/200	03/31/200	Perf Doc 1	Tracking	Author Name	Job Title
☐	☐	Employee Name	04/01/200	03/31/200	Perf Doc 1	Tracking	Author Name	Job Title

To open the performance document, click the Employee Name hyperlink

Maintain Performance Document
Employee Name

The status of the document status is Tracking where you may enter comments and ratings in the Manager sections.

INSTRUCTIONS: **SAVE and SAVE OFTEN** - the system will automatically time out after fifteen minutes of inactivity within e-Performance and all unsaved information will be lost.

Once you have conducted the YEAR-END Review with the employee, click the **Year-End Review Conducted** button. This will allow the employee to see ALL comments and ratings you, the manager, have entered.

| Save and Continue | Other Documents You Own: | [dropdown] |
| Save for Later | Go To Section: | [dropdown] |

Job Data Information

Name:	Employee Name	**Supervisor Name:**	Manager Name
Employee ID:	12345	**Grade:**	505
Job Title:	Job Title	**Document Status:**	Tracking
Begin Date:	04/01/200	**End Date:**	03/31/200

Expand All Sections   Collapse All Sections   Print Document   File Attachments
Mission/Vision/Goals Business Scorecard   Shared Principles   Performance Mgmt Overview

▶ Performance Objectives
▶ Competencies
▶ Shared Principles (ICARE)
▶ Individual Development Plan
▶ Mid-Year Comments
▶ Year-End Review

| Save and Continue | |
| Save for Later | Year End Review Conducted |

After all comments and ratings have been entered, continue on to Enter the Overall Rating in the Year-End Review section

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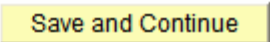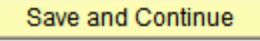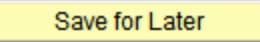
Enter the Overall Rating in the Summary Rating field.

Enter comments to explain the rating.

Click **Save for Later** to submit the draft rating.

Focus on Year End Process

1. Employee completes self assessment
2. Managers completes Preliminary Review
3. Calibrations
4. Manager finalizes overall rating
5. Ratings feed to eCompensation for compensation planning
6. Manager conducts review with the employee

Measuring Relative Contribution through Calibration

Calibration Process = the method we use to measure relative contribution

- ➤ Process may vary by business unit

- ➤ Occurs at year-end after managers have completed preliminary reviews

- ➤ Managers compare contributions and calibrate performance ratings for employees in similar jobs

- ➤ Takes place at multiple levels and "rolls-up" to overall business unit and company

- ➤ Expected distribution guidelines used to gauge outcomes
  - − Applied only to groups of 75-100 employees and to overall business unit and company roll-up

Focus on Year End Process

1. Employee completes self assessment
2. Managers completes Preliminary Review
3. Calibrations
4. Manager finalizes overall rating
5. Ratings feed to eCompensation for compensation planning
6. Manager conducts review with the employee

Focus on Year End Process

1. Employee completes self assessment
2. Managers completes Preliminary Review
3. Calibrations
4. Manager finalizes overall rating
5. Ratings feed to eCompensation for compensation planning
6. Manager conducts review with the employee

Manager Conducts Review

Suggested order of events:

A. Manager / Employee conduct Performance Review discussion

B. Manager clicks **Year End Review Conducted**

C. Employee **Acknowledges.** If employee doesn't acknowledge, manager clicks **Acknowledge Override**, and select:

- Employee unavailable

- Employee refused

D. Manager can enter final comments (optional). Document is automatically completed after 30 days

A. Conduct Performance Review

Both employees and managers should come prepared to review and discuss results for:

- ➢ The Objectives

- ➢ The Competencies

- ➢ The ICARE Shared Principles

- ➢ The Individual Development Plan

- ➢ The Year-End Overall Rating

B. Manager Clicks Year-End Review Conducted

Maintain Performance Document

Employee Name

The status of the document status is Tracking where you may enter comments and ratings in the Manager sections.

INSTRUCTIONS: **SAVE and SAVE OFTEN** - the system will automatically time out after fifteen minutes of inactivity within e-Performance and all unsaved information will be lost.

Once you have conducted the YEAR-END Review with the employee, click the **Year-End Review Conducted** button. This will allow the employee to see ALL comments and ratings you, the manager, have entered.

| Save and Continue | | Other Documents You Own: | ⌄ |
| Save for Later | | Go To Section: | ⌄ |

Job Data Information

Name:	Employee Name	Supervisor Name:	Manager Name
Employee ID:	12345	Grade:	505
Job Title:	Job Title	Document Status:	Tracking
Begin Date:	04/01/200	End Date:	03/31/200

Expand All Sections   Collapse All Sections   Print Document   File Attachments
Mission/Vision/Goals Business Scorecard   Shared Principles   Performance Mgmt Overview

▸ Performance Objectives
▸ Competencies
▸ Shared Principles (ICARE)
▸ Individual Development Plan
▸ Mid-Year Comments
▸ Year-End Review

| Save and Continue |
| Save for Later |

Year End Review Conducted

Managers: Use the **Year-End Review Conducted** button ONLY when you are ready to open all your comments and ratings up for the employee to view.

C. Employee Acknowledges

Maintain Performance Document

Employee Name

The document status is Review Conducted. At this status, you may only enter comments in the Employee Year End Review section.

INSTRUCTIONS: **SAVE and SAVE OFTEN** - the system will automatically time out after fifteen minutes of inactivity within e-Performance and all unsaved information will be lost.

Once you have reviewed the comments and ratings entered by your manager, click the **Acknowledge Review** button. This will send an email to your manager notifying them that you have acknowledged your review. They will then Complete your Performance Document.

Save and Continue
Save for Later

Go To Section: [▼]

Job Data Information

Name:	Employee Name	**Supervisor Name:**	Manager Name
Employee ID:	12345	**Grade:**	505
Job Title:	Job Title	**Document Status:**	Review Conducted
Begin Date:	04/01/200	**End Date:**	03/31/200

Expand All Sections   Collapse All Sections   Print Document   File Attachments
Mission/Vision/Goals Business Scorecard   Shared Principles   Performance Mgmt Overview

▸ Performance Objectives
▸ Competencies
▸ Shared Principles (ICARE)
▸ Individual Development Plan
▸ Mid-Year Comments
▸ Year-End Review

Save and Continue		Acknowledge Review
Save for Later		

Review Conducted Phase Employee can review all comments and ratings by the manager

C. Employee Acknowledges

Year-End Review

During your formal Year-end Review, you and your manager will discuss your progress toward your objectives, competencies, ICARE Values, and development plan for the performance year. Enter a rating from the drop-down list and add any supporting comments.

Rating Scale Quick Reference

Year-End Review Summary

Manager Rating: 2

Manager Comments: Strong performance

Summary Rating:

Save and Continue

Employee Comments:

Save and Continue

Save for Later

Acknowledge Review

Employee can enter final comments

Employee click **Acknowledge Review**

D. Manager can enter final comments (optional)

▼ **Year-End Review**

During your formal Year-end Review, you and your manager will discuss your progress toward your objectives, competencies, ICARE Values, and development plan for the performance year. Enter a rating from the drop-down list and add any supporting comments.

Rating Scale Quick Reference

Year-End Review Summary

Employee Rating: 2

Employee Comments: I concur. Great year, thank you!

Summary Rating: 2

Save and Continue

Manager Comments: Strong performance

Save and Continue
Save for Later
Complete

In the Acknowledged Phase the manager can still update his/her comments (but not make any other changes).

e-Performance Reports – Manager

ePerformance Reports for Managers

Planning
Development Plan (.pdf)
Performance Objectives (.pdf)

Managing
Status Summary (.pdf)
Status Summary (.xls)
Mid Year Review (.pdf)

Reviewing
Overall Rating Summary (.pdf)
Overall Rating Summary (.xls)
Manager/Employee Rating Comparison (.pdf)

Sample: Overall Rating Summary (.xls)

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	Company	Manager Name	Author Name	EE ID	Employee Name	Rating	4 - Rating Reason	FLSA Status	Template Type	Document Stage	Hire Date	EE Status	Department	Grade	Job Title
1	MCK	Manager	Author		Employee	3		Exempt	Perf Doc 1	Complete	03/14/2006	Active	HRIS Development	505	HRIS Analyst 4
2	MCK					1		Exempt	Perf Doc 1	Complete	05/24/2004	Active	HRIS Development	505	HRIS Analyst 4
3	MCK					3		Exempt	Perf Doc 1	Complete	04/19/2004	Active	HRIS Development	506	HRIS ANALYST 5
4	MCK					2		Exempt	Perf Doc 1	Complete	01/30/2006	Active	HRIS Development	505	HRIS Analyst 4

Sample: Manager/ Employee Rating Comparison

```
                                    McKESSON
                       Manager/Employee Rating Comparison for
                              Employee: Employee Name
                           Plan Year: FY08 (4/1/07 - 3/31/08)

Job Title: Marketing Specialist              Document Type: Performance Management
Manager: Manager Name                        Document Status: Complete
Business Unit: McKesson Medical-Surgical      Template Type: Perf Doc 1


                                          Manager              Employee
  Document Section                     Rating    Comments    Rating    Comments


     Performance Objectives
          Distribution Fundamentals        2       YES         2         YES
          Buy-side performance             3       YES         3         YES
          Segment Profitability            3       YES    not entered    YES
          Project Management (resource dependent)  3  YES      3         YES
          Personal Development             3       YES         3         YES

     Competencies
          Strategic Thinking               2       YES         2         YES
          Results Orientation & Energy     3       YES         2         YES
          Leadership                       3       YES         3         YES
          Assertiveness & Influence        3       YES         3         YES
          Decisiveness & Judgment          3       YES         2         YES
          Openness & Candor                3       YES         2         YES
          Sensitivity                      3       YES         3         YES
          Mature Confidence & Integrity    2       YES         2         YES
          Building Organizational Talent   3       YES         3         YES

     ICARE Values Summary                  3       YES         2         YES

     Individ Dev. Plan

     Year-End Review                       3       YES         2         YES
```