Agenda

Cisco in Brief

Performance Management at Cisco

The Need for Change

The Change and Expected Results
Two Cables and a Desire to Connect
Intelligent Connections at the Heart of Cisco

Connectivity
Digitize Access to Information
- Email
- Web Browser
- Search

Networked Economy
Digitize Business Process
- E-commerce
- Digital Supply Chain
- Collaboration

Immersive Experiences
Digitize Interactions (Business & Social)
- Social
- Mobility
- Cloud
- Video

Internet of Everything
Digitize the World
Connecting:
- People
- Process
- Data
- Things
The Internet of Everything
culture employees

...are our competitive advantage

- 35% engineering
- 26% sales
- 20% services
- 19% other

71K+ employees
380+ offices
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Cisco Performance Connection
For a more aligned, collaborative, and transparent Cisco

Ongoing Manager and Employee Discussions

- Performance and Development Planning
  - Q1

- Mid-Year Career Discussion
  - Q2/Q3

- Year-End Performance Review
  - Q4/Q1

Year-Round Feedback & Journaling
Connected and Transparent Discussions
Rating Distribution Guidelines

Concepts

• One distribution guideline for the enterprise

• Distribution guidance is suggested but not forced

• Functional flexibility to determine population in Exceptional & Outstanding groups
  • Max of 35% combined

• Needs Improvement & Corrective Action total 5%
CPC Performance Rating Structure
For All Employees

- **Exceptional (15%)** - High impact and results within this performance period; employee has consistently exceeded expectations and performed in a top performing manner against all objectives and relative to employee’s peer group.

- **Outstanding (20%)** – Significant impact and results within this performance period; employee has exceeded multiple expectations against objectives and relative to employee’s peer group.

- **Strong (60%)** – Solid impact and results within this performance period; employee has met or exceeded expectations against objectives and relative to employee’s peer group.

- **Needs Improvement (combined with Corrective Action is 5%)** – *Lower than expected* impact and results within this performance period; employee did not meet expectations in one or more performance areas and delivered lower than expected results against objectives and relative to employee’s peer group.

- **Corrective Action (combined with Needs Improvement is 5%)** – Little to no impact and results within this performance period; employee did not meet expectations in multiple and/or *key* performance areas and delivered lower than expected results against objectives.
## CPC Calibration Process

<table>
<thead>
<tr>
<th>Pre Calibration</th>
<th>Calibration</th>
<th>Post Calibration</th>
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<tbody>
<tr>
<td><strong>Business functions</strong></td>
<td><strong>Collective decision made as to employees performance rating relative to their peer group.</strong></td>
<td><strong>Once calibration is complete managers are notified via the tool and final ratings pushed back to the performance review</strong></td>
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<tr>
<td>- Determine objectives of calibration discussions</td>
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<td><strong>First level managers</strong> submit for second level approval</td>
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<tr>
<td>- Functional timeline for calibration</td>
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<td>- How many layers of calibration will be conducted</td>
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<td>- Employee groupings if appropriate (i.e. grade groupings)</td>
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<td>- Who will facilitate sessions</td>
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<td>- Filters that would be used function-wide</td>
<td></td>
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<tr>
<td><strong>Leader</strong> designates facilitator</td>
<td></td>
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<tr>
<td><strong>Facilitator</strong> creates filters in the tool and plans calibration sessions</td>
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<tr>
<td><strong>First level managers</strong> apply preliminary overall rating (does not submit to second level for approval until after calibration)</td>
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</tbody>
</table>
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Shift in Context

Industrial Revolution → Information Age

Rigid organizations → Agile workforce

Corporate ladder → Corporate matrices

Baby-boomers, Gen X/Y → Millennials
Some Numbers

86% of companies have some form of performance management process. However, only 55% of survey respondents from HPOs indicated that performance management has a positive business impact on their organizations (LPOs - 36%).

1/3 of all global organizations want to revamp their performance management process in the next year and 2/3 within the next three years.

70% of all organizations dislike the performance management process they have. There are hardly any employee or manager who likes it at all and sometimes even refer to it as a "soul-crushing exercise".

Organizations that have employees revise or review their goals quarterly or more frequently are 45% more likely to have above-average financial performance and 64% more likely to be effective at holding costs at or below level of competitors.
Forced Ranking vs Other Performance Management Methods

Fig: Companies that used Forced-Ranking reduced over the two years significantly¹
Myths of Bell Curve

1. No one wants to be rated on a five point scale.
2. Ultra-high performers are incented to leave and collaboration may be limited.
3. Mid level performers are not highly motivated to improve.
4. Compensation is inefficiently distributed.
5. Incentives to develop and grow are reduced.
Bell Curve vs Power Curve

The Power-Law Distribution
“Long Tail”

- Small Number of Hyper Performers
- Broad Range of "Average Performers"
- Small number of "Lower Performers"

Performance vs Total Number of People
Say NO to Ratings?

Two ways in which ratings affect us:

**Fight or Flight Response**

**Fixed Mind-Set vs Growth Mind-Set**

- **Fixed Mindset**
  Intelligence and talent are fixed at birth.

- **Growth Mindset**
  Intelligence and talent can go up or down.
Other Companies - Key Reasons

- Manager and employee tendency to focus on the numerical ratings (as opposed to an employee’s skills and competencies)

- Debates about ratings often overshadowed important dialogue about employee development opportunities during or after performance reviews.
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The Shift in Our Performance Mindset

- Annually
- On-going
- America’s Cup
- Lifeboat Drill
- Let’s Grab Coffee
- The Talk

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Changes to PM Process - Highlights

No Performance Rating
Quarterly Leader/Manager Talent Discussions
Quarterly Manager/Employee Performance and Development Discussions
Identify Highest/Lowest Performers

FY 16 → Continuous performance discussions, CPC tool changes
Cisco’s new PM Approach – Sync Up

Putting employees back at the heart of performance and development

Regular conversations

No ratings, no forced labels

Building relationships, harnessing your momentum
What’s New?

Sync Up is a new approach to Performance and Development designed to keep pace with your progress. This means frequent conversations and timely, responsive feedback.

Leader expectations are outlined in the People Leadership Commitments and you have the opportunity to give your direct leaders open and honest feedback by completing the semi-annual People Leader Feedback survey.

Regular conversations

No Labels, high expectations

Sync Up allows you to build a stronger relationship with your leader, replacing the heavy-lifting associated with yearly performance reviews with more frequent, less intense interactions.

When you stay connected, you can make adjustments along the way. Not only that, but these adjustments and conversations will be informed by a real understanding of where you are and where you want to be.

Building relationships, harnessing momentum

We’ve put people – not process – at the heart of Sync Up. This means generic performance ratings and bell curves are out.

Meaningful conversations and individual feedback are in. Far from relaxing our standards, Sync Up ensures that both you and your leader develop aligned performance goals and development plans.
What remains the same

| People leader accountability to actively assess, manage, and develop their teams |
| Performance and rewards differentiation |
| Goal setting and strategic alignment |
| Executive Talent Reviews using the 9 block tool |
| Feedback continues to be critical |
Sync Up Conversation Framework

Today’s Conversations, Tomorrow’s Results

Your Performance: Your goals, your results, your growth and your progress

Your Development: Where your career is heading and next steps to lead you there

Your Alignment: How your work fits into the wider strategy of the team and the business

You: What makes you tick and how you can bring your best to the table
People Leadership – The How

People Leadership

Accelerate Cisco’s Transformation by Explicitly defining and communicating to all employees what People Leadership is @ Cisco

People Leader Commitments

Actionable Goals & Commitments on People Leadership

Team & Manager Feedback

Regular Feedback by their Teams & Manager

People Leader Development

Development solutions to execute commitments & act on feedback

Alignment & Integration with Performance Management

Enabling the People Deal
New PM Approach Successfully Fosters these Outcomes

- Improved team and individual performance
- Maintained strategic alignment in an increasingly complex environment
- A workforce that is developing for tomorrow
- Better informed talent decisions – for leaders and employees
- Realization of a People Deal that benefits everyone
Thank you.