

Research Project

*PERFORMANCE MANAGEMENT
SYSTEM*

at

Pakistani Banking Industry

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*In the Name of Allah, Most Benevolent,
Ever Merciful*

DEDICATION

I dedicate this research work to my mother, wife and children who have offered lot of prayers and rendered their complete possible support throughout all phases of its completion. It will be absolutely unfair to exclude my dear teachers of MBA and the NIMS that have afforded me opportunity to benefit from the rich experience and available facilities; I dedicate it to them all, as well.

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EXECUTIVE SUMMARY

Research is most often driven by the need to find solutions to problems. This is best done in an orderly fashion with the focus on building a strong foundation to a theoretical framework upon which subsequent work can be built. Sound research is systematic, logical (design facilitates movement from questions to answers), data based (though this does not imply quantitative), and replicable. An effort has been made to carry out a comprehensive research on the banking sector and only four leading banks have been chosen for the purpose, with the assumption that that entire banking industry is following similar PMS practices.

Banking industry is presently facing a hyper turbulent situation where banks have to operate in increasingly competitive and complex local and global markets. The ability to compete in the fast paced global environment is of paramount importance – survival of the fittest being the name of the game. The competition has even become ever tough and challenging with the entry of many foreign world-class banks and other financial institutions.

A major transformation has been witnessed in the financial markets, in the era of 1980s and 1990s and, of course, the trend is making tremendous advancements with each passing day, prompting the local banks to either change and be adaptive or cease to exist. With the advent of more complex and dynamic transactions, uncertainties have increased in the market place. Keeping pace with the advanced foreign banks, most of the local banks have revamped their processes and come up with better financial services to enhance the market share.

The sole purpose of selecting only the leading local banks is two fold – first to carry out a descriptive study of Performance Appraisal System prevalent in the Pakistani local banking industry and second, to compare it with the universally acceptable practices in this area. The four banks of the industry under discussion are MCB, ABL, UBL and HBL. These banks have undergone mammoth transformation during the past 15 years, especially

after their privatization. In addition to the main areas of research, effort has been made to briefly touch upon the evolutionary process including brief history of each bank. Due emphasis has been given to the importance of PMS as an integral component of HRM, as recognized by almost all leading organization of the developed nations in particular and developing countries in general.

Literature Review covers internationally recognized best PMS practices along with ideal models of two renowned practitioners – William S. Swan and Dick Grote. Here in this section, emphasis has been laid to ensure that the best PMS of internationally renowned authors should be discussed with particular reference to its connection with other components of the HR practices. Having discussed the best available models, a theoretical model has been presented for subsequent analysis as to how close is the model with the system being used in the Pakistani banks.

In the findings part, existing PMS of all the four banks has been described in detail, along with appraisal forms, being used for the purpose. The study of existing PMS of the banks portrays the level of seriousness with which the banking industry is implementing it. Finally, based on the aforementioned analysis, a modified/ proposed model for PMS has been presented followed by the Bibliography given at the end.

CHAPTER - 1

INTRODUCTION

Purpose behind selecting the Topic:

The **first premise** behind conducting the research study of the Performance Management Systems (PMS) of the domestic banking industry is the importance attached to Human Resource component of an organization. An organization is like any other living organism, which has the cyclic process of growth. In order to attain a systematic growth and to avoid decline, every organization makes vital changes in its structure, product, processes etc. The main objective is to achieve goals of the organization for which it is established. To achieve these goals, the organization has to obtain and utilize various resources in such a way that they can contribute to the maximum. The common factor for all organizations is that the resources are limited. Regardless of the size or configuration of the organization, there is always a competition for those limited resources. These resources are both human and non-human such as physical, financial etc. Of these, human resource is much different from the physical and financial resources. Without this pivotal component, other resources alone are ineffective. Human resource is a great asset to any organization. Therefore, every organization must give special attention to the human resource because they have unlimited capabilities and can contribute a great deal to the goals of the organization.

The **second premise** is the motivational force required of human resource to perform the assigned tasks and to positively contribute towards achievement of organizational goals. An organization can achieve its goals if it is able to respond to the changes within the internal environment as well as external environment. The external environment is of critical importance as it encompasses social, political, economic and cultural factors. Competition from similar organizations, changing needs of public, knowledge explosion, rapid growth of technology, shorter product life cycle – all constitutes a threat to effectiveness of the organization. The internal environment includes existing structure, technology, needs and expectations of its people and changing of the labour force.

It is a universally acclaimed fact that in the emerging highly competitive global market conditions, organizations with excellence in performance will alone survive. A sustained excellence can be maintained only and only by a highly motivated human resource equipped with state-of-the-art equipment. Motivational force is the unique characteristic that drives and inspires the employees to do wonders for their organization. No matter how modern technology is in place and how comprehensive are the procedures laid down, without active role of HR segment of the organization, it is impossible to compete in the present fast changing business world. It is the Human Resource that would create the distinction when properly trained, developed and, above all, suitably motivated through intrinsic and extrinsic rewards/ compensation system.

The research study has been carried out on the Performance Management System (PMS), with particular reference to applicability of the system to Pakistani banking industry. PMS is a traditional activity of Human Resource department of most of the leading organizations in developed countries. The main rationale behind selection of this topic is the fact that PMS is the focal point of HR activities such as manpower planning, training & development, compensation & rewards, career planning, succession planning and benefit management. The PMS is a valuable instrument that helps in cascading the organizational objectives down the hierarchy and further helps in planning, monitoring and evaluating performance.

The process can greatly affect performance of an organization and can help improve its performance. It is not just an event, rather a continuous process that has many steps, each step being an activity that adds value to the entire system. Every step in the process is extremely important in its place because it is strategic and integrative approach to direct and manage performance. This process is integrated/ linked with many other components of HR system and does not function in isolation. As of today, almost all big organizations are benefiting from PMS.

Objectives of the Research:

The objectives of the conducting research on the vital HR component are multifold; salient ones are appended below:

- To study the theoretical architecture of PMS of the international renowned authors and then based on that develop a framework that can be made applicable in Pakistani banking industry.
- To study the existing PMS in the banking sector, especially in four leading banks – Muslim Commercial Bank, Allied Bank Limited, United Bank Ltd and Habib Bank Ltd.
- To propose a PMS model based on international systems and then to carry out a comparative analysis of this proposed model with the PMS existing in the banking industry.
- To find the strengths and weaknesses of both the proposed system and the one being practiced in domestic environment.
- In light of the findings of the comparative analysis, further suggest improvements in the proposed framework.

Scope of Study:

The Performance Management System has significantly expanded over the period of time, particularly in the last two decades and it is difficult to cover all aspects. However, a dedicated effort has been made to study the various stages of PMS that have been tried in the past by the leading organizations and proved highly successful. Recommended models of world-renowned practitioners have been studied to obtain a fair idea about the specific benefits attached to various components of this tool.

The scope of the research is to study the planning, monitoring and evaluation of the performance management in leading international organizations and then to compare these practices with the PMS being currently used in the Pakistani domestic banking industry. For this purpose four leading local banks that have been privatized in the past 15 years i.e. MCB, ABL, UBL and HBL have been chosen.

Methodology of Research:

The methodology that has been adopted in the research includes the review of the theory that is available on the process, in various international publications. In order to have in-depth understanding of the concepts in a holistic manner, following resources have been explored:

- Assistance has been taken from various textbooks, journals, research publications, case studies and Internet.
- Conducting interviews/ discussions with concerned officials of the banks during visits to all regional head offices and local branches – aimed at extracting all possible information about the PMS being implemented.
- Discussion with students of the class to obtain their views on the existing practices in the banking industry.

CHAPTER – 2

LITERATURE REVIEW

SECTION – I: LITERATURE REVIEW OF PERFORMANCE MANAGEMENT SYSTEM (PMS)

More often Literature Review is part of the introduction to an essay, research report, or thesis. In writing the literature review, the main purpose is to convey to the reader what knowledge and ideas have been established on a topic, and what their strengths and weaknesses are. As a piece of writing, the literature review must be defined by a guiding concept (e.g., your research objective, the problem or issue you are discussing, or your argumentative thesis). It is not just a descriptive list of the material available, or a set of summaries.

Besides enlarging the knowledge about the topic, writing a literature review helps gain and demonstrate skills in two areas:

- **Information seeking:** the ability to scan the literature efficiently, using manual or computerized methods, to identify a set of useful articles and books

- **Critical appraisal:** the ability to apply principles of analysis to identify unbiased and valid studies.

Historical Background of PMS:

The history of performance appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern human resources management. As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the Second World War - not more than 60 years ago.

Yet in a broader sense, the practice of appraisal is a very ancient art. In the scale of things historical, it might well lay claim to being the world's second oldest profession!

There is a basic human tendency to make judgements about those one is working with, as well as about oneself. Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgements made will be lawful, fair, defensible and accurate.

Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified. The process was firmly linked to material outcomes. If an employee's performance were found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order.

Little consideration, if any, was given to the developmental possibilities of appraisal. It was felt that a cut in pay, or a raise, should provide the only required impetus for an employee to either improve or continue to perform well.

Sometimes this basic system succeeded in getting the results that were intended; but more often than not, it failed. For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance.

These observations were confirmed in empirical studies. Pay rates were important, yes; but they were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence.

As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time.

Importance of Performance Management System:

“This management technique, more than any other, has the power to transform organization and focus the energy of every organization member towards the achievement of organizational goals” Dick Grote, 1996. Performance Management System (PMS) is an extremely valuable tool in the hands of the Human Resource department, which can help drive performance. It can play a vital role in cascading the organizational goals down the hierarchy. If handled appropriately this tool can yield multiple results directing the organization on the path of success.

“Performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing capabilities of teams and individual contributors” Armstrong and Baron, 2002.

An alternate but complimentary definition is provided by Fletcher (1993):

“The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them, and in so doing, manage and enhance the performance of both individuals and the organization”.

Porter 1985 expressed his views that: “Performance Management can only be effective where the organization has a clear corporate strategy and has identified the elements of its overall performance which it believes are necessary to achieve competitive advantage”.

Moharman and Moharman (1995) emphasized, “Performance management is a **holistic process that pervades every aspect of running the business**”.

What is performance?

“If you can’t define performance you can’t measure or manage it” Armstrong and Baron (2002). It has been pointed out by Bates and Holton (1995), “Performance is a multi dimensional construct, the measurement of which varies, depending on a variety of factors”. There are of course different views on what performance is. It can be regarded as simply the record of outcomes achieved.

Bernadin, Kane, Ross, Spina and Johnson (1995) argue that:

“Performance should be defined as outcomes of work as they provide the strongest linkage to the strategic goals of the organization, customer satisfaction and economic contributions”.

Campbell (1990) believes that, “Performance is behavior and should be distinguished from the outcome because they can be contaminated by system factors”.

A more comprehensive definition of performance is given by Brumbrach (1988):

“Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right - the product of mental and physical effort applied to tasks and can be judged apart from results”.

The author is also of the opinion that performance is a mix of skills, behaviors and results, the how and what factors. Performance is not just the attainment of ends but also the means to reaching them. Hence both behaviors and results are important factors in determining the performance of individuals. So in the performance appraisal system, two legitimate areas of assessment are results and behaviors each of which is explained in the ensuing paragraphs.

Results:

In order to appraise the results of a person we must answer following three questions:

1. What are the different areas in which this individual is expected to focus his/ her efforts? (**Accountabilities**)
2. Within each area, what goals or objectives do we want the person to achieve? (**Objectives**)
3. How the results that the person produces will be measured? How will we distinguish good performance from bad? (**Performance standards or measures**)

In an effective performance appraisal system, the manager and subordinate meet at the beginning of the appraisal period to review the accountabilities, set objectives, and come to an agreement on how the individual's performance will be measured. They decide the primary areas in which the subordinate will concentrate his/ her attention, the various results or outcomes that should be achieved as a result of the efforts in that area, and the yardstick against which the quality of performance will be measured. Let's take each question separately:

- **Accountabilities:** These are the broad areas of the job that constitute the major areas within which the employee is expected to achieve results. Accountabilities or Key Result Areas serve to define the broadest duties and responsibilities of the position. They function as labels or roles.
- **Objectives:** Call it a goal or an objective or a target, its function is the same. It is the statement of an important and a measurable outcome that, when accomplished, will help ensure success within the broad area represented by the by the accountability or role. Characteristics of effective objectives are that they are focused on specific results to be achieved, are written in crisp and concise statements, are stated forcefully and have a significant impact for the organization. The objectives are prioritized and weighted, limited in number and should be fully communicated to the employee.

Measurable objectives involve ensuring that following four elements are present:

1. An action verb.
2. A statement of results.
3. A time target.
4. A standard of performance.

- **Performance standards/ measures:** These are the yardsticks against which we determine how well the job has been done, how well the individual performed in achieving the objectives. The four direct measures of output are quantity, quality, cost, and time.

Behaviors:

These are the identifications of those attributes of the individuals that are important in achieving the results desired, and in being a good corporate citizen. Skills, knowledge, behaviors, performance factors, competencies, success factors, values, quality concepts are all terms that are used by writers on performance management who look at how the individual went about doing the job.

- **Skills:** Skills refer to the measurable and observable abilities that have been developed through practice, training or experience.
- **Knowledge:** It refers to what is in a person's head, a familiarity, awareness, and understanding of topic or issue.
- **Competencies:** It is the term that is currently in vogue to refer to the broad areas of skills, abilities and behaviors. It is defined as "an underlying characteristic of an individual that is casually related to criterion referenced effective and/ or superior performance in a job or situation."

The identification of competencies or performance factors is the corporate undertaking, since these will usually remain constant regardless of the individual job. While

determining which competencies to include in the list of appraisal, some appropriate considerations are as follows :

- Number of job families.
- Relevance to the nature of the job.
- Impact on job success.
- The organization's mission.
- Senior management direction.
- Need for change and organizational redirection.

The objectives can be changed but the performance factors remain constant. Behaviors answer to the question of how the results were achieved.

Performance Measure Criteria:

Once an organization has determined, through job analysis and design, what kind of performance it expects from its employees, it needs to develop ways to measure that performance. Although organizations differ about criteria to use to evaluate performance management systems, three that stand out are strategic congruence, validity and reliability, which are discussed below:

- **Strategic Congruence.** Strategic congruence is the extent to which the performance management elicits job performance that is congruent with the organization's strategy, goals, and culture. If a company emphasizes customer service, then its PMS should assess how well its employees are serving the company's customers. It also emphasizes the need for PMS to provide guidance so that employees can contribute to the organization's success. This requires the system to be flexible enough to adapt to changes in the company's strategic posture.
- **Validity.** Validity (often called content validity) is the extent to which the PMS assesses all the relevant – and only the relevant – aspects of performance. For

a performance measure to be valid, it must not be deficient or contaminated – which means that only those areas should be assessed that are only concerned with the employee’s job. A **deficient measure** does not measure all aspects of performance. An example is a system where a university professor is judged based more on research than teaching thereby ignoring a relevant aspect of performance. Similarly, a **contaminated measure** evaluates irrelevant aspects of performance or aspects that are not job related. A performance system should seek to minimize contamination.

- **Reliability.** Reliability refers to the consistency of the performance measure. An important type of reliability is interrater reliability; the consistency among the individuals who evaluate the employee’s performance. A performance measure will have interrater reliability if two individuals give the same (or close to the same) evaluations of a person’s job performance. Another type is the “test-retest reliability” that refers to the reliability over time. A measure that results in drastically different ratings depending upon the time, at which the measures are taken, lacks test-retest reliability.

Approaches to Performance Appraisal:

The heart of the appraisal process is the appraisal form. The form is the most visible manifestation of the entire process. Indeed, an organizations form tells a lot about where the company puts its energies and what it considers to be important. The performance appraisal form serves as report card for the organization members.

Though there are many techniques available to the organization to choose from to design its unique appraisal form, the most frequently used are as follows:

1. Trait based appraisal.
2. Behavior based appraisal,
3. Result based appraisal,
4. Essay Type Performance appraisal.

In order to understand these techniques in a better way, let's study them in detail.

1. Trait based appraisal:

Organizations using approach typically identify a constellation of traits or characteristics, qualities, or personal attributes, the possession of which is assumed to result in good job performance. Examples of traits can include loyalty, self-motivation, adaptability, cooperation etc. Ticking the box in front of the stated attribute shows that the trait is present in the individual. Weightings can also be assigned to the traits and then measured on numerical scales of 1-5. Though it is easy to construct a universal applicability, this trait-based appraisal has a lot of problems:

- Trait based appraisal contributes little of value to either feedback or goal setting.
- It only provides the boss's judgement and provides no useful data to change.
- It is virtually impossible to demonstrate validity or reliability.

An employer has no link with the employee's personality and many look at this system as abuse of power.

2. Behavior based appraisal:

In assessing behaviors, skills, and competencies, we are looking not at what the individual is but rather what the person does. Many organizations identify the specific factors to be assessed, together with the definition or description and a scale for the assessor to use in rating the quality or performance. Some organizations simply list the performance factor to be considered and ask the appraisal to summarize and assess the individual's performance in that area. The behaviors an employee must exhibit to be effective in the job.

- **Behaviorally Anchored Rating (BARS).** A behaviorally anchored rating scale (BARS) builds on the critical incident approach. It is designed to specifically define performance dimensions by developing behavioral anchors associated with different levels of performance. The examples of effective, average and ineffective behaviors are gathered. This results in a catalog of behavioral incidents. The next step is to

connect the various behaviors to the appropriate dimensions. Next scaling is done in which each behavioral example is anchored to a rating scale that represents its degree of “goodness” or “badness”. The example is as follow:

Problem Solving/ Decision Making

1	2	3	4	5	6	7
Could be expected to refuse to make decisions when needed.	Could be expected to give personal feelings priority when making decisions	Could be expected to make decisions without considering reactions of others.	Could be expected to provide temporary solutions to problems.	Could be expected to solve problems as they arise.	Could be expected to take problem to a higher level when problem is beyond his/her control.	Could be expected to conduct detailed talks with workers to solve problems.

- **Behavioral Frequency Scales.** A behavioral Frequency Scale (BFS) is a variation of BARS. A BFS is developed from critical incidents. BFS more specifically defines all the behaviors that are necessary for effective performance. A BFS requires managers to rate the frequency with which the employee has exhibited each behavior during the rating period. These ratings are then averaged to compute an overall performance rating.

3. Result Based Appraisal:

The result approach focuses on managing the objective, measurable results of a job or work group. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one’s contribution to organizational effectiveness.

- **Management By Objectives (MBO).** Management by objectives (MBO) is popular in both private and public organizations. The top management team first defines the

company's strategic goals for the coming year. These goals are passed on to the next layer of management, and these managers define the goals they must achieve for the company to reach its goals. This goal – setting process cascades down the organization so that all managers are setting goals that help the company achieve its goals. These goals are used as the standards by which an individual's performance is evaluated. MBO systems have three common components. One, they require specific, difficult, objective goals. Two, the goals are not usually set unilaterally by management but with the managers and subordinates' participation. Three, the manager gives objective feedback throughout the rating period to monitor progress toward the goal. It addresses three main functions of cascading the goal, monitoring performance and evaluating the results.

4. Essay Type Performance Appraisal:

In a typical essay type performance appraisal, the rater is asked to describe in writing an individual's strengths and weaknesses, achievements and potential, and development needs. It's a narrative essay, perhaps the simplest of all appraisal systems.

The Swan's Approach To Performance management:

William S. Swan, who is considered an authority over PMS, has given a model of PMS that provides insight into the issues. It's based on assumption that every job has two components: behaviors and activity or outcomes.

- **Behaviors.** How do employees do their job on an ongoing basis? What is the standard by which we measure their performance of these ongoing duties? Some sophisticated performance appraisal systems refer to these standards as "competencies." These behaviors, or at least the standards by which we measure them are usually the same for every employee in the given role. Many of them are the same for every employee in the organization

- **Performance activities or objectives.** Some objectives are unique and different from one appraisal period to the next. It's quite possible that one may manage several employee in the same role, all of whom would be responsible for completely different goals or objectives during a given appraisal period. These performance objectives have the additional advantage of helping to use the performance appraisal as an aviate part of the managerial process: at the beginning of each appraisal period, one can coordinate employee responsibilities with the plan for the coming year, by building their unique conurbation into the strategy for this year's department or unit performance objectives.

There is another unique feature to this performance appraisal program. This program is basically a two-phase process as can be seen in **Annex "A"**. First, there's report card phase (this covers Part I, Part II, and part III of the form). During this phase, rating managers give employees feedback on their performance with reference to the performance objectives (focused activities) and the performance factors (the ongoing job requirements) set at the beginning of the year. This phase measures the past, and is where most performance appraisals stop. The method set forth in this process goes beyond this point, however, to a second phase, which concerns the future (Part IV and V of the form).

In Part IV of the form, the development plan is prepared for improving employee performance by setting an agreed-on-series of tasks for which the employee will not be directly rated. The goal of the development plan may be to bring employees up to standard, to prepare them for advancement, or job enrichment. In Part V of the form, the manager works out with the employee next year's performance plan by establishing and agreeing on the performance objectives for next year.

Phase 1 - The Report Card:

1. Objectives (Goals)

How successful the employee was at meeting special goals agreed to at the beginning of the Appraisal period (as modified or adjusted during that period).

2. Performance Factors (Behaviors)

How the employee did their job during the appraisal period as measured against standards or competencies reflecting identified organization wide core values and the needs of this role.

3. Overall evaluation for this Appraisal period

A summary evaluation that is based on Part I and Part II.

Phase 2 - Planning for the Future:

4. The Development Plan

- a. Ways to improve employees' effectiveness in their current job – this section should include a specific plan for how employees can improve in areas identified as needed strengthening in the “Report Card Phase”
- b. A plan to provide preparatory experience for advancement or promotion, so as the employee is ready if and when opportunities open up. Alternatively (if advancement is not likely or of interest to the employee) a plan to enrich the employee's experience of the every day job.

5. Performance Plan

New performance objectives are set for the next appraisal period. These performance objectives move the organization or department forward and are linked with organization/department goals and objectives. These objectives become the objectives listed on Part I of the form at the next performance appraisal. If they are modified or adjusted during the year, the final modified version becomes the objectives listed in Part I.

Then, there are the basic elements of the performance management form that Swan recommends. To show how this performance management program functions as a whole even in an overview, it isn't enough merely to give a form or list the elements. It's a

process not a form or a grab bag of appraisal techniques. To appreciate the usefulness of this approach one has to see how these elements are played off each other through out the appraisal period and beyond.

Eight Steps of Performance Management:

Performance management is not a single event. It continues through out the appraisal period and when the appraisal period is over, performance management doesn't come to an end; it goes on. Therefore the eight-step process presented below forms a circle and 8th step of this year's appraisal period happens at the same meeting as step one of the next year's appraisal:

1. Performance plan and the developmental plan are agreed upon by both the manager and the employee.
2. On-going feedback, coaching, counseling, and documentation are maintained for the next year.
3. As time of appraisal approaches and prior to writing the final performance appraisal, manager solicits employee's self-evaluation.
4. Manager meets with employee to discuss employee's self-evaluation.
5. Manager completes the "report card" portion (Parts 1 through 111) of the performance appraisal form.
6. Manager previews appraisal with his or her manager or human resources.
7. Manager schedules appraisal meeting with employee.
8. Manager conducts appraisal discussion.

Of steps one through four, some may seem too obvious to be regarded as separate steps, others may strike you as unnecessary or overly time-consuming. However, all of them make an invaluable contribution to the process, rendering it both more effective and more efficient.

Dick Grote's Model of Performance Appraisal:

Dick Grote suggests that Performance appraisal is not an event, rather it is a process. Even the isolated incident we normally refer to as “giving somebody his performance appraisal” actually involves a large number of events. These events happen in a predictable and sequential fashion, with one completed before the next begins. The links vary from one company to another, but the following chain of events in well-managed companies is reasonably typical:

1. As performance appraisal time approaches, the manager reflects on how well each of his subordinates has done his job over the course of the year.
2. The manager assembles the various forms and paperwork designed by the organization to capture that information and fills them out.
3. The manager decides whether to recommend a compensation change and, if so, the amount of the increase.
4. Forms and recommendations are approved by the manager's supervisor, that person's supervisor, the organization's compensation administrator, and perhaps some other people. The manager then prepares for a discussion with the individual about his performance in the part year.
5. The manager and subordinate meet for about an hour. They talk about the past (how well the person did his job over the past twelvemonths), the present (the new amount of compensation the employee will now be receiving), and the future (what organizational goals and personal development plans the individual will be expected to achieved during the upcoming twelve months)
6. Both review the paperwork and sign the forms to acknowledge that the process has been completed.
7. With the completion of discussion, the meeting ends. The manager concludes the sequence by noting any additional comments and sending the paperwork to the personnel department for filing.

Reviewing the list demonstrates that it is actually a process we are dealing with and not an individual event.

SECTION – II: LATEST RESEARCH ON PMS

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

In many organizations - but not all - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions.

By the same token, appraisal results are used to identify the poorer performers who may require some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay.)

Whether this is an appropriate use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter.

Controversy, Controversy:

Few issues in management stir up more controversy than performance appraisal. There are many reputable sources - researchers, management commentators, and psychometricians who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it

At the other extreme, there are many strong advocates of performance appraisal. Some view it as potentially "... the most crucial aspect of organizational life. Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal, there are many different opinions on how and when to apply it.

There are those, for instance, who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes - such as pay raises and promotions. This group believes that the linkage to reward outcomes reduces or eliminates the developmental value of appraisals. Rather than an opportunity for constructive review and encouragement, the reward-linked process is perceived as judgmental, punitive and harrowing.

For example, how many people would gladly admit their work problems if, at the same time, they knew that their next pay raise or a much-wanted promotion was riding on an appraisal result? Very likely, in that situation, many people would deny or downplay their weaknesses.

Nor is the desire to distort or deny the truth confined to the person being appraised. Many appraisers feel uncomfortable with the combined role of judge and executioner. Such reluctance is not difficult to understand. Appraisers often know their appraisees well, and are typically in a direct subordinate-supervisor relationship. They work together on a daily basis and may, at times, mix socially. Suggesting that a subordinate needs to brush up on certain work skills is one thing; giving an appraisal result that has the direct effect of negating a promotion is another. The result can be resentment and serious morale damage, leading to workplace disruption, soured relationships and productivity declines.

On the other hand, there is a strong rival argument, which claims that performance appraisal must unequivocally be linked to reward outcomes. The advocates of this approach say that organizations must have a process by which rewards - which are not an unlimited resource - may be openly and fairly distributed to those most deserving on the basis of merit, effort and results.

There is a critical need for remunerative justice in organizations. Performance appraisal - whatever its practical flaws - is the only process available to help achieve fair, decent and consistent reward outcomes.

It has also been claimed that appraisees themselves are inclined to believe that appraisal results should be linked directly to reward outcomes - and are suspicious and disappointed when told this is not the case. Rather than feeling relieved, appraisees may suspect that they are not being told the whole truth, or that the appraisal process is a sham and waste of time.

The Link to Rewards:

Recent research has reported that appraisees seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other.

There is also a group who argues that the evaluation of employees for reward purposes, and frank communication with them about their performance, are part of the basic responsibilities of management. The practice of not discussing reward issues while appraising performance is, say critics, based on inconsistent and muddled ideas of motivation.

In many organizations, this inconsistency is aggravated by the practice of having separate wage and salary reviews, in which supervisors and managers decide pay raises and bonuses arbitrarily, and often secretly. (<http://www.performance-appraisal.com/intro.htm>)

Common Mistakes:

Where performance appraisal fails to work as well as it should, lack of support from the top levels of management is often cited as a major contributing reason. Opposition may be based on political motives, or more simply, on ignorance or disbelief in the effectiveness of the appraisal process.

It is crucial that top management believe in the value of appraisal and express their visible commitment to it. Top managers are powerful role models for other managers and employees.

Those attempting to introduce performance appraisal, or even to reform an existing system, must be acutely aware of the importance of political issues and symbolism in the success of such projects.

Fear of Failure:

There is a stubborn suspicion among many appraisers that a poor appraisal result tends to reflect badly upon them also, since they are usually the employee's supervisor. Many appraisers have a vested interest in making their subordinates "look good" on paper.

When this problem exists (and it can be found in many organizations), it may point to a problem in the organization culture. The cause may be a culture that is intolerant of failure. In other words, appraisers may fear the possibility of repercussions - both for themselves and the appraisee.

Longenecker argues that accuracy in performance appraisal is impossible to achieve, since people play social and political games, and they protect their own interests. "No savvy manager...", says Longenecker, "... is going to use the appraisal process to shoot himself or herself in the foot."

No matter what safeguards are in place, "... when you turn managers loose in the real world, they consciously fudge the numbers." What Longenecker is saying is that appraisers will, for all sorts of reasons, deliberately distort the evaluations that they give to employees.

Indeed, surveys have shown that not only do many managers admit to a little fudging, they actually defend it as a tactic necessary for effective management. The fudging motives of appraisers have, at times, certain plausibility. For instance, a supervisor who has given an overly generous appraisal to a marginal performer might claim that their 'legitimate' motive was the hope of encouraging a better performance.

On the other hand, fudging motives can be a lot less admirable and sometimes devious: the appraiser who fudges to avoid the possibility of an unpleasant confrontation, the appraiser who fudges to hide employee difficulties from senior managers, the appraiser who fudges in order to punish or reward employees.

Judgement Aversion

Many people have a natural reluctance to "play judge" and create a permanent record, which may affect an employee's future career. This is the case especially where there may be a need to make negative appraisal remarks.

Training in the techniques of constructive evaluation (such as self-auditing) may help. Appraisers need to recognize that problems left unchecked could ultimately cause more harm to an employee's career than early detection and correction.

Organizations might consider the confidential archiving of appraisal records more than, say, three years old.

Feedback Seeking:

Larson has described a social game played by poor performers. Many supervisors will recognize the game at once and may have been its victims. The game is called feedback seeking. It occurs where a poor performing employee regularly seeks informal praise from his or her supervisor at inappropriate moments.

Often the feedback-seekers will get the praise they want, since they choose the time and place to ask for it. In effect, they "ambush" the supervisor by seeking feedback at moments when the supervisor is unable or unprepared to give them a full and proper answer, or in settings that are inappropriate for a frank assessment.

The supervisor may feel "put on the spot", but will often provide a few encouraging words of support. The game seems innocent enough until appraisal time comes around. Then the supervisor will find that the employee recalls, with perfect clarity, every casual word of praise ever spoken!

This places the supervisor in a difficult bind. Either the supervisor lied when giving the praise, or least, misled the employee into thinking that their performance was acceptable (in fact, this is the argument that feedback-seekers will often make).

The aim of the game is that the feedback seeker wants to deflect responsibility for their own poor performance. They also seek to bolster their appraisal rating by bringing in all the "evidence" of casual praise. Very often the feedback seeker will succeed in making the supervisor feel at least partly responsible. As a result, their appraisal result may be upgraded.

Was the supervisor partly responsible? Not really. The truth of the matter is that they have been "blackmailed" by a subtle social game. But like most social games, the play depends on the unconscious participation of both sides. Making supervisors aware of the game is usually sufficient to stop it. They must learn to say, when asked for casual praise, "I can't talk about it now... but see me in my office later." This puts the supervisor back in control of the appraisal process.

Appraiser Preparation:

The bane of any performance appraisal system is the appraiser who wants to "play it by ear". Stressing the importance and technical challenge of good performance appraisal should actively discourage such attitudes. An appraiser involved in the strategy formulation process will be better able to correctly translate the vision & goals to the subordinates and then evaluate the performance keeping in view the goal congruence.

Employee Participation;

Employees should participate with their supervisors in the creation of their own performance goals and development plans. Mutual agreement is a key to success. A plan wherein the employee feels some degree of ownership is more likely to be accepted than one that is imposed. This does not mean that employees do not desire guidance from their supervisor; indeed they very much do.

Performance Management – an ongoing process:

One of the most common mistakes in the practice of performance appraisal is to perceive appraisal as an isolated event rather than an ongoing process. Employees generally require more feedback, and more frequently, than can be provided in an annual appraisal. While it may not be necessary to conduct full appraisal sessions more than once or twice a year, performance management should be viewed as an ongoing process.

Frequent mini-appraisals and feedback sessions will help ensure that employees receive the ongoing guidance, support and encouragement they need. Of course many supervisors complain they don't have the time to provide this sort of ongoing feedback. This is hardly likely. What supervisors really mean when they say this is that the supervision and development of subordinates is not as high a priority as certain other tasks.

In this case, the organization may need to review the priorities and values that it has instilled in its supervisory ranks. After all, supervisors who haven't got time to monitor and facilitate the performance of their subordinates are like chefs who haven't got time to cook, or dentists who are too busy to look at teeth. It just doesn't make sense.

If appraisal is viewed as an isolated event, it is only natural that supervisors will come to view their responsibilities in the same way. Just as worrying, employees may come to see their own effort and commitment levels as something that needs a bit of a polish up in the month or two preceding appraisal. (<http://www.performance-appraisal.com/mistakes.htm>)

Balance Scorecard Philosophy – A new approach to PMS:

The “Balance Scorecard” is a framework that translates a company's vision and strategy into a coherent set of performance measures. The basic idea of the Balance Scorecard is to focus the organization on metrics that matter as seen from a strategic point of view. To avoid focusing only on short-term financial measures, the scorecard comprises metrics from areas such as financial, customer, internal processes, and employee learning & growth perspectives respectively. The process of "translating strategy into action" involves

turning the company's strategic vision into clear and understandable objectives within all of those perspectives mentioned above. Each of the four perspectives is described below:

- **The Financial Perspective.** When we are looking at an organization using the Financial Perspective it is all about financial performance -- at least for the profit maximizing business. The objectives should be defined in order to excite the owners or sponsors to ensure continued funding of the organization.
- **The Customer Perspective.** Looking at an organization using the Customer Perspective is about how the customers perceive the value offered. The objectives should closely define how customers should perceive the value proposal in order for them to reward the organization with the financial results they expect.
- **The Internal Processes Perspective.** The Internal Processes Perspective of the Balance Scorecard focus on the deliveries the organization must make in order to be perceived by customers according to its customer objectives.
- **The Employee Learning and Growth Perspective.** The Learning and Growth Perspective of the balance scorecard focus on the competencies and resources needed in order to make the deliveries defined in the internal processes objectives.

A Balanced Scorecard defines what management means by "performance" and measures, whether management is achieving desired results. The Balanced Scorecard translates Mission and Vision Statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. These measures typically include the following categories of performance:

- Financial performance (revenues, earnings, return on capital, cash flow).
- Customer value performance (market share, customer satisfaction measures, customer loyalty).
- Internal business process performance (productivity rates, quality measures, timeliness).
- Innovation performance (percent of revenue from new products, employee suggestions, rate of improvement index);

- Employee performance (morale, knowledge, turnover, use of best demonstrated practices).

To construct and implement a Balanced Scorecard, managers should:

- Articulate the business's vision and strategy.
- Identify the performance categories that best link the business's vision and strategy to its results (e.g., financial performance, operations, innovation, employee performance).
- Establish objectives that support the business's vision and strategy;
- Develop effective measures and meaningful standards, establishing both short-term milestones and long-term targets.
- Ensure company-wide acceptance of the measures.
- Create appropriate budgeting, tracking, communication, and reward systems;
- Collect and analyze performance data and compare actual results with desired performance.
- Take action to close unfavorable gaps.

Common uses of Balance Scorecard:

A Balanced Scorecard is used to:

- Clarify or update a business's strategy;
- Link strategic objectives to long-term targets and annual budgets;
- Track the key elements of the business strategy;
- Incorporate strategic objectives into resource allocation processes;
- Facilitate organizational change;
- Compare performance of geographically diverse business units;
- Increase company-wide understanding of the corporate vision and strategy.

SECTION – III: THEORETICAL PMS MODEL BASED ON INTERNATIONAL STANDARD

The Ideal Performance Appraisal Cycle:

Essentially, a performance appraisal is an assessment of how well an employee is performing the duties and is meeting the requirements of the job. Traditionally, the appraisal has been the responsibility of the employee's supervisor. However, the appraisal process should take into account employee's self-rating and feedback of others in the organization in an effort to provide a well-rounded view of employee performance. The primary goal of an appraisal system is to produce an accurate, objective and fair picture of an employee's performance. To accomplish this goal, a formal performance appraisal program should be implemented including systems that require regular, periodic evaluations conducted in accordance with standardized procedures focusing on job related aspects of the employee's performance. This is best accomplished when performance standards and objectives are mutually understood and agreed upon and when performance objectives are reasonably aligned with core competencies and values recognized as being most rewarding and beneficial to the company's overall mission and future business direction.

Among performance appraisal experts, there is a significant amount of agreement that there is an ideal cycle that, if followed, will generally produce superior results. Consultants who help organizations create effective performance appraisals, academicians who study the performance appraisal process as it is used in various organizations, and Human Resources managers and organizational development practitioners with companies that have successfully developed their own performance appraisal systems come to the same conclusion: Performance appraisal doesn't start with the appraisal form, it starts with the job-planning what needs to be done and figuring out how it will be accomplished.

An organization's overall Performance Management System (PMS) brings with it the development of organizational strategy. Before any assessment of individual performance

can be made, the organization's direction must be articulated and communicated to all levels.

In some organizations, strategy development is a major responsibility of the company's senior management, who regularly engage in a SWOT analysis - a formal examination of the strengths, weaknesses, opportunities, and threats confronting the enterprise or a similar strategy formulation process. In others, particularly smaller, entrepreneurial organizations, the strategy is in the mind of the owner or proprietor. Still other organizations deal with the strategy issue through the formulation of mission statements and the development of "vision value" manifestos. But until the organization as a whole has defined its goals, neither the goals for organizational units nor individual performance objectives can possibly be created in any meaningful way.

According to classic "Management By Objectives (MBO)" theory, the core philosophy behind most effective appraisal systems brings with it the requirement that the organization formulates long-range goals and strategic plans. Developing overall organization objectives then supports these plans. Derivative objectives are created for major operating units and departments. This cascading process continues until every organization member has set specific and measurable objectives, each of which can be ultimately related to the overall achievement of the organization's strategy.

Once the boss and the subordinate agree on what the job to be done is and how it should be done/ how it should be achieved, the next step is straightforward; do it. The next step in the cycle is to assess how well the job was done. In the best system this appraisal is conducted not just by the supervisor but by the performer himself/ herself as well.

The appraisal of the individual's performance appraisal cycle is thus a five-phase process; beginning after the organization has established its corporate strategy and overall direction, as explained in the ensuing paragraphs. This appraisal framework has been demonstrated in **Annex "B"**.

Phase 1 - Performance Planning:

The appraiser and appraisee meet to plan the and set objectives for the upcoming year. In their discussion (s) they come to agreement about five major areas:

1. **The key accountabilities of the subordinate's job** – the major areas (e.g. KRAs) within which the subordinate is responsible for getting results.
2. **The specific objectives** the subordinate will achieve with in each accountability area.
3. **The standards** that will be used to evaluate how well the subordinate has achieved each objective.
4. **The performance factors, competencies, or behaviors** that will be critical in determining how the results will be achieved.
5. **The elements of the development plan** that the subordinate will complete during the year.

Phase II - Performance Execution;

Over the course of the year the subordinate executes the plan agreed to in Phase I. During this time the supervisor is responsible for ongoing feedback and coaching. Elements of the plan that become obsolete are abandoned by mutual agreements; new objectives to respond to changing conditions are established.

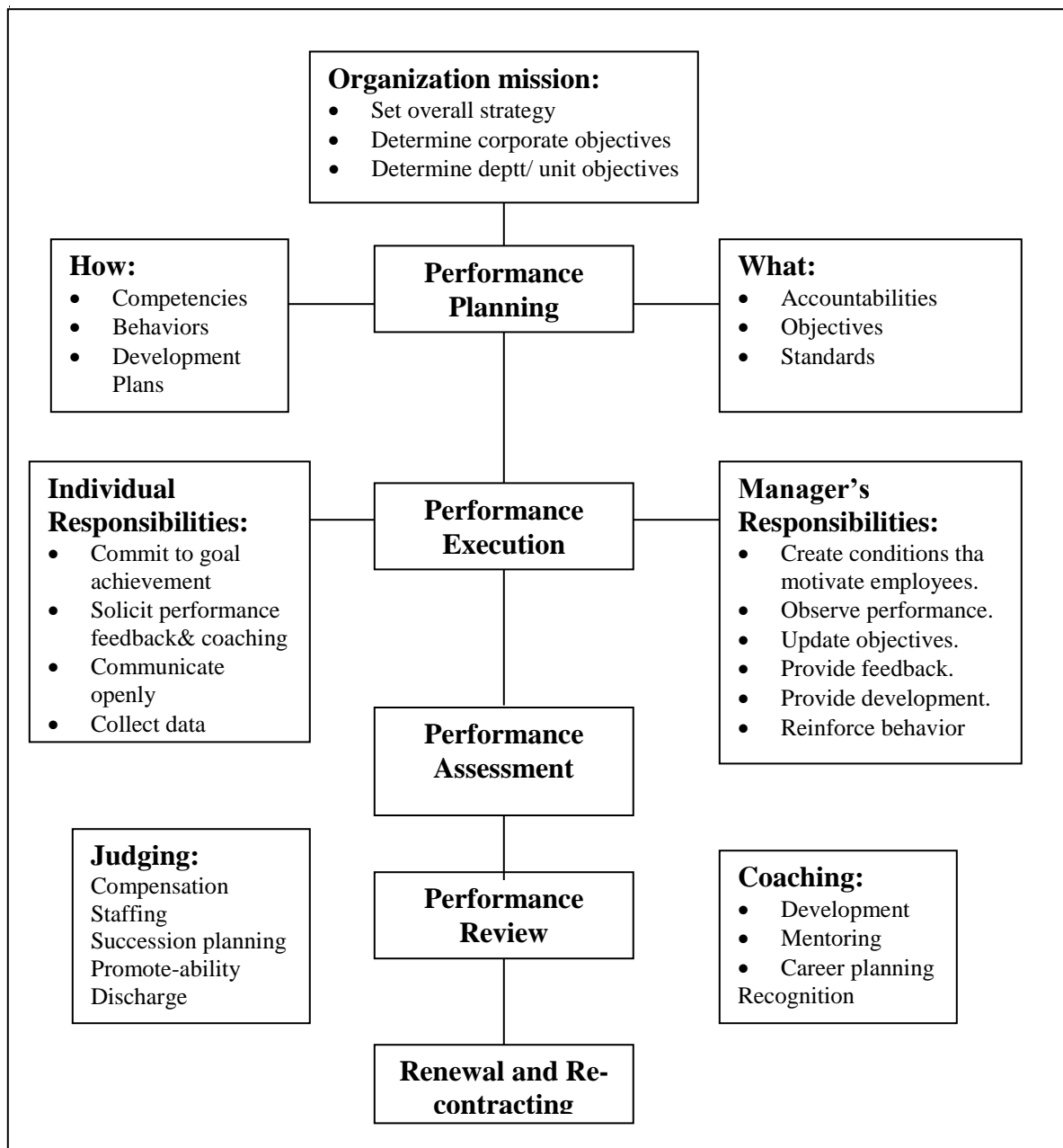
Phase III - Performance Assessment:

Appraiser and appraisee independently evaluate the degree to which the different elements of the plan were achieved. The manager completes an assessment of the subordinate's performance (the classic performance appraisal report card) and typically will have it reviewed and approved by senior management and Human Resources personnel before discussing it with the subordinate. In an ideal system, the subordinate also completes a

self- assessment, collecting data, if necessary, from customers, peers, subordinates, and others.

The subordinate may submit the self-appraisal to the manager to be used as part of the manager’s overall assessment, or the manager and the subordinate may review each other’s appraisal of the subordinate’s performance currently as a part of the Phase IV discussion.

ACTIVITY



Phase IV - Performance Review (Discussion Session):

The appraiser and appraisee meet to review their appraisals. They discuss the results that were achieved and the performance factors that contributed to their accomplishment. Phase III was the creation of the report card; Phase IV is its delivery and discussion. Their discussion includes:

- Results achieved (**what was done**).
- Performance or behavioral effectiveness (**how it was done**).
- Overall performance assessment.
- Development progress.

At this meeting the appraiser may discuss compensation changes, or this discussion may be held during a separate meeting at a different time.

Phase V - Performance Renewal and Re-contracting:

Phase V repeats phase I, incorporating the additional data and insights gained during the previous appraisal process. The manager and subordinate revise any of the subordinate's key accountabilities that may have changed over the year and set new objectives and standards for the upcoming appraisal period. Finally, they create updated development goals and action plans. The above figure (Activity) illustrates the ongoing and continuous nature of the performance appraisal cycle.

CHAPTER - 3

EXISTING PERFORMANCE MANAGEMENT SYSTEM IN THE DOMESTIC BANKING INDUSTRY (FINDINGS)

- ❖ Muslim Commercial Bank (MCB)
- ❖ Allied Bank Limited (ABL)
- ❖ United Bank Limited (UBL)
- ❖ Habib Bank Limited (HBL)

Section - I

Muslim Commercial Bank (MCB)

Mission Statement:

To become the preferred provider of quality financial services in the country with profitability and responsibility and to be the best place to work.



Historical Background:

Muslim Commercial Bank Limited was established on July 9, 1947 at Calcutta, under the supervision of Sir Adamjee Haji Dawood, with the authorized capital of 30 million. After partition the Bank shifted its Head Office to Chittagong on August 17. In 1954 the branches increased to 10. In 1960 the bank branches were increased to 57. The bank now operates with 1209 branches at different cities of Pakistan including 6 foreign branches. The bank inherits 51 years of legacy of trust in its customers and citizens of Pakistan. In June 1948, the total Banks deposits were only Rs. 880 million and credit amounted to Rs 200 million, but by December 2004, the bank reported a pretax profit of over Rs. 1140 million.

In 1974 the process of banks **nationalization** was started and the then government nationalized all commercial Banks and the smaller banks were merged in the big banks.

A wave of economic reforms swept Pakistan in late 1990, introducing the need for privatization of State owned banks and companies. In April 1991, MCB became Pakistan's first privatized Bank. The government of Pakistan transferred the management of the Bank to a National Group a group of leading industrialists of the country by selling 26% shares of the bank with a view to broaden equity holding, the government sold 25% of the paid up capital to the general public.

Presently MCB is the largest bank in the private sector in Pakistan. Its reputation is that of a solid and conservative financial Bank, offering the widest range of financial products and services.

Performance Management System at MCB:

MCB has a dedicated HR department in Corporate Headquarters as well as in each regional head office throughout the network of its branches/ offices. All HR policies are issued from Corporate Headquarters and respective regional head offices supervise the implementation. The present performance appraisal system at MCB is a well-structured program that was implemented in January 2000. Corporate Headquarters and all regional head offices have dedicated Human Resource department that is responsible to ensure that all supervisors and subordinates are aware of the contents of appraisal form and procedures of the system. Training courses of short duration are conducted regularly for the training of appraisers and appraisees, at regional headquarters. In addition, necessary instructions are circulated to regional offices and branches throughout the country, by the Corporate Headquarters located at Karachi.

The purpose of the performance management system at MCB is to provide a formal review program to evaluate work performance and to promote communication and discussion of job performance. The intent of these discussions is to review current job performance and responsibilities, set goals and discuss future opportunities with reference to past performance at the bank. The Objectives of the Performance Management Program are:

- To measure work performance.
- To motivate and assist employees in improving their performance and achieving their personal/ professional career goals.
- To identify employees with high potential for advancement.
- To provide objective information for making decisions on salary increases, promotions, bonus and transfers.
- To identify employees training and developmental needs.

- To provide a solid path for career planning for each individual.

MCB is the only domestic bank where performance evaluation is taken very seriously. The system provides the basis for establishing a link between the outcomes and rewards. A fair and balanced performance evaluation would lead to fair rewards and a motivated employee base. The management sees the year-end employee assessment/ appraisal as means of employee development rather than as an annual formality. The entire PMS cycle is completed within a calendar year in the following steps:

- **Step 1 - Planning/ Goal Setting.** Targets for the year are decided at Corporate Headquarters, which are further cascaded down to regional offices and branches along with cut off date to return the appraisal forms and necessary instructions to complete the process. At the field level, the process of PMS begins with a formal meeting between the supervisor and the appraisee in January each year. Appropriate targets at each level are decided with mutual agreement of appraiser and appraisee, keeping overall strategic goals and mission of the bank in view. Appraisal period at MCB is one complete calendar year (i.e. January to December). While selecting the targets, overall strategy and capabilities of the appraisee are kept in mind. The selected targets are properly documented and one copy of the same is kept with appraiser as well as appraisee for record and future action. All matters pertaining to the situational factors and required financial support are mutually sorted out to avoid any future misunderstanding. However, the KRAs are same for employees of all functions.
- **Step 2 – Execution Phase (including interim monitoring of the progress).** The progress on the targets is monitored on quarterly basis through formal as well as informal discussions between the supervisors and subordinates. During this stage, it is ensured that the employee is moving in right direction for the achievement of objectives/ targets that were decided in the beginning of the year. Supervisors perform the role of coach and mentor throughout the appraisal period aimed at ensuring timely completion of the targets. Factors that may have contributed

directly or indirectly in favor or opposition in meeting the targets are noted, in the personal file of appraisee (kept with the appraiser), for analysis and discussion during the appraisal interview.

- **Step 3 – Evaluation/ Completion of Appraisal Form.** This step is the key/ crucial activity performed by the appraiser towards the end of appraisal period, which places the appraisee in a certain category/ grade based on his/ her performance throughout the performance period. Immediate supervisor of appraisee completes all relevant parts of the appraisal form keeping in mind level of target achievements and other situational factors beyond the control of appraisee. Past record of the performance maintained by the supervisor during the appraisal period is also consulted to ensure fair and just evaluation. MCB has a comprehensive appraisal form that encompasses almost all essential parts including promotion, bonuses, annual increments and developmental potential of the appraisee. Specimen performance appraisal form for MCB is placed at **Annex “C”**.
- **Step 4 - Discussion with Appraisee.** Before finalizing the evaluation, supervisor discusses important points of the performance with appraisee along with any situational factors or points of disagreement. Appraisee is afforded an opportunity to clarify his/ her position on any ambiguous matter. This meeting is, however, not a compulsory event in all cases; only matters involving conflict or de-motivation are brought under discussion during such a meeting.
- **Step 5 - Final Grading.** After resolving the issues, if any, in the discussion session, appraiser now finalizes the evaluation form and recommends final grades to the appraisee. The appraisal form is then forwarded to the next higher step in hierarchy (i.e. to the boss of appraiser) for his/ her perusal and endorsement of final grade. Final grading is shown to the appraisee and his/ her signatures are obtained. At MCB, appraisal form has four grades – A (being highest) to D (being lowest).

Breakdown of the annual bonuses awarded to employees (only grade “A – C”) on the basis of various grades is appended below:

- **Grade ‘A’ (= or > 91 points):** 250 % of the basic pay.
- **Grade ‘B’ (81 – 90 points):** 100 % - “ -
- **Grade ‘C’ (70 – 80 points):** 50 % - “ -

The appraisal forms are subsequently forwarded to the HR department for scrutiny, record and future reference/ action.

- **Feedback to the Employee.** Employees are provided feedback during the periodic interview. Final grading is shown to employee and he is required to sign as a token of agreement to the final grading.

- **Addressing the Grievances.** In case of any disagreement between appraiser and the appraisee, the matter is referred to the Head of Department for solving the issues. During discussion with VP HR, it was intimated that cases of disagreement are very rare at the bank. In case of any odd case, the matter is resolved at supervisor or HOD level.

Section - II

Allied Bank Limited (ABL)

Mission Statement:

ABL's mission statement encompasses following salient points:



- To provide value-added services to our customers.
- To provide high-tech innovative solutions to meet customers requirements.
- To create sustainable value through growth, efficiency and diversity for all stakeholders.
- To provide a challenging work environment and reward dedicated team members according to their abilities and performance.
- To play a proactive role in contributing towards the society.

Historical Background:

On 1st January 1974 all the scheduled banks, including Australasia Bank, were nationalized. Three small provincial banks were merged into Australasia Bank and on 1st July 1974, the new entity was renamed as the Allied Bank of Pakistan Limited. Allied Bank began its operations as a public sector financial institution. The bank was privatized on September 10, 1991.

The Allied Bank's story is one of dedication, commitment to professionalism, adaptation to changing environmental challenges resulting into an all-round growth and stability, envied and aspired by many.

Human Resource Function:

The bank has a dedicated HR department only at the head office at Karachi, aimed at making policies and issue necessary instructions to the subordinate regional offices and branches. Although, regional head offices are also provided with fewer HR staff, but their

activities are restricted to administrative jobs. All traditional activities are performed at the Corporate Headquarters/ head office, Karachi.

Performance Management System at ABL:

Existing PMS at ABL is quite traditional and is very poorly defined. The entire process is regulated by the Corporate Headquarters located at Karachi. All instructions, revisions and policies regarding any new changes (in PMS) are decided there and cascaded down to the regional and field level for implementation just as a matter of routine activity. The meager staff provided at the regional head offices is performing only administration and ceremonial duties. There is still no awareness about the efficacy and necessity of PMS practices because of the traditional culture prevailing in the bank. There is no evidence of any training conducted for appraisers or appraisees in the past neither are any future plans for such an activity. An official of the bank during interview admitted that there was no serious thought regarding contents (and true spirit) of the appraisal form. People take it very casually, just like the culture prevailing in most other Pakistani public organizations.

The existing PMS was revised and implemented through a circular issued by the Corporate Headquarters in April 2004. Consequent to the revision of appraisal system, a new appraisal form was also forwarded to all regional head offices for evaluation of the employees for the year ending December 2004. The specimen appraisal form is placed at **Annex “D”**. Performance period is one calendar year (Jan to Dec) and appraisal is conducted in following steps:

- **Step I – Planning/ Goals setting.** Since the existing PMS was implemented last year, the head office located at Karachi broadly disseminated financial targets for the year. Similarly, regional offices further informed the field level branches about what head office has planned for the year. Individual targets are decided for the Regional/ General Managers, RCs, Area Managers/ Chief Managers/ Branch Managers, as indicated on the appraisal form. Branches mostly compare their performance with the previous year and so far there is no visible change other than the traditional routine procedures, as informed by an officer of the bank’s regional

head office. At field/ branch level, there is no formal meeting between appraiser and appraisee to agree on the KRAs/ targets. In fact KRAs/ Competencies are pre-decided, which are applicable to employees of all the functions. All employees are evaluated on the bases of same KRAs.

- **Step II – Execution Phase (including interim review of the progress).** At ABL, there is no formal review of the progress of targets unless there is gross reduction in the monthly or quarterly transactions. In such a case, concerned branch is asked for the explanation in writing or a meeting is held with the branch manager to know the reasons for unsatisfactory performance. As such, there is no mechanism for recorded feedback to the employee on his/ her performance. Evaluation is based on the results/ targets achieved, there being not enough focus on the behavioral aspect.
- **Step III – Performance Evaluation.** For the purpose of evaluation, ABL uses a single form for all employees, based on generic KRAs. The appraisal is initiated by the supervisor of the employee, who immediately directs, controls and supervises the performance of appraisee. Performance evaluation is mostly a one time exercise conducted towards the end of appraisal period (December). There is no feedback system aimed at detecting the pitfalls existing in the system. Having completed the appraisal form, appraiser forwards the form to his boss (Reviewer) for his/ her endorsement/ signatures. The forms are then forwarded to HR department at concerned regional head office and finally to the corporate Headquarters Karachi for scrutiny, compilation of the results and deciding about the annual bonuses.
- **Step IV – Feedback.** There is no regular feedback system except in case of serious abnormality detected by regional or head office. In case of any problem faced by a particular branch, concerned regional office is consulted for the assistance or reasons for unsatisfactory performance are asked from all field units/ branches. As such, individual feedback aimed at improving the employees' performance is not provided.

- **Linkage of PMS with Compensation/ Rewards.** There is a link between individual's performance/ evaluation and compensation/ rewards/ growth/ development, as mentioned in the appraisal form. However, all these portions are recommended/ filled in by one man i.e. the appraiser, without even consulting the appraisee.
- **Addressing the grievances.** In case of any disagreement between appraiser and the appraisee, the matter is referred to the Head of Department for solving the problem.

Section – III

United Bank Limited (UBL)

Mission Statement:

To be the bank of best choice for the customers and employees alike and to deal our valuable customers with the spirit of “ **Where you come first**”



Historical Background:

UBL was set up in November 1959 and is today one of Pakistan's major banks in terms of deposits and advances with a huge domestic and international network. UBL is one of the largest commercial banks in Pakistan representing slightly over 09% of the deposits of the banking sector and its brand name is well established. UBL currently provides employment to 8,998 individuals in its various branches. It has an extensive domestic network of 1,375 branches reaching virtually every segment of the Pakistani economy.

UBL was privatized in September 2002 and is now majority-owned by Abu Dhabi Group and UK's Bestway Holdings. The bank's good performance during 2002 and onwards speaks volumes on what privatization can do to bring about growth and better results. Management claims that the privatization of the bank has put it on a growth track. United Bank Ltd (UBL) has drawn up a new strategy which includes expansion plans in the Gulf region. Following the privatization of the bank, UBL has also undertaken a re-branding exercise with a new logo although the name remains the same. The management appointed consultants to review and define a new strategy for the bank's future, which now concentrates on technology development, new products and staff for the bank to become an agent of change. The bank also consolidated its operations in this region. The bank is making every effort to meet the up-coming challenges through strategic planning and making the best use of the resources at its command. UBL, with its professional new management conducted the process of turning around the bank. In a short time frame, the results indicated a strong potential for turn around and value creation.

After privatization the Bank has emerged to become one of Pakistan's most dynamic and aggressive financial institutions, which has launched a number of leading consumer financing products. UBL's massive customer base of existing branch customers of 3.5 million and a vast reach of more than 1000 branches all over Pakistan is an advantage. Being the first bank in Pakistan and South Asia to launch an EMV Chip Credit Card, UBL is now set to lead the way in this key area of consumer banking. Management claims "This move is very significant for us as it provides unending opportunities and an enhanced lifestyle to our customers as well".

In addition to a large domestic network, UBL has 15 overseas branches in other countries, which include following:

- United States of America
- Qatar
- UAE
- United Kingdom
- Bahrain
- Republic of Yemen
- Zurich
- Off Shore banking Unit

Human Resource Function:

Soon after privatization in the year 2002, new management realized the need to establish a dedicated HR department at corporate headquarters, Karachi. The department was established in 2003 followed by introduction of a new Performance Management System in the beginning of 2004. Since then, all regional head offices are being provided with dedicated HR staff to structure the HR function on the basis of latest practices being used in developed banks world-wide. To implement new HR techniques and create a culture conducive to the environment, UBL has recently inducted fresh HR graduates for each

regional head office. While precise results of the HR function will be visible in next 3 to 5 years, a solid base has been set to take the function on a journey to progress.

Performance Management System at UBL:

After establishing new HR department in the year 2003, Performance Appraisal system has been implemented with effect from March 2004. As per the new system, the appraisal period is the calendar year (January to December) and the process starts by issuing performance appraisal forms to all head offices and branches in January each year. Necessary instructions regarding completion of the appraisal forms are also issued to facilitate the field offices and branches in setting their goals in line with strategic goals of Corporate Headquarters. The whole process encompasses following activities:

- **Initiation of Performance Appraisal Process.** The performance process begins with issuance of the annual targets by the Corporate Headquarters. The targets are disseminated to all regional offices for onwards cascading down to field/branch level. The appraisal forms are also forwarded to the all appraisers down to lowest level. Subsequent to receipt of the appraisal forms, all appraisers hold separate meetings with each appraisee in January each year to mutually set objectives/ goals about the KRAs pre-decided by Corporate Headquarters, to be achieved during the appraisal year. KRAs and competencies used are same for employees of all functions. The Performance Appraisal forms being used at UBL are placed at **Annex “ E”**.
- **Execution/ Periodic Review of the Performance Progress.** The progress of the appraisee is occasionally monitored by the appraiser to ensure completion of the targets within the time allocated. However there is no pre-set formal time period for review of the progress. Any anomaly, if detected, is corrected on the spot if possible; otherwise the matter is reported to higher level.
- **Performance Evaluation.** Performance evaluation of the appraisees is done usually in December of each month, based on the data collected/ maintained by the

supervisor throughout the year. The appraisal form encompasses following information:

- Section for targets set for the year.
 - Performance rating scale – out standing, very good, good, needs improvement and unsatisfactory.
 - Views of appraisee on the ratings/ grades awarded by appraiser.
 - Review by the appraiser's boss.
-
- **Receipt of Appraisal Forms at Regional Head Offices.** Appraisal forms are received at the regional head offices by December/January, each year. Having scrutinized the completed Appraisal Forms at regional head office by the respective VP, cases for the pay raises/ promotions are prepared and forwarded to Head Office at Karachi for final approval. After final approval by the bank Head Office, rewards/ raises and promotions are announced through a letter disseminated throughout the entire bank's branches network, by the end of June to make them effective with effect from first July.

 - **MBO System for the Appraisal.** The performance of the employees is measured on the basis of results whereby achievement of the set objectives/ goals is measured, using five rating scale (Outstanding, Very Good, Good, Un-satisfactory, Needs Improvements). Four areas of responsibility have been defined, on the lines of Balance Scorecard system i.e. Financial, Customers, Processes, & people. A fifth area is also used for SVPs & above. Lot of subjectivity is prevalent in the measurement system but management finds the system running smooth.

 - **Employee Feedback.** Employees are not given any sort of feedback, be it periodic or end of the period. Final grading is shown to employee that he has to usually accept. An Official of the bank informed during the discussion, that importance is not being given to the feedback to the employee.

- **Addressing the grievances.** In case of any disagreement between appraiser and the appraisee, the matter is referred to the Head of Department for solving the problem.

Section - IV

Habib Bank Limited (HBL)

Mission Statement:

To be recognized as the leading financial institution of Pakistan and a dynamic international bank in the emerging markets, providing our customers with a premium set of innovative products and services, and granting superior value to our stakeholders - shareholders, customers and employees.

Historical Background:

Barring only those who live in the very remote corners of the country, most rural and almost all urban dwellers of Pakistan are familiar with the name of Habib Bank Limited (HBL). HBL is the commercial Bank in Pakistan, having largest network amongst all the banks comprising the banking sector of Pakistan

Habib family established the bank in 1941. Before venturing in the banking, business the family was engaged in gold business and had the reputation of being very honest business family. Habib family was the first Muslim family to get into the banking business in the subcontinent. Since the family had a very positive business reputation, so the bank became an instant success, especially with the Muslim population of united India.

The bank began its formal operations with two branches located in Karachi and Bombay (now Mumbai). At the time of independence the Bank formally shifted its entire operation to Pakistan. HBL along with other wealthy families of Pakistan played a pivotal role in stabilizing the almost bankrupt economy of the newly created country. On one occasion HBL together with Isphahani family presented blank cheques to Quaid-e-Azam to bail out of an emergency financial crisis situation.

By the end of 50's, the bank had 172 branches mostly located in the urban areas of the country. The expansion of bank continued and marks a significant increase in terms of number of branches and scope of business in the golden decade of 60's. By the end of decade the bank had 825 branches spread all over the country and was also actively involved in conducting international operations with collaboration with other foreign banks, who acted as correspondents and also had limited network of overseas branches.

Mass scale nationalization of industry and banks was the hallmark of the era of 70's and Habib bank Limited was also no exception to the nationalization drive of Bhutto government. As the result of the same drive, HBL was nationalized in 1974. While nationalization damaged most of the industries and banks, HBL interestingly benefited from it (the family lost a fortune). Following nationalization massive expansion in the bank's number of branches and scope of business took place:

- From 1974 to 1990 the number branches increased to a total of 1925. During this period the scope of banks business also increased tremendously.
- By early 80's the bank had expanded its operations to far-flung areas of the country. Extensive supplementation of the already established overseas network of branches mainly in Australia, France, UK, Holland and USA took place in late 80's and early 90's. The massive expansion also resulted in a proportionate increase in the number of employees, which stood at 37,000 by 1990.

After witnessing, a period of profitability, growth, expansion and recognition spanning over half a century the bank witnessed a decline in the decade of 90's. During this period, bad economic policies of successive governments, uncalled for governmental intervention in banking sector and newly emerging yet stiff competition in banking sector contributed towards the decline of the bank. These factors forced the bank to shrink its operations in certain areas and in certain extreme cases outright closure of some its branches.

Seeing the need to revitalize the bank and also in pursuit of privatization and de-regulation of economy, HBL was included in list of banking institutions earmarked for privatization in late 90's by the government. Preparation for the privatization of bank started after its inclusion in the list of financial institutions to be privatized. The bank was formally privatized in 2004 (to bidding process) and 51 percent of its shares were sold to Agha Khan fund for economic development (AKFED).

Over a period of sixty years HBL has developed a strong brand name both in the domestic and the international market. It has an established customer base of more than five million accounts in Pakistan, and international operations that are spread in 25 countries on four continents.

Performance Management System at HBL:

At HBL, PMS has been very recently introduced in its present shape, soon after privatization. The existing PMS is quite traditional and is not well defined. The entire process is regulated by the Corporate Headquarters located at Karachi. All instructions, revisions and policies regarding any new changes (in PMS) are decided there and cascaded down to the regional and field level for implementation just as a matter of routine activity. The skeleton staff provided at the regional head offices is performing only administration and ceremonial duties. There is still no awareness about the efficacy and necessity of PMS practices because of the traditional culture prevailing in the bank. There is no evidence of any training conducted for appraisers or appraisees in the past neither are any future plans for such an activity. People take it very casually, just like the culture prevailing in most other Pakistani public organizations.

The existing PMS was revised and implemented through a circular issued by the Corporate Headquarters in April 2004. Consequent to the revision of appraisal system, a new appraisal form was also forwarded to all regional head offices for evaluation of the employees for the year ending December 2004. The specimen appraisal form is placed at **Annex "F"**. Performance appraisal is conducted in following steps:

- **Step I – Planning/ Goals setting.** Since the existing PMS was implemented last year, the head office located at Karachi broadly disseminated targets for the year. Similarly, regional offices further informed the field level branches about what head office has planned for the year. Individual targets are decided for the regional General Managers, RCs, Area Managers/ Chief Managers/ Branch Managers as indicated on the appraisal form. Branches mostly compare their performance with the previous year and, so far, there is no visible change other than the traditional routine procedures, as informed by an officer of the bank’s regional head office. At field/ branch level, the manager/ appraiser holds meeting where pre-decided KRAs/ targets are discussed.
- **Step II – Execution Phase (including interim review of the progress).** At HBL, progress is reviewed twice a year, to monitor the targets to be achieved during the appraisal period. In case of abnormal results, concerned branch is asked for the explanation in writing or a meeting is held with the branch manager to know the reasons for unsatisfactory performance. As such, there is no mechanism for recorded individual feedback to the employee on his/ her performance. Evaluation is based on the results/ targets achieved, there being not enough focus on the behavioral aspect.
- **Step III – Performance Evaluation.** For the purpose of evaluation, HBL uses similar forms for the employees of all functions, without consideration to the job description. The immediate supervisor of the employee evaluates by completing the forms. Performance evaluation is mostly a one time exercise conducted towards the end of appraisal period (December). Having completed the appraisal form, appraiser forwards the form to his boss (Reviewer) for his/ her endorsement/ signatures. The forms are then forwarded to the Karachi head office for scrutiny and compilation of the earned benefits/ bonuses etc.

- **Step IV – Feedback.** Feedback to the employees is not taken seriously. Although the supervisor conducts periodic review of the performance/ progress, individual employees are not assisted in weak areas, to make them improve their skills. In case of any problem faced by a particular branch, concerned regional office/ superior authority is consulted for the assistance.
- **Linkage of PMS with Compensation/ Rewards.** There is a link between individual's performance evaluation and compensation/ growth/ development, as mentioned in the appraisal form. All parts of the form are completed by the supervisor and signed by both appraiser as well as appraisee. However, policy on rewards is not consistent and varies from year to year. Since the bank has recently been privatized and employees are expecting down sizing in near future, there is an atmosphere of uncertainty.

CHAPTER – 4

(ANALYSIS)

*CRITICAL ANALYSIS OF PMS BEING USED IN PAKISTANI
BANKING INDUSTRY*

Section I: Critical Analysis of PMS:

All big and small organizations, planning to compete in domestic and international markets, keep a close eye on the environment, especially on the fast approaching competitors to ensure their survival. Critical analysis is a step to precisely know the business trends and to take proactive actions to avoid any surprise. An effective and reliable analysis clearly depicts merits and demerits of the existing system and helps take appropriate actions to make improvements.

In view of the fact that banking industry is a fast changing industry that has become highly dynamic and competitive, especially in the face of foreign banks knocking at our door, an effort has been made to analyze the existing PMS in the banking industry. After analyzing the existing PMS of the Pakistani banking industry, it would be possible to detect the weak areas that need immediate attention. With this premise in view, PMS of each bank would be analyzed with particular regard to the internally recognized PMS and then appropriate measures will be proposed to cater the specific needs of the banking industry.

For any PMS to be effective, it must clearly specify planning, execution and evaluation phases. Having laid down detailed instructions, the most important issue is the training of supervisors and subordinates to ensure that they understand the main purpose of the whole exercise.

Muslim Commercial Bank:

Although MCB is the first to privatize and is well equipped to manage the HR practices, the prevailing culture is the main hindrance in keeping pace with fast changing banking industry. For any PMS to be effective, it must specify planning, execution and evaluation phases. MCB has been conducting training of employees on regular basis to ensure that they understand the main purpose of the whole exercise; mostly supervisors take performance appraisal as annual exercise. The PMS architecture of the system is quite elaborate but appraisal tool is not well defined. Phase-wise analysis is appended below:

- **Planning Phase.** At MCB, appraiser and appraisee decide about targets and goals within the KRAs implemented by the corporate headquarters, in a formal meeting usually held in January each year. The foremost discrepancy in the appraisal form is the fact that same KRAs are used for employees of all functions, which can't justified to be a fair system. Evaluating all employees against same KRAs irrespective of the job description is prone to create dissatisfaction among most of the employees. Moreover, targets within each KRA are not prioritized to allocate appropriate weightings, which prevent the appraisee to set his/ her priorities and allocate appropriate time and resources to each KRA/ target. Competencies are not well defined, which may lead to a conflict situation due to different interpretations (of competencies) by appraisers and appraisees. Some of the skills are not equally important for the employees of all functions that make the validity of the system questionable – evaluation would be either deficient or contaminated.
- **Execution Phase.** Monitoring of the appraisee's performance progress on quarterly basis is considered to be in the interest of both the appraiser as well as appraisee, as it provides an early warning to take appropriate actions to avoid any delay in meeting the targets. It affords them an opportunity to mutually interact and overview the pace of progress, timely detecting the barriers to smooth completion of the targets and taking remedial actions. Maintenance of progress record by both the appraiser and appraisee helps in justifying and achieving just evaluation. Similarly, recording situational factors that may cause hindrance in the pace of work would provide evidence and help justify the final grading.
- **Evaluation Phase.** Performance evaluation, being last phase of PMS, is conducted towards the end of performance period. Evaluation, by virtue of trained supervisors, is taken seriously as promotions and rewards are directly linked to it. The final grading/ evaluation by the boss of appraiser (who is often interacting with the appraisee), reduces the element of biasness to some extent, making the system less subjective to abuse and biasness. Concept of self-evaluation, bottom up or 360-degree evaluation is missing from the system, preventing the appraiser from exactly knowing the appraisee's viewpoint about his/ her performance evaluation.

Providing feedback to appraisee and discussing various aspects of performance during performance interview is considered an essential activity that would always create/ improve interpersonal relationship and would open avenue to remove confusions and doubts, if any. Involvement of appraisee in development plans is appropriate, as it would allow the appraisee to actively participate in deciding what is good for him/ her. However, final grading is not shown to the employees, which questions the transparency of the system.

Although MCB has a bit mature PMS, the appraisal form still need to be redesigned to include more details about behavioral aspects and targets weightings.

Allied Bank Limited:

Despite the fact that banking industry is a fast changing industry that has become highly dynamic and competitive, especially in the face of foreign banks knocking at our door, ABL has yet not realized the facts on ground. There are serious pitfalls in the culture of ABL that are considered to be the main barrier in the way to adaptation and change. The top management is considered to be non-supportive and has apparently failed to allocate requisite resources to make the PMS a critical part of HR function. Having laid down detailed instructions, the most important issue is the training of all supervisors and subordinates to ensure that they understand the main purpose of the whole exercise.

The PMS architecture and the measurement tool both lack the essential ingredients. Phase – wise analysis of the system is appended below:

- **Planning Phase.** Planning, being the base of the entire PMS cycle, is the starting point that is being neglected at the bank leaving defects right from the outset. At ABL, in the planning phase of performance, there are no pre-determined targets and even the KRAs are imposed by the corporate headquarters, making the system non-receptive to employees of various functions. General areas of responsibility are pre-decided and there is no discussion session at the beginning of year to deliberate on the KRAs/ Competencies. Since competencies are not well defined, it is likely

to lead different interpretation by appraiser and appraisee. The existing system is not aligned with the overall strategy of the bank – decision of financial targets at top level and then cascading down simply does not ensure clear understanding of the strategic goals by the field level managers. Certainly, such a directionless planning phase would certainly take the organization nowhere. A senior officer at regional office informed that there was a communication gap between corporate headquarters and field offices/ branches as far as strategic goals were concerned. There seems to be no change in the culture even at higher level, and non-competitive attitude prevails at the bank.

- **Execution Phase.** It is quite clear that ABL is not truly using its PMS for strategic purposes because strategic goals are not disseminated to all employees. PMS is rather just a formality that has to be carried out at the end of year. There is no evidence from the contents of the appraisal form that targets are set at the start of the appraisal period. Without clearly defining Key Result Areas (KRAs) or Competency Dictionaries according to job description is considered non-valid approach to evaluation. Evaluating appraisee in irrelevant areas will put the validity doubtful. In the absence of proper planning at gross root level at the outset, execution would remain faulty (you can achieve what you can plan). Moreover, monitoring of the progress would not be possible as this is not formally included in the system.
- **Performance Evaluation.** Taking performance evaluation as a year-end ritual, without following the activities of entire period, is prone to leave a wrong message to the whole organization. Employees will never give utmost performance unless they have complete trust in the system. Leaving the entire evaluation on a single appraiser's discretion, without consulting other related managers, subordinates and peers is likely to breed biasness and partiality. Evaluating against few areas of the performance can't reflect the true potential of the employees. There is no concept of self-evaluation by the appraisee, which prevents the appraiser from understanding appraisee's viewpoint about various aspects of performance. The

employees are not provided any opportunity to give their own feedback about how they think the things went during the appraisal period.

Having analyzed the appraisal form and interpreting it in relation to the entire PMS, following are the analytical observations:

- **Lack of Training:** Lack of orientation training and PMS related courses is the main reason why managers at all levels are not getting serious in implementing PMS in its true spirit. Not making enough investment on this essential component of HR is bound to cause serious damage to the organization and make it further deficient in achieving its long-term goals. Lack of support by the top management is another factor responsible for getting the required funds/ resources – annual budget allocation.
- **Poorly defined KRA/ Competencies.** Using similar KRAs and competencies for all employees of different functions is killing the very purpose of deciding these areas against which employees could be evaluated. Similarly, without setting targets, it is not possible to measure the performance level. Evaluation based on personal judgement of the supervisor, does not preclude the element of biasness.
- **High Subjectivity.** Although no PMS can completely get rid of subjectivity, this factor is very prominent in case of ABL. Since various categories/ labels are not attached any weighting, appraiser may use his/ her authority to settle own personal scores. There is no consideration of situational factors, preventing both appraiser and appraisee from discussing the evaluation, environmental factors and creating a close rapport between the two.
- **Linkage of PMS with Compensation/ Rewards.** Although, annual bonuses are given on the basis of evaluation report (performance based), there is no consistency in the policy, which may seriously jeopardize the trust of employees on the system. As informed by one employee, ABL paid extra-ordinary bonuses to the employees

in 2004 that came as a big surprise to the employees. As such, due to inconsistency in the bonus policy, employees can't predict with certainty what they will be getting at the end of year – resulting in lack of commitment and perseverance.

United Bank Limited:

Although UBL has not carried out any study on the effectiveness of the system, being in its infancy, there are clear-cut pitfalls in the system that can be judged from the appraisal form. The system does not simply satisfy all the three basic purposes i.e. strategic, developmental and administrative purposes, on equal terms. HR function apparently is not playing its strategic role in aligning goals of all departments/ functions with overall strategy of the bank. Additionally, the highly stable culture prevalent at the bank is the main hindrance in implementation of the PMS, making it less competitive in the industry.

- **Planning Phase.** At UBL, goals are set for the year in five areas, (similar to Balance Scorecard approach), during planning phase of PMS. However, specific targets within the KRAs, are not defined in the beginning. General areas of responsibility are part of the appraisal form but there is no discussion session at the beginning of year to deliberate on the KRAs/ Competencies and targets. In other words we can say that these areas are imposed on the employees, by the Corporate Headquarters – seriously questioning the validity of the system. Since competencies are not well defined, this leads to a different interpretation by the appraisers and appraisees. The existing system is not aligned with the overall strategy of the bank – taking decisions about the financial targets at top level and then cascading down simply does not ensure clear understanding of the strategic goals by the field level managers. Certainly, such a directionless planning phase is bound to create confusion and distress amongst employees.
- **Execution Phase.** Periodic review of the employees' progress is quite important to ensure timely completion of targets and to detect the anomalies at early stage. Although financial figures (i.e. outcomes) can provide necessary clue

regarding smooth/ un-smooth progress, neglect to include behavioral aspects in the evaluation would be detrimental to long-term success of the organization.

- **Performance Evaluation.** Assuming performance evaluation just a routine activity reflects the poor attitude with which management is addressing this vital HR component. The entire evaluation is left on the single appraiser's discretion. Supervisor of the appraiser offers his comments, mostly based on what appraiser has come up with. The element of biasness and abuse is inherent in the system that would be a major demoralizing factor for the employees. Just few areas of the performance have been highlighted in the appraisal form that can't portray the true potential of the employees. Without self-evaluation by the appraisee, it would be difficult for the appraiser to exactly know the employee's viewpoint about various aspect of performance. The employees are not provided any opportunity to give their own feedback about how they think the things went during the appraisal period.

Following are the general comments:

- The MBO based appraisal, that is the only performance aspect used, has a built-in system of both rewarding and penalizing the employee for meeting/ exceeding the targets and not being able to meet the targets. The employee's ability to meet the targets entitles him/ her to get rewards while in the opposite case he/ she stands penalized by the same standards.
- The system does not cater to the system effects/ situational factors (e.g. economic downturn).
- No consideration is given to the behavior or attribute part of employee performance that makes the system highly questionable.
- Placing an individual employee in a specific performance category, based of five labels/ categories is also open to questioning, as the areas identified in the form cannot be quantified as such.
- Apparently an anniversary approach to performance appraisal is followed.

- The system is not truly transparent as the appraisee's comments are obtained about the evaluation summary/ category and remaining parts are not shown to him/ her.

Habib Bank Limited:

Despite the fact that HBL was privatized just over a year ago, the management at Corporate Headquarters at Karachi, has paid due attention to performance appraisal and has come up with a system that is comparable with other local banks. A comprehensive performance appraisal form has also been formulated and implemented. However, appropriate attention has not been paid raise the awareness level of the employees and there are serious pitfalls in the culture of HBL. Since old/ original staff is still running the affairs even after privatization, purely public service-like culture continues to prevail. Like other banks, HBL is equally being affected by the bureaucratic culture. Lack of a dedicated training & development programs are partially responsible for maintaining the status quo.

Notwithstanding the cultural/ stability effect, the management, in a short span of time, has formulated a comprehensive PMS including the appraisal form. Analysis of the system is given below:

- **Planning Phase.** Deciding about the KRAs/ Competencies at Headquarters level does not allow appraisers and appraisees to exercise their own options and they are bound to follow what has been decided at the top. Moreover, it is unfair to evaluate employees of different functions in same KRAs. An employee performing 'X' job can't be evaluated in 'Y' job, which may not have any direct link to his/ her tasks. They decide about the targets within the KRAs, which act as a performance measure at the end of appraisal period. Since competencies are not well defined, this leads to different interpretation by the employees. The existing system is not aligned with the overall strategy of the bank – decision of targets at top level and then cascading them down simply does not ensure clear understanding of the strategic goals by the field level managers. Certainly, such a faulty planning leads to ineffective execution and evaluation phases.

- **Execution Phase.** Subsequent to the weak-planning phase, execution phase is considered equally faulty. Since, employees are not part of the team deciding KRAs/ Competencies, it would be difficult for them to set appropriate targets/ goals. Without reviewing/ monitoring the progress of employee's performance periodically, it is not possible to timely detect the anomalies and take corrective action. Appraiser will not be able to act as a coach and provide expert assistance to the appraisee. Moreover, in the absence of maintaining proper record of the activities/ situations, it would not be possible to reach at fair evaluation. Providing feedback to the employees is not part of the system, which prevents the appraiser from assisting the appraisee in the deficient areas.
- **Performance Evaluation.** Performance evaluation, being last phase of PMS, is taken as a merely routine activity that has little effect on the performance standard/ level of appraisee. Leaving the entire evaluation in the hands of a single appraiser 's discretion is prone to misuse of power and partiality. Without input from the appraisee (i.e. self-evaluation), the evaluation may remain source of disagreement for the appraisee. The employees are not provided any opportunity to give their own feedback about how they think the things went during the appraisal period, resulting in resentment. Appraisal interview, not being part of the appraisal form, would result in lack of necessary discussion about the activities conducted by the appraisee throughout the appraisal period. It would not be possible to look back, analyze the performance standard and to chalk out new strategy for better performance in future. Taking PMS just a formality that is carried out at the end of year, without regard to the chain of parallel activities, tantamount to a ritual in isolation.

Additional comments on analysis of the appraisal form mentioned below:

- The appraisal instrument is a mixture of MBO and attribute based standards.

- The MBO based part of the form has a built in system of both rewarding and penalizing the employee for meeting/ exceeding the targets and not being able to meet the targets as in case of the employee's ability to meet the targets he/ she gets extra points on the scoring table while in the opposite case he/ she stands penalized by the same standards.
- Key responsibility areas are decided at the beginning of the year, which serves as the measurement standard at the end of the reporting period. So the issue of measures is decided.
- The attribute based appraisal part (ABA) of the instrument is an attempt to retain the aspect of managerial discretion in the system of appraisal, however the vague nature of the attributes makes its viability wide open to questioning.
- The attempt to quantify ability is also wide open to questioning, as the areas identified in the form cannot be quantified as such.
- The system is apparently transparent as the appraisee is shown the final grading that is awarded to him/ her at the end of appraisal period.
- Development needs of the employee are catered for, as there is a separate section addressing this aspect. However, the employee participation seems to be absent from this aspect as there is no column/ space for appraisee's signature.
- The performance reward linkage is not apparent in the form that would not stimulate necessary impetus in the appraisee.
- In the developmental needs part, while the appraisee's strengths are mentioned, there is no mention of employee specific weaknesses. The system seems poised to help good employees develop while the weak employees are apparently not given adequate chances to improve themselves through extra training etc.
- The ABO part fails to cater for the system effects, putting the appraisee in a disadvantageous position.
- In form E, employee input seems to be absent from the goal setting process thus making the system prone to abuse by the appraiser. Additionally, absence of

appraisee's input defeats the very spirit of the MBO that the organization seems to be attempting to implement.

Section – II: Summary of Analysis of the Entire Industry:

Having individually analyzed the existing PMS of four leading Pakistani banks, it would be appropriate to consolidate the analysis into a single compact summary and then to look at the alternate framework that would better chip/ fit in the banking industry to help it stand at par with foreign banks operating in local market. It is encouraging to note that our banking industry has, though belatedly, realized the need to institutionalize a PMS for the employees. This is also reflective of the importance the banking industry is attaching to the human resource component. However, why banking industry is lagging behind is due to the fact that cultural difficulties are the main barrier in achieving some viable breakthrough. The problems being faced are almost of similar nature with some difference in their gravity and implications on the competitive environment. A summary of the analysis is reproduced below in bullet form:

- Existing culture and mindset of the employees at all levels are the key factors that reflect the attitude of employees that they display on their job. It is one of the leading reasons why banks have not been able to achieve the desired breakthrough in turning the stable culture into hyper turbulent and makes them adaptive to respond to the call of fast changing banking industry. Lack of awareness about the enormous benefits attached to the effective and successful PMS. The old employees of the banks seem to be scared of their positions and are difficult to change.
- Lack of requisite interest and awareness about the PMS, especially at the top level, is another cause of dissatisfaction amongst the employees.
- Top management seems to have failed to allocate requisite resources to cater to the education and training of employees regarding multiple benefits of the system.

- Some of the banks have devised a very good system but employees are not adequately trained/ groomed to implement the PMS according to its true spirit – resulting in poor implementation of the system.
- The current appraisal forms being used by the banks are not true representative of the PMS. There is wide gap between what has been planned and what is being practiced. Additionally, appraisal forms of most all the banks are devoid of the essential ingredients including the KRAs, Competencies, Behavioral aspects, Employee participation in developmental needs and linkage of the system with rewards/ promotions/ courses, that makes the system less effective.
- Some banks apparently have transparent system as the appraisee is shown the final grading that is awarded to him/ her at the end of appraisal period. In some other cases, employees are kept blind, making the integrity of system questionable.
- Development needs of the employee are catered for in some cases. However, the employee participation seems to be absent from this aspect.
- The performance reward linkage is not apparent in some forms that would not stimulate necessary impetus in the employees.
- The ABO part, mentioned in the forms, fails to cater for the system effects, putting the appraisee in a disadvantageous position.
- Key Result Areas are essential part of the appraisal form and are similar/ uniform for employees of all functions – questioning the system's validity.

CHAPTER – 5
(CONCLUSION AND RECOMMENDATIONS)
INCLUDING
PROPOSED “PMS” FOR THE PAKISTANI BANKING
INDUSTRY AS A WHOLE

SECTION – I: CONCLUSION

Based on the analysis of the banking industry, it can be safely concluded that Pakistani banking industry is lagging far behind the foreign banks operating in our close proximity, serving the same market. The banking industry is yet not equipped with the systems necessary to compete in a highly dynamic banking environment. The cultural and attitudinal problems are the leading factors that are causing main opposition in transforming the banks to be on the track to success. If Pakistani banks fail to develop their human resource according to successfully tested new methodologies, their survival as successful financial institutions would remain just a dream. Sooner or later, foreign banks will manage to take major part of the market share, by offering newer and better products and services.

Having analyzed the PMS being practiced by the world leading organizations and then comparing it with the one being used by Pakistani banking industry, it can be safely states that true implementation of Performance Management can be achieved if both performance architecture and measuring tool are defined according to the nature of industry and the intensity of competition. The key contributory factor responsible for the successful implementation of PMS is the commitment and attitude displayed by the supervisors in particular and subordinates in general. Appropriate training of employees can guaranty the fair evaluation.

It has further been believed by most of the firms that the talented Human Resource, if suitably developed, can provide the competitive edge over the competition for long times to come. However, acquiring and retaining talented employees is not an easy task, and is in fact a dilemma facing organizations. Organizations employ various motivational and loyalty gaining techniques to ensure long-term relationship and high level of employee commitment – PMS being the key tool in this regard.

The existing PMS in Pakistani banking industry is reflective of the fact that mindset of the employees is not suitable/ ripe for true and impartial evaluation because top management

has never taken it in the past and status quo maintaining attitude/ culture persists. The old employees find the system a threat to their positions and believe in old traditional management style. Although, some of the banks have managed to develop the system including appraisal form on new lines, the main issue is the evaluation process. There is a genuine need for almost all the banks to embark upon a regular training program to train the employees aimed at improving their evaluative skills as well as change their mindset.

Instead of following purely MBO or skill based approach, there is a need to evolve appraisal forms based on a hybrid of the behavior, skill and result based approach with suitable balance that should minimize the element of subjectivity. Finally, the system will have to be tested against the criteria meant for judging the strategic congruence, validity and reliability.

SECTION – II: RECOMMENDATIONS

The primary goal of an appraisal system is to produce an accurate, objective and fair picture of an employee's performance and then to detect the areas requiring improvement. To accomplish this goal, a formal performance appraisal program should be implemented including systems that require regular, periodic evaluations conducted in accordance with standardized procedures focusing on job related aspects of the employee's performance. This is best accomplished when performance standards and objectives are mutually understood and agreed upon and when performance objectives are reasonably aligned with core competencies and values recognized as being most rewarding and beneficial to the company's overall mission and future business direction.

In order to bring the commitment level of Human Resource of Pakistani banking industry to a level where they are able to meet the challenges of fast approaching foreign competition, especially with the implementation of WTO, there is an urgent need to first change the existing non-adaptive/ stable culture through consistent training sessions and then to realize the importance of an effective PMS. Besides, a comprehensive but a balanced PMS needs to be instituted in the overall HR function of the industry to reward the good performers and differentiate them from the dead wood.

Based on the research carried out in the earlier parts of the thesis, a new PMS model has been proposed including an appraisal form, for Pakistani banking industry, as explained in the ensuing paragraphs:

Proposed Framework for PMS:

Having studied various international models of performance management system, a new model for performance management system is recommended, which is considered to be aligned to cater to the needs of the banking industry operating in Pakistan and will add value to them. The recommended model for PMS includes stepwise process for conducting the exercise and the main focus is on the performance appraisal, which is the

most important component of performance management system. There are three stages of performance management system in this model. These are Planning, Execution and Evaluation.

Pre-requisite conditions:

The strategic planning of the organization sets the strategic goals in line with the mission and vision statement of the organization. These goals will be cascaded down to the division, unit and individual levels through annual goal setting process and business planning. It is also believed that almost all large and small banks would adequately fulfill the pre-requisite condition of PMS. Following are different stages of the proposed framework:

- **Planning:**

This is the first stage of PMS in any organization. At this stage the core PMS cycle is set into motion through determining the behavior and results expected from members of the organization. Individuals will know what goals they are expected to achieve during the appraisal period and how they will achieve these goals. These goals will be set with mutual consultation of the employee and the supervisor.

For this purpose, a **performance planning form** (Part I B of the proposed form placed at Annex “G”) has been developed, which can help in specifying the performance requirements for the coming year. The form basically caters to the results part of the performance by identifying the Key Result Areas, which are broad areas in which the individual is expected to perform in order to carry out his duties effectively. Then these key Result Areas are broken down into key goals that are specifically identified and the time limit and measurement standards are established. These key goals are assigned weightages, which would help the individual and the supervisor in giving priority and importance to the main goals and separating the routine ones. Then the

key goals are further subdivided into Action Plans, which spell out the future course through which the key goals will be achieved.

For the purpose of identifying the behaviors that would constitute the performance factors that would be measured, it is proposed that the banking industry should develop a competency dictionary and competency matrix. The required levels of performance are expressed in the competency matrix of the relevant departments. The detailed description of the different required levels of competencies can be seen in the competency dictionary. The supervisor should identify the competencies that the employee will be rated against and the weightages. These required levels should be communicated in the beginning of the year, so that there is no ambiguity in what is the expected level of performance for the next year.

- **Execution:**

In this stage the supervisor will monitor employee's performance according to the already established goals in the planning stage. They will informally record events effecting rating of the employee's performance. The employee is provided feedback and is given guidance and coaching by the supervisor in order to improve the performance.

It is also proposed that the supervisor should maintain a record of the situations that the employee had to face during the period under review and for this purpose a **situational form** (Part – III) has been designed that will also be part of the appraisal. In this form there are three sections/ columns. The situations are identified which require special handling. Then the actions that are taken by the employee to handle those situations are mentioned and the results that are achieved through those actions. The purpose of this situational form is to give a holistic picture of the individual's performance at the time of appraisal and maintain documentation of the main events and situations.

- **Evaluation:**

At this last and final stage of the PMS cycle final appraisal of the employee's performance is carried out to identify the strengths and weaknesses of the employees performance based on the accomplishment of goals and pre-determined behavioral competencies.

The supervisor would ask the employee to provide feedback in the form of self-appraisal for the period under review. After reviewing self-appraisal of the employee, the supervisor would formally fill in the performance appraisal report on a pre-determined format. The ratings are done on pre defined rating scales and overall scores are calculated on the basis of ratio of goals and competencies.

Then the supervisor conducts an **appraisal interview** with the employee and provides him/ her feedback on how the employee has been rated in different areas and why the supervisor thinks that the ratings are justified. During the appraisal interview, mutual consent is obtained on the rating and goals and behaviors required for the next year are also agreed upon. In this way the PMS cycle continues again and again as an ongoing process to improve individual and organizational performance.

Proposed Model of Performance Appraisal System:

The model that is proposed for the performance appraisal of the employees of banking industry is a hybrid of result based and behavior based systems. It is reasonably believed that both behaviors and results are equally important and thus should be **assigned 50-50 weightings** in the overall system. There are six parts in the recommended performance appraisal model/ appraisal form (at Annex "G):

The Part I (A) contains general bio data of the appraisee, whereas (B) encompasses the **Key Result Areas** that will serve as label under which Key Goals and Action Plans will be specified. The Key Goals should be specific, time bound, result oriented and measurable. The Key Goals are assigned weightages relative to their importance to other goals. The rating is assigned to the achievement of the goals and is multiplied with the weightage

assigned to that particular goal in order to get the weighted rating. The sum of all the weighted ratings gives the total for this part of the appraisal. The Part II of the appraisal form is **for competencies**, which are defined in the form of competency dictionary, and a competency matrix is developed to supplement the system for the various levels of performance required from various departments and cadres. In this model, competency dictionary has been developed and it is further recommended that more may be developed according to the nature of job of the employees. For the measurement of the competencies, the expected level of performance can be identified from the competency matrix. Then from the competency dictionary, the supervisor assigns the actual level of performance achieved by an individual. The difference between the required level and the actual level provides the GAP. For different values of GAP, there are different ratings.

GAP	2	1	0	-1	02
Rating	5	4	3	2	1

These ratings are then multiplied with the weightings in order to obtain the weighted rating. The sum of all the weighted ratings in this part provides the total score for the competencies.

The overall ratings are computed in the appraisal form by adding the total weighted ratings of Parts IB and Part II. Both the scores of Part IB and Part II are given 50-50 percent weightage. The overall score that is obtained as a result of this is then used to find which category does the employee's performance fall into. The rating range for the recommended model is as follows:

Rating Range:	9 - 10	7.0 - 8.9	5 - 6.9	3 - 4.9	0 - 2.9
Rating Category:	Outstanding	Commendable	Competent	Marginal	Unsatisfactory

The **Situational form** (Part III) caters for the situations which the employee faced during the period under review and what actions he took and how he managed to get things done. This will give a holistic picture of the employee's performance. Although this part of the form is for the execution stage of PMS, it is attached with the appraisal form.

Part IV of the recommended model is the **performance planning form**, which is part of the planning stage of PMS. It is included in the appraisal so that the appraisal discussion can help plan for the future performance in addition to providing feedback of the past performance.

The Part V will be only for the purpose of the **training and development** of the employee. This section will help in identifying the action plans that the employee and supervisor mutually agree to for improvement of performance and also for career development.

Part – VI is a **self-evaluation form** that is detached and handed over to the appraisee to facilitate him/ her to carry out self-evaluation. This would help the manager to better know the viewpoint of appraisee regarding his/ her own evaluation. The purpose of self-evaluation form is multi-fold as elaborated below:

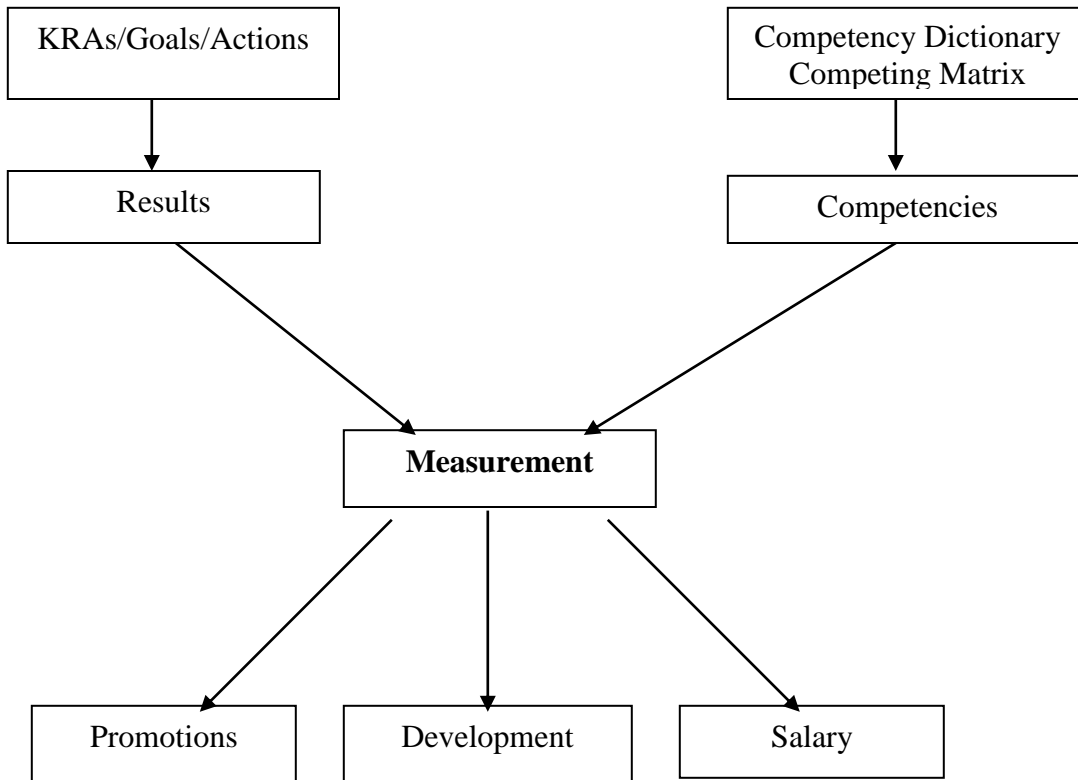
- To assess whether employees are aware of the responsibility placed on them or not.
- To evaluate the contribution of the employee towards the organization.
- To initiate the dialogue on the problems faced by the employees.
- To provide a forum to the employees to express their opinions, reservations and views on company matters in general and personal job responsibilities in particular.
- To instigate problem solving attitude by encouraging them to offer suggestions to the problems they face.
- To help employees perceive their performance in a realistic manner by inviting opinions on their accomplishments and failures.

Links Of PMS with Salary, Promotions, Development:

The scores that the employee gets will help in identifying which category he/ she falls in. Based on these, pay increments can be calculated on the basis of forced distribution method, depending upon the policy issued by Corporate Headquarters. The ratings for the past three years can be taken in different proportion weightages that can help in the

decision for promotions and career advancements. This can also serve as means to succession planning.

Recommended Model for Performance Appraisal System:



Results and behaviors, when properly measured in an appraisal system, can have effect on the salary increments, promotions and development of the employee. And these are the signs of a good performance appraisal system as it is aligned and integrated with other systems and the synergetic effect of all system can help improve the organizational performance. So in the author’s opinion the recommended model serves the purpose of not just appraisal of the performance of the employee in isolation but acts a continuous process, which complements, reinforces and is aligned with the strategic business objectives.

Critique on PMS Proposed for the Banking Industry – What makes it a better system?

Based on International standard:

In order to minimize the element of subjectivity and to define KRAs and Competencies, a comprehensive PMS model has been proposed. The proposed model has been formulated on the footing of international models of performance management system, keeping in view the dynamism and hostile competitive environment prevailing in the banking industry. An effort has been made to carry out a comparative analysis of the proposed framework with the existing performance management systems at four leading domestic banks of industry with particular emphasis on the inclusion of essentially required elements, which are missing from the existing system.

Focused on Objectives:

The proposed system is certainly considered to be a **better model** as it focuses on the objectives for which it is meant i.e. to align the goals of all departments with the overall strategic goals of organization, to achieve short term and long-term goals of the organization and ensure commitment/ retention of employees. The system has a lot of strong points/ merits, which are missing in the existing systems of the banks. **Salient features** of the newly proposed PMS are:

- The proposed model is a stepwise framework in which one step comes after the other and makes it a continuous cycle rather than just an activity in isolation.
- The author has identified three broad stages of performance management system, which are Planning, Execution, and Evaluation.
- The model links the individual performance with the goals of the departments and organization through the process of goal setting in the planning stage.

- Employee sets his/her goals in consultation with the supervisor, which means empowerment and participation.
- The framework provides ample opportunity of development and conflict resolution through coaching, counseling and arbitration.
- It caters for the result based approach as Key Result Areas, Key Goals and Action Plans are made in the planning stage and weightings are assigned to them and are evaluated in the end review.
- It takes into account behavioral aspect of employee's performance through demonstration of identified competencies. For this purpose competency matrix and competency dictionary help to eradicate any confusion about the level of competency shown by an individual.
- Recommends self-appraisal to increase the individual's involvement and participation in the evaluation process.
- Provides a comprehensive measurement system in which numerical values are calculated and provide the overall rating against a rating scale.
- It is a clear and transparent system that is objective based.
- The proposed model also has situational form that helps to provide a complete picture of the environment in which the individual performed.
- Provides importance to training and development so as to improve individual as well as organizational performance.
- Recommends appraisal discussion where the supervisor provides face-to-face feedback to the employee and the ratings and their rationale are discussed.

- The appraisal discussion provides the platform for the goal setting for future.
- Includes comments from the appraiser, appraisee and the appraiser's supervisor in order to provide transparency and feedback.
- It is continuous evaluation process throughout the year as compared to a one-time exercise.
- Is the focal point of all HR activities such as manpower planning, training & development, reward & compensation, career path, succession planning, benefit management etc?

In addition to the afore mentioned merits, following factors will have to be incorporated in the proposed system, to make it more effective and pragmatic:

- The proposed system should also give due importance to the training of the appraiser's so that they utilize this tool in the manner that it has been designed to.
- The organization needs to communicate to the employees, the importance of this performance management system and the effect it has on other HR activities.
- Every step of this system needs to be planned properly and HR needs to be the facilitator in this process.
- For this a user manual should be developed which gives details of every step of the framework.
- Two appraisers will do the ratings in the proposed system, to cater to the element of biasness.

- Importance should also be given to teamwork, as well.
- Instead of vertical/ top down evaluation, 360-degree feedback and Balance Scorecard should also be considered for implementation in future. Though both these systems have their advantages, Balance Scorecard may not be appropriate at this stage, as it the system is too advanced to be used in Pakistani environment. However, 360-degree appraisal system is quite feasible for the industry. There is no doubt that as the industry matures and grows, Balance Scorecard system will have to be adopted to ensure competitive advantage, for the long times to come.

Improvements in the Proposed Framework:

Though the main structure of the proposed framework remains the same, some additional points are proposed for inclusion in the system in order to further improve the proposed model, as mentioned below:

- First of all, it is recommended that there should be proper **training of the people** who will use the PMS and there should also be a user manual to facilitate the process. The HR department should take the responsibility for this and include the competency dictionary and competency matrix in the user guide/manual.
- The next change that will further improve the system is that of including team objectives in the appraisal form. Giving weightage to team objectives and rating an individual according to them will improve team spirit and would motivate employees to perform better in teams. Since most organizations, now-a-days, are having team structures, rating an individuals performance on the basis of the team objectives achieved will give a broader perspective of how the person contributed and added value to the achievement of team goals.
- The double source assessment removes any biasness if present and reduces the chances of error in rating.

- In the end, it is felt that a proper framework would be required to conduct the appraisal discussion. The goal of this framework is to improve employee performance and motivation as well as boss-subordinate relations, while leaving subordinates with a clear understanding of what is expected of them and where they stand. The framework has ten steps, which are as follows:

1. Scheduling
2. Agreeing on content
3. Agreeing on process
4. Location and space
5. Opening the Interview
6. Starting the discussion.
7. Exchanging feedback
8. The manager's view
9. Developing a plan for improvement
10. Closing the discussion.

With this framework, it is finally concluded that Performance Management System is one of the most valuable tool in the hands of the Human Resource Department and if properly utilized, it can add value to the organization and help in achieving organizational objectives. The proposed framework has been developed to cater to the needs of the banking industry operating in Pakistan and it is considered an effective and valid model. Though with time new techniques for appraisal will be introduced and many organizations will benefit from them, it is opined that the proposed model can presently be utilized by many organizations and can help them become more effective and improve their performance.

ANNEXTURES
VARIOUS APPRAISAL FORMS
(Annex "A to G")

Swan’s Model – Annual Performance Appraisal Form

Part – I: Review of Progress Towards Meeting Last Year’s Objectives:

S. NO	Objectives Agreed to Last Year (Modified)	Results (Narrative)	Weighting (Must equal 100 %)	Rating
1.			_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
2.			_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
3.			_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
4.			_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
5.			_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard

Overall weighted average rating for objectives: _____

Part – II: Review of Progress Toward Meeting the Standards of Performance Agreed to Last Year:

S. NO	Performance Factors	Weighting (Must equal 100 %)	Rating
1.		_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
2.		_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
3.		_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
4.		_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard
5.		_____ %	Greatly exceeds standard Exceeds standard Met the exceed Did not meet standard Far below the standard

Overall weighted average rating for performance factors: _____

Part – III: Summary of Overall Performance for the Year:

Weighted Average of Objectives and Performance Factors:

- Greatly exceeds standard
- Exceeds standard
- Met the exceed
- Did not meet standard
- Far below the standard

Part – IV: Development Plan:

- A. For use if any individual rating is below “Met the Standard” or if employee wants to work on any area of current job.

For improvement in current job, following actions/ objectives have been agreed to:

- 1.
- 2.
- 3.
- 4.
- 5.

- B: For use if advancement or career growth is a practical option and employee is interested.

For preparation for possible advancement the following actions/ objectives have been agreed to:

- 1.
- 2.
- 3.
- 4.

- C: Job enrichment: For use if advancement or career growth is not an option, or if employee is not interested

The following actions/ objectives have been agreed to:

- 1.
- 2.
- 3.
- 4.

Part-V: Performance Plan:

The objectives agreed upon by employee and manager for the next year (additions or modifications are to be done in writing. These objectives become the subject matter of Part - 1 of the form next year.

- 1.
- 2.
- 3.
- 4.
- 5.

Part-VI: Employees Statement: (Optional: Additional sheets may be used)

Part-VII: Signatures:

Managers (Direct Supervisor) Date

Employee

Date

(Signature acknowledges that this form has been reviewed with employee. It does not imply agreement with content)

Initials
Prior to
Appraisal
Discussion

Initials
Prior to
Appraisal
Discussion

(_____)

(_____)

Department Manager

Date

Human Resource

Date

**APPRAISAL FRAMEWORK OF INDIVIDUAL'S PERFORMANCE
MANAGEMENT CYCLE**

Part – I: Appraisal of Job Skills:

Teamwork: Work effectively with other employees. Shares credit & opportunities when appropriate. Displays an appropriate balance between personal effort and team effort. Helps others when needed.													
Individual													
	Occasionally			Sometimes			Frequently			Usually			
Appraiser													
Analysis: _____													

Problem Solving: Recognizes and analyzes work related problems. Uses available resources to evaluate potential solutions. Not only identifies problems but also recommends solutions.													
Individual													
	Occasionally			Sometimes			Frequently			Usually			
Appraiser													
Analysis: _____													

Accountability: Displays professionalism in approach to work. Accepts responsibility for all areas of the job. Does not make excuses for errors. Does not blame others for mistakes.													
Individual													
	Occasionally			Sometimes			Frequently			Usually			
Appraiser													
Analysis: _____													

Motivation: Displays drive and energy in accomplishing tasks. Handled several responsibilities concurrently and comfortably. Displays a contagious enthusiasm for the job and the company. Sees to it that tasks are done well.	
Individual	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Occasionally Sometimes Frequently Usually
Appraiser	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Analysis: _____ _____ _____	

Job Knowledge: Possesses sufficient skill & knowledge to perform all parts of job effectively, Efficiently and safely. Relates current problems to historical ones. Provides technical assistance to others and is consulted by other, when needed.	
Individual	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Occasionally Sometimes Frequently Usually
Appraiser	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Analysis: _____ _____ _____	

Planning and Organizing: Plans and organizes the work effectively. Identifies available resources required to complete the projects. Sets appropriate deadlines and check points and meets them. Develops both short & long-term plans. Makes good judgements about time allocation and resources required.	
Individual	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Occasionally Sometimes Frequently Usually
Appraiser	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Analysis: _____ _____ _____	

Communications: Presents ideas effectively in formal & informal situations. Conveys thoughts clearly and concisely. Listens well and asks appropriate questions. Communicates well in writing and verbally.	
Individual	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Occasionally Sometimes Frequently Usually
Appraiser	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Analysis: _____ _____ _____	

Work Quality: Uses time effectively and with a minimum of errors. Does work thoroughly and with a reasonable amount of time. Bring quality concerns to the attention of appropriate individuals.																
Individual																
	Occasionally				Sometimes				Frequently				Usually			
Appraiser																
Analysis: _____																

Adaptability/ Flexibility:: Meets changing conditions and situations in work responsibilities. Accepts constructive criticism & suggestions and uses them to advantage. Maturely deals with situations like anger, frustration, & disappointment. Maintains objectivity in conflict situations and seeks solutions acceptable to all.																
Individual																
	Occasionally				Sometimes				Frequently				Usually			
Appraiser																
Analysis: _____																

Attendance/ Punctuality: Is present for work every day. Is fully ready to work at beginning of work schedule and continues until work day is done. Makes appropriate arrangement when adverse weather conditions or other problems might cause a delay.																
Individual																
	Occasionally				Sometimes				Frequently				Usually			
Appraiser																
Analysis: _____																

Part – II: Major Achievements / Contributions:

In the following section, list the individual's three major achievements during the appraisal period. Considers the actions the individual took to make the organization more effective, more profitable And more admirable.															

Part – III: Appraisal of Accountabilities, Goals & Objectives

Accountability:
Objective/ Goal:
Results:
Appraisal:

Accountability:
Objective/ Goal:
Results:
Appraisal:

Accountability:
Objective/ Goal:
Results:
Appraisal:

Accountability:
Objective/ Goal:
Results:
Appraisal:

Accountability:
Objective/ Goal:
Results:
Appraisal:

Appraisal of Accountabilities, Goals and Objectives				
Marginal	Fair	Competent	Superior	Distinguished

Part – IV: Development Needs/ Plans/ Goals

Part – V: Appraiser’s Summary

Overall Performance Appraisal

Marginal	Fair	Competent	Superior	Distinguished
----------	------	-----------	----------	---------------

Part – VI: Employee’s Comments

Appraiser’s Signatures: _____ Date: _____

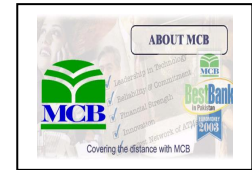
Appraisee’s Signatures: _____ Date: _____

*EXISTING PERFORMANCE APPRAISAL FORMS
FOR BANKING INDUSTRY*

(Annexure C to F)

Existing Performance Appraisal Form – MCB

(The Appraisal Form is formulated on the verbal information provided by the VP HR)



Part – I:

A. Bio Data:

Name:	Job Title:
Date of Birth:	Zone:
Personal #:	Region:
Branch:	Division:
Date of Joining:	Date of Promotion:
Professional courses attended:	Academic qualification:

B: Key Result Areas and Targets for the year:

The KRAs for the next appraisal period are chalked out here in the beginning of appraisal period. The objectives for each KRA need are clearly decided with the mutual agreement of both the appraiser and the appraisee. Quarterly review by the appraiser will help detect the problems in advance and provide any assistance to the appraisee in sorting out the situation.

Key Result Areas	Goals / Targets	Periodic Review (Sat/ Un-sat)			
		Q -1	Q -2	Q - 3	Q -4
	1.				
	2.				
	3.				
	4.				
	5.				
	6.				

Appraiser’s Name _____ Signature _____ Date _____

Appraisee’s Name _____ Signature _____ Date _____

Part – II:

A. Summary of Overall Performance (Only first three grades i.e. “A to C” are considered for annual bonus)

- Grade “A” Excellent** - Greatly exceeds standard
- Grade “B” Very Good** - Exceeds standard
- Grade “C” Good** - Met the standard
- Grade “D” Below standard** - did not meet standard
- Grade “E” far below the standard** – Never met any standard
(Employee is highly undesirable)

B. Skills and Ability Based Evaluation:

Skills/ Abilities	C	I	N.A	Comments	Grade
1. Leadership Skills					
2. Job Knowledge					
3. Interpersonal Effectiveness					
4. Communication skills					
5. Initiative					
6. Flexibility					
7. Consistency in work					
8. Problem Solving & Decision Making					

Final Grading: (Tick the right grade column)

A	B	C	D	E
----------	----------	----------	----------	----------

Part – III: Appraiser’s Comments (Employee’s comments regarding current year performance and to his/ her further training & development)

Appraiser’s Signatures:_____ Date:_____

Part – IV: Development Plan (For use if any individual rating is below “Met the Standard” or if employee wants to work on any area of current job)

For improvement in current job, following actions/ objectives have been agreed to:

- 1.
- 2.
- 3.

Appraiser’s Sign:_____ Date:_____

Appraiser’s Sign:_____ Date:_____

Part – V: Recommendation for Promotion (Supervisor recommends the employee’s suitability/ unsuitability for promotion)

Part – VI: Overall Assessment and Countersigned by the supervisor’s boss/ HOD (Here HOD recommends to Corporate Headquarters final grading obtained by the appraiser and promotion suitability)

Head of Department’s Name:_____ Sign:_____

Date:_____

Note: After completion, please forward these forms are to HR department for further necessary action.

Employee Development and Performance Plan- ABL**Employee Bio Data:**

Staff No:	Employee's Name:	Date of Appointment:
Designation:	Qualification:	Date of last promotion:
Place of Posting:	Evaluation Period: From:	To:

Part – I: Employee Assessment

The Employee Assessment / Scoring as detailed below, is based on effective achievement of allocated targets (where applicable). The staff category on whom the targets shall be applicable are:

- RGMs
- RCs (Business Dev- Asset Marketing, SAM)
- Area Manager/ Chief Managers/ Branch Managers
- Other individuals who have made significant contribution towards achievement of targets.

A. Assessment Areas for Field Staff

The under-mentioned 5 factors shall be the basis for evaluating field staff. Each factor i.e. Profit, Deposit, Trade Business, Advances & Recoveries should be evaluated on the basis of allocated targets. In case an employee has achieved 100 % target, he/ she may be given 10 in the respective factor; for 90 – 99 % - 9, for 80 – 89 % - 8. If the employee has achieved less than 80 % but it is above the base figure, his/ her scale will be 5, otherwise 0.

In case of cash recovery, for 100 % - 10, from 90 – 99 = 9; 80 – 89 % = 8; 70 – 79 % = 5; below 0.

1. Profit

0	5	8	9	10	N/A
---	---	---	---	----	-----

2. Deposits

0	5	8	9	10	N/A
---	---	---	---	----	-----

3. Trade Business

0	5	8	9	10	N/A
---	---	---	---	----	-----

4. Advances

0	5	8	9	10	N/A
---	---	---	---	----	-----

5. Recoveries

0	5	8	9	10	N/A
---	---	---	---	----	-----

Assessment Areas for Field Staff

Employee shall be assessed on the basis of 5 measurable targets. For 100 % achievement = 10; from 90 – 99 = 9; from 80 – 89 = 8; from 70 – 79 = 5 and below = 0.

1. _____

0	5	8	9	10
---	---	---	---	----

2. _____

0	5	8	9	10
---	---	---	---	----

3. _____

0	5	8	9	10
---	---	---	---	----

4. _____

0	5	8	9	10
---	---	---	---	----

5. _____

0	5	8	9	10
---	---	---	---	----

Target achievement in excess of 100 %:	110 – 125 %	125 – 150	More than 150 %
Bonus Marks:	2.5	5.0	7.5

Describe how well the employee has done in carrying out job responsibilities and performance expectations. (Consider performance demonstrated with regard to his/her functional responsibilities when conducting his assessment.)

Part II: Competence Assessment

S. No	Assessment Area	Excellent / Outstanding (5)	Very Good (4)	Good (3)	Average (2)	Below Average (1)	Poor (0)	N / A
1	Qualifications	C.A., CFA, MBA (From World's Top 100 Universities)	ICMA, M.PHIL, LL.M, MBA & MPA (IBA, LUMS & NUST)	M.Sc, MA, MS, M.Com, MCS, MS, MBA from other recognized universities	Graduate	Inter	Matric & below	
2	Leadership Qualities							
3	Team Player							
4	Ability to communicate							
5	Commitment							
6	Adherence to Rules, procedures and Systems							
7	Interpersonal Skills							
8	Integrity							
9	Problem Solving (Employee /Client related)							
10	Present-ability/Compliance of Dress Code							
	Total							
	Additional Marks	DIABP = 3, IBP – I = 1, Qualifying each stage = 1, -----						

Part – III: Growth Potential

Identification of Future Role of employee within the Division / Region:

Identify any particular performance expectations, job duties, special assignments, and/ or skills upon which the employee should focus in order to reinforce his/ her success and contribution to the organization.

Part – IV: Future Training & Development

Identify training & Development program (s) in which the employee should participate to enhance his/ her performance.

Recommendation for Promotion:

Evaluator’s Signatures: _____ **Name & Designation:** _____

Date: _____

Reviewer’s Signature: _____ **Name & Designation:** _____

Date: _____

Existing Performance Appraisal Form – UBL**GOALS AND PERFORMANCE REVIEW – 2004****Bio Data:**

Name:	Grade:	Employee No:
Region/ Office (Hub)	Group/ Department/ Division Sales	Position:
Present Assignment: Branch		

PART – A: GOAL SETTING (Kindly use extra sheets, whenever required)

Section-1: Goals for the Year		Section-2: Results	
<ul style="list-style-type: none"> FINANCIALS (Goals that create direct or indirect impact on business financials) 		<ul style="list-style-type: none"> FINANCIALS (Goals that create direct or indirect impact on business financials) 	
Deposit:		Deposit:	
Current		Current	
Total low cost deposit		Total low cost deposit	
Expensive deposit		Expensive deposit	
Total deposit		Total deposit	
Advances:		Advances:	
Commercial Advances		Commercial Advances	
Agriculture		Agriculture	
Seasonal Advances		Seasonal Advances	
Total Advances		Total Advances	
Profit:		Profit:	
Profit		Profit	
ATM:		ATM:	
ATM		ATM	
<ul style="list-style-type: none"> CUSTOMER (Goals that strengthen/ improve customer relationship) 			

<ul style="list-style-type: none"> • PEOPLE (Identification of employee training & development needs/ activity in lieu with interaction and relationship with peers and subordinates. 	
<ul style="list-style-type: none"> • PROCESS (Initiatives toward process simplification/ improvement) 	
<ul style="list-style-type: none"> • COMMUNITY (for SVP & Above) (Initiatives that strengthen the relationship with community, employer branding while enhancing the image of the bank. 	
<p>Special Factors/ Circumstances to be Taken into Account: (Extra sheet may be used, if required)</p>	
<p>Officer's Sign: _____ Date: _____</p>	<p>Officer's Sign: _____ Date: _____</p>
<p>Supervisor's Sign: _____ Date: _____</p>	<p>Supervisor's Sign: _____ Date: _____</p>

Part – B: Performance Review

Rating of Overall Performance:

Outstanding: Far exceeding most expectations in most targets.

Very Good: Exceeding expectations in most targets.

Good: Meets targets.

Needs Improvement: Partly meets targets.

Unsatisfactory: Does not meet expectations.

Section – 3: Overall Performance Evaluation Summary (To be completed by the immediate supervisor):

Tick the relevant box:

Outstanding Very Good Good Needs Improvement Unsatisfactory

Supervisor's Name & Title: _____ Sign: _____ Date: _____

Section - 4: Appraisee's Comments Following the Review (Any comments appraisee may wish to make regarding current year performance and to his/ her further training & development)

Appraisee's Name & Title: _____ Sign: _____ Date: _____

Section – 5: Area of Strengths (To be completed by immediate supervisor)

Supervisor's Name & Title: _____ Sign: _____ Date: _____

Section – 6: Area of Development/ Improvement (To be completed by Immediate supervisor)

Supervisor's Name & Title: _____ Sign: _____ Date: _____

Section – 7: Comments of Next Level Supervisor

Supervisor's Name & Title: _____ Sign: _____ Date: _____

Section – 8: In case of any change in performance ranking after the immediate supervisor’s evaluation, the appraisee should be requested for his/ her sign off immediately on the changed ranking.

Employee’s Name & Title: _____ Sign: _____ Date: _____

Section – 9: Consistency Checked by RCE. (To be used for field staff only) Check list to be seen and ticked by RCE.

- a. Has been seen and signed by the Appraiser. _____
- b. Has been seen and signed by the Appraisee. _____
- c. All Sections have been seen and signed by the required person. _____
- d. Has identified areas of strengths in Section – 5 and development/ Improvements in Section - 6. _____
- e. There are no disagreements between Appraiser and appraisee. _____

Name & Title: _____ Sign: _____ Date: _____

Section – 10: Personnel Department Actions:

--	--	--	--

Existing Performance Appraisal Form - HBL

(To be completed by appraiser and appraisee)

Form “A”: Employee Bio data/ General Information and Responsibilities:

Name:		Branch:	
Date of Birth:		Zone:	
Personal #		Region:	
Substantive Rank:		Division:	
Job Title:		Group:	
Date of Joining:		Last Promotion:	
Academic Qualification:		Professional	

Job Held in current year: _____ Period: From: _____ To: _____
 Job Held in last year: _____ Period: From: _____ To: _____

Training Program (s) during the assessment period:

I. _____
 2. _____

Reports to: _____ **Appraised by:** _____

Appraiser’s Job Title: _____
 (To be completed by the end of the year)

Appraisee’s Key Responsibility Areas decided at the beginning of the year:

Form “B”: Appraisal By Objective (ABO)

Group: _____ Region: _____

Name of Appraisee: _____ Personal No: _____

Designation: _____ Place of Posting: _____

S. No.	SMART Objectives & Targets		Actual results & Comments		Rating
	Objective Factors	Targets	Results	Comments	

ABO Average = Total Point Scores / No of objectives appraised.

Total Point Scored = _____

ABO Average = _____

Appraiser’s Signatures

Appraisee’s Signatures

Name: _____

Name: _____

Date: _____

Date: _____

Point Rating Adjustment Table (PRA)			
Equal to Target 02 Points		Equal to Target 02 points	
Increase in results by	Point	Decrease in result by	Point
00 – 04.99 %	2.00	00 – 04.99 %	2.00
05 – 09.99 %	2.25	05 – 09.99 %	2.25
10 – 14.99 %	2.50	10 – 14.99 %	2.50
15 – 19.99 %	2.75	15 – 19.99 %	2.75
20 – 24.99 %	3.00	20 – 24.99 %	3.00
25 – 29.99 %	3.25	25 – 29.99 %	3.25
30 – 34.99 %	3.50	30 – 34.99 %	3.50
35 – 39.99 %	3.75	35 – 39.99 %	3.75
40 - & ABOVE %	4.00	40 - & ABOVE %	4.00

Form “C”: **Appraisal By Ability (ABA)**

Group: _____ Region: _____

Name of Appraisee: _____ Personal No: _____

Designation: _____ Place of Posting: _____

Factor Definition	C	I	N/A	Comments	Rating
1. Job Knowledge Demonstrates understanding of job responsibilities, methods, techniques & skills.					
2. Communication skills Written: Organizes thoughts and ideas clearly & concisely using written words and phrases appropriate for the user/ reader. Oral: Communicates ideas, thoughts and information clearly & concisely.					
3. Interpersonal Effectiveness Respects and opinion, abilities and contributions of others. Tactful, cooperative and open-minded. Exhibits and practices team work.					
4. Initiative Self motivated, resourceful and independent.					
5. Flexibility Is open to new ideas and implements changes with a positive attitude.					

ABA Average = Total Point Scores / No. of Ability Factors . **Total Point Scores:**

ABA Average:

 Appraiser’s Signatures

 Appraisee’s Signatures

Name: _____

Name: _____

Date: _____

Date: _____

Form “D”: Development Needs

Group: _____ Region: _____

Name of Appraisee: _____ Personal No: _____

Designation: _____ Place of Posting: _____

Appraisee’s Strengths:

S. No.	

Development Needs:

S. No.	

Weighted Performance Mean (WPM) = 75 %* ABO Average + 25 % ABA Average

Weighted Performance Mean (WPM)	Performance Category
3.51 – 4.00	Excellent
2.71 – 3.50	Very Good
1.71 – 2.70	Good
0.00- 1.70	Unsatisfactory

Performance Category

↓

Appraisee’s Signatures

Appraiser’s Signatures

Name: _____

Name: _____

Date: _____

Date: _____

Form “E”: **Setting goals for the Year**

Group: _____ Region: _____

Name of Appraisee: _____ Personal No: _____

Designation: _____ Place of Posting: _____

S. No.	Goals / Targets	Periodic Review - 1		Periodic Review - 2	
		Results	Comment	Result	Comment
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

Precise Comments may be:

1. Exceeds Targets
2. Ok – On Track
3. Needs Improvement

Supervisor’s Signatures

Director’s Report/ Signatures

Name: _____

Name: _____

Date: _____

Date: _____

*PROPOSED PERFORMANCE APPRAISAL FORM FOR THE
BANKING INDUSTRY
(Annex "G")*

**PROPOSED PERFORMANCE APPRAISAL FORM FOR PAKISTANI
BANKING INDUSTRY**

Part I:**A. Employee’s Bio Data:**

Employee Name		Employee Job Title		
National Identity card		Department/ branch		
Age		Service Period	Years	Months
Appraisal Period: From		To:		
Date of Appraisal				
Appraiser 1				
Appraiser 2				

Rating Guide:

Outstanding	5	Consistently exceeds expectations in all aspects.
Commendable	4	Exceeds expectations in most aspects.
Competent	3	Meets targets expectations in all aspects.
Marginal	2	Below Expectations in some aspects; improvement required.
Unsatisfactory	1	Does not meet minimum expectations.

B. Key Result Areas (X):**Guidelines:**

For each KRA, the appraiser in consultation with appraisee is required to list objectives for the appraisal period. Weights must be assigned to all the key goals, summing to a total of 100% for each KRA, according to importance of the objective. The over all weighted average for each KRA is calculated by summing up the weighted rating of each goal in that KRA. All the KRAs are weighted equally. This part of the form contributes 50% to the overall performance appraisal score of the employee.

Key Result Areas	Key Goals	Weightage (Must equal 100 %)	Rating	Weight Rating	Comments

Part - II: Competencies (Y): (This part of the form contributes 50% to the overall performance appraisal score of the employee).

Competencies	Weightage (Must equal 100 %)	Required Level	Actual Level	Gap	Rating	Weighted Rating
Technical Skills						
Quality of Work						
Communication skills						
Interpersonal Skills						
Approach to work						
Supervisory/ Leadership Skills						

Total Score = (X) + (Y)

Overall Rating:

Rating Range: 9 – 10 7 – 8.9 5 – 6.9 3 – 4.9 0 – 2.9
Rating Category: Outstanding Commendable Competent Marginal Unsatisfactory

Part – III: Situational Form:

Situational Form in Respect of:-----

Appraisal Period:-----

Situation	Action	Result

Note: When gathering examples of actions, make sure that you are getting the whole story, the situation in which the person acted; what he/ she did, and results of these actions. In PMS process, gather these behavioral examples in order to justify your rating of a person and also to provide feedback to the person, whether to improve or reinforce a particular behavior in future.

Part – IV: Performance Planning Form:

Name of Appraisee	Designation:
ID Number:	Department:
Appraiser's Name:	Designation:
Date of Appraisal:	Appraisal Period:

KRAs	Key Goals	Weightage (%)	Action Plan

Finalization:

The performance plan for-----is agreed for the cycle ending 31 st December-----. Appraiser's Signatures:----- Date:-----	
Appraiser Signature:----- Date:-----	Head of Department Signature:----- Date:-----

Part – V: Training and Development Goals/ Action Plan:

Summarize any specific projects, performance objectives, or training and development for the next review period, if applicable:

Appraiser’s Comments:

Appraisee’s Comments:

Head of Department Comments:

Appraiser’s Signatures:-----

Appraisee’s Signatures:-----

Date:-----

Date:-----

Part – VI: Self Evaluation Form
(To be kept with appraisee)

Name:-----

Job Title:-----

Department:-----

Date:-----

This self-evaluation is an important tool in your ongoing personal and professional development. Your thoughtful and candid self-evaluation will help your manager to acquire a full and accurate understanding of your progress towards agreed upon goals and objectives, and your contribution to the organization. It will also allow you to identify attributes you feel need development to increase your professional effectiveness.

Please keep a copy of this form for use during the appraisal review discussion and for future reference.

Part – I: Business Goals and Accomplishments:

Comment on your role in achieving your business goals and objectives:

- A
- B
- C
- D
- E

Part – II: Professional Development:

In light of your progress towards business goals and your contributions to the organization:

1. What do you consider to be your three biggest strengths?

- A
- B
- C

2. What attributes should you develop to enhance your professional effectiveness?

- A
- B
- C

3. What skills and attributes are currently under-utilized which you would like to put to greater use?

- A
- B
- C

4. What are your long-term career goals in the organization?

- A
- B
- C

5. What training, other job experience (s) and/ or management support would help you reach your goals and improve your effectiveness?

- A
- B
- C

Signatures:-----

Date:-----

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