

A Performance Management Policy Model for Romanian Banks Employees

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Abstract

Banks employees are one of the most important resources available to it. The need to invest in this resource is becoming stronger in the current conditions where the workload is high and the stress is a word used particularly by employees to describe their work. The overall aim of the performance management policy is to establish a high performance culture among Romanian banks employees in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills. Specifically, performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviours (expected to be). The main objective is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available.

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Introduction

Human resources motivation and professional development are indicators reflecting, in a long term, the organization health. Managers admit that the preoccupation for professional development of human resources is the most appropriate way to ensure the sustainable success of business (Popescu et.al, 2011).

Performance management can be defined as a systematic process for improving business performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and

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individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

The purpose of the Performance Management Policy is to establish a shared understanding about what is to be achieved and an approach to managing people and processes in a way that increases the probability that it will be achieved. The Performance Management Policy will seek to: describe the steps of the Performance Management process; present the roles to be undertaken in the process; present the elements taken into account when evaluating people performance and present the implications of the results obtained within the Performance Appraisal session.

This policy can be developed by the Human Resources Division and approved by the Management Committee and the Board of Directors. But, the responsibility of over-viewing the Performance Management process lies with the Human Resources Division, while the day to day implementation is within the responsibility of line, middle and top management in their role of direct managers, with support being offered from the Human Resources Division. In terms of applicability, the policy needs to be applicable to all Head Office employees who have been employed within the bank for at least nine months and to all Agency employees who have been employed within the Bank for at least three months.

Employees in special situations, such as during notice period, after a disciplinary action being conducted in the past 12 months; returning from a longer leave (for example maternity or hospitalization) within the last 12 months, do not qualify for that year's Performance Management process.

The Supervisory Structure and the Key Risk Taking Employees (as defined by NBR regulations number 18/2009 and 25/2010) must be subject to a dedicated policy.

The performance principles must be governed by the principles and requirements set by National Bank of Romania's Regulations number 18/2009 and 25/2010. (Savu, I.F., 2011)

1. Roles and Responsibilities

This Performance Management Policy must establish, in the first place, the roles and responsibilities for each part involved in the evaluation process: the Human Resources Division, the assessors and assesses. The Human Resources Division has the following responsibilities:

- ensures that all employees receive a Performance Management System training;
- ensures distribution of evaluation forms to all employees enrolled in the Performance Management System;
- collects and archives all documents generated by the process;
- conducts the statistical processing of the data resulted from the evaluation process;
- gives answers to all claims received from employees in regards to the unfolding of the Performance Management System process.

The assessors have responsibilities such as:

- participate in the assigned Performance Management System trainings;
- prepare and conduct appraisal sessions with the employees within their supervision;
- set new targets for the coming period for the employees within their supervision and suggest ways to achieve them;
- prepare development plans for the employees within their team;
- monitor and sustain individual performance.

The assesses have the following responsibilities:

- participate in the assigned Performance Management System trainings;
- participate to the appraisal sessions as requested by Management;
- take the necessary actions, as suggested from the feedback received from the direct manager, to improve their performance.

2. Performance Management System Components

The Performance Management Process will comprise:

1. Setting up the performance standards and levels
2. Monitoring, controlling, and sustaining individual performance
3. Appraising individual performance
4. Implementing the consequences of the Performance Appraisal session.

2.1 Setting Up Performance Standards and Levels

For the purpose of this policy two groups of employees are defined:

Head Office = formed by the employees on the positions of all divisions and/or related departments as per the Functioning Regulation and organizational chart in place. (Budu, I.F., 2009)

Agency = formed by the sales and operations staff of the territorial units: Agency Manager/Agency Head, Relationship Managers of various business lines and operations staff.

Employee's performances will be evaluated taking into consideration categories such as: performance objectives, tasks and responsibilities derived from job descriptions and competences required in the job. Regarding performance objectives, those are established 'top-down' on the hierarchy, through discussion between manager and his/her subordinate, considering subordinate's potential, authority and resources available to the subordinate. Performance objectives have the following characteristics:

- derive from the objectives of the employee's department, NOT from those of his/her manager;
- support the achievement of the employee's job mission;
- are set for a determined period of time;
- are SMART, namely:
 - Specific of organization or person: it is estimated that this objective can be achieved by the organization's or person's available resources and within established authority limits;

- Measurable: a set of indicators of achievement is related to this objective;
- Ambitious: this objective contributes significantly to the achievement of department's objective;
- Realistic: it is estimated that this objective can be achieved by the specific organization or person with the available resources in a given period of time;
- Defined in Time and space.

Performance objectives are evaluated using achievement indicators (also called Key Performance Indicators) that define the expected level of individual performance and they are a set of parameters that once measured at the end of the period indicates the extent to which the objective was (or was not) achieved.

Tasks and responsibilities based on the existing job descriptions are fine – tuned by the employee's direct manager, depending on the structure and functioning of the specific department/division. Those are changed periodically, in relation to changes in processes and structure and employee's development.

Competences required in the job reflect the employee's capacity to undertake certain tasks and the Bank values. In order to be instrumental, each competence will be defined by measurable (observable) behaviours and will be separated in two categories:

- general: defined for all employees or for groups of employees (e.g., client orientation),
- managerial: defined for people managing people, on two levels (i.e., middle and top managers).

In Head Office, performance objectives are derived from the Balanced Scorecard of the organization and cascaded to sub level structures (i.e., division and department), the performance objectives form the basis of the evaluation of each division and their employees; objectives are set based on their importance for the business and the Key Performance Indicators used for measuring success in reaching the Performance Objectives are given a target value and a deadline. Based on the tasks and responsibilities included in job description, each Head Office employee is allocated with a set of performance measures derived from that. Considering the knowledge, skills, and attitudes required for performing the job, each Head Office employee is presented with a set of competences which will be included in the evaluation. Competences are derived from the values of the Bank and reflect common requirements for the employees. To ensure objectivity and relevancy, the employees' competences are measured by direct manager (n^*+1) and validated by the direct manager's manager (n^*+2); where $n^*=$ employee.

In Agencies, performance objectives are based on the business objectives of the Bank for the coming period, a set of key performance indicators are set for the coming year and are broken down on a quarterly basis. Objectives are weighted based on their importance for the business (i.e., max 35% of the total 100% is allocated to one objective) and a performance threshold is set at a defined level (%) of target. The Key Performance Indicators used for measuring agencies employees'

success in reaching the Performance Objectives are given a target value. Based on the tasks and responsibilities included in job description, each agency employee is allocated with a set of performance measures derived from that. Considering the knowledge, skills, and attitudes required for performing the job, each agency employee is presented with a set of competences to be included in the evaluation. Competences reflect the values of the Bank, common requirements as well as job specific ones and specific competences are set for the managerial role. To ensure objectivity and relevancy, the competences are measured by at least two assessors, (i.e., direct manager and functional manager).

2.2 Monitoring, Controlling and Sustaining Individual Performance

It is within each manager's responsibility to monitor the performance of their subordinates throughout the entire period of the Performance Management cycle and provide them with constant feedback and coaching. Feedback is the process by which one person is informed by another person on how his/her performance is perceived by the latter.

In order to be effective, feedback needs to:

- be provided at the right time, immediately, when refers to the fulfillment of certain tasks, and later, when refers to emotional aspects;
- target behaviours and NOT the personality itself;
- be constructive, i.e. offered with a sincere intent to help.

Coaching is the process by which an employee improves his/her performance, under the guidance of his/her direct manager. During the process, the superior develops coaching competences. To be effective, a typical coaching process includes the following steps:

- Assessing the person;
- Defining personal goals and expectations;
- Developing an action plan to achieve goals;
- Implementing the plan;
- Evaluating progress;
- Providing feedback.

In Head Office, is conducted during the performance management cycle an on-going monitoring and controlling of the achievement of individual objectives, of the fulfilling of the tasks and responsibilities, and development of personal competences. A feedback session is conducted by the direct manager with each subordinate for every significant event to take place during the Performance Management cycle. A mid-cycle evaluation and coaching session is conducted between the direct manager and his/her subordinates to ensure sustainability of the individual performance.

In Agencies, the performance objectives are monitored on a regular basis and evaluated quarterly. Feedback sessions are organized ad-hoc, based on the existing results. Coaching sessions are also organized with the purpose of improving the individual competencies.

2.3 Appraising Individual Performance

The Performance Appraisal sessions aim to provide feedback and build an individual development plan, with a view to improve individual performance for the next period. The sessions are conducted at the end of the Performance Management cycle for both employee groups, head office and agencies.

Two sections are defined within the Performance Appraisal session:

A. Measurement of performance level against desired level;

B. Formulate a Personal Development Plan for the next period based on the outcome of the Performance Appraisal session and the new set of performance standards and levels.

The performance appraisal system uses a combination of Achieved/ Not Achieved and marks rating system for evaluating the levels of performance for each of the components mentioned in 3.1. Performance Standards and Levels.

The Performance Appraisal process is conducted for each of the three components for Head Office employees, and could be based on the following scales:

For the achievement of **performance objectives**:

- 0 – Objective target not fulfilled
- 1 – Objective target fulfilled
- 2 – Objective target significantly exceeded

For the fulfillment of **tasks and responsibilities** assigned based on job description:

- 0 – Task not fulfilled
- 1 – Task fulfilled (i.e., expected)
- 2 – Task exceeded

For demonstrating level of development of the assigned **competencies**:

0 – incipient level (*no competence related behaviour could be observed*).

The employee has little knowledge in this area, and his/her experience does not allow the development of the necessary skills;

1 – developing level (*only some competence related behaviours could be observed*). The Employee has enough knowledge and skills to fulfill his/her tasks and to achieve his/her objectives, but there are arguments that these knowledge and skills could be further developed, to achieve the expected performance level. In certain situations, the employee faced difficulties to identify and solve problems;

2 – developed level (*all competence related behaviours could be observed*). The Employee knowledge and skills enabled him/her to fulfill his/tasks and to achieve his/her objectives, in accordance to the expected performance level. The Employee identifies and solves problems in an effective and efficient way.

The results obtained are calibrated, resulting into a final individual rating for the employee:

A: Performance level much beyond expectations

- All objectives were over-achieved (level 2), mainly due to his/her own efforts.

- Main tasks were over-fulfilled (level 2), mainly due to his/her own efforts.
- All competences are developed (level 2).
- He/she demonstrated initiative, leading to major and relevant results.

B: performance level significantly beyond expectations

- Some objectives were over-achieved (level 2), while others were achieved (level 1), mainly due to his/her own efforts.
- Some main tasks were over-fulfilled (level 2), while others were fulfilled (level 1), mainly due to his/her own efforts.
- Most competences are developed (level 2), while others are developing (level 1).
- He/she demonstrated initiative, leading to significant results.

C: performance level in accordance to expectations

- All objectives were achieved (level 1), under normal conditions of activity; eventually, some objectives were not achieved (level 0), as some negative external factors intervened, although he/she made significant efforts, or some objectives were over-achieved (level 2), due to some positive external factors and not to his/her own efforts.
- All tasks were properly fulfilled (level 1), under normal conditions of activity; eventually, some tasks were not fulfilled (level 0), as some negative external factors intervened, although he/she made significant efforts, or some tasks were over fulfilled (level 2), due to some positive external factors and not to his/her own efforts.
- Most of competences are either developing or developed (level 1 or 2).
- He/she demonstrated initiative, without leading to significant results.

D: performance level significantly under expectations

- Some objectives were not achieved (level 0), under normal conditions of activity.
- Some major tasks were not properly fulfilled (level 0), under normal conditions of activity.
- Most of competences are incipient (level 0).

In Agencies, the Performance Appraisal process is conducted on the basis of four individual stages that corroborate performance objectives with tasks, responsibilities and competences, as follows:

1. The achievements are measured against the targets which were set out at the beginning of the Performance Management cycle and their thresholds. The achieved performance is translated into MBO (Management through objectives) points.
2. A “solidarity factor” is applied at Agency level if the Agency Manager performance threshold is met, consisting into:
 - For the Relationship Managers of various business lines: a number of points added on top of the Individual Performance Evaluation;

- For Agency operations staff: a bonus pool is created and its distribution among operations staff is proposed by the Agency Manager, based on the results of the evaluation of achievements, competences, tasks, responsibilities, and approved by the functional manager and HR Division.
3. The Performance Appraisal process is conducted for the competencies required by agency employees job, and is based on the following scale:
 - 0 – Below expectations (i.e., the employee did not demonstrate the expected behaviours);
 - 1 – Expected level (i.e., the employee demonstrated the expected behaviours);
 - 2 – Exceeds expectations (i.e., the employee demonstrated all expected behaviours and additional ones from the next hierarchical level position).

The final result of all competencies evaluated individually generates a final Competency Appraisal rating as follows:

- 0 – 0.99 – Below expectations
 - 1 – 1.70 – Expected level
 - 1.71 - 2 – Above expectations
4. For Relationship Managers, Managers, based on the evaluation obtained in the competency appraisal, as well as in the appraisal of the tasks and responsibilities, the initial MBO points obtained are adjusted as follows:
 - Below standard achievement of competencies - > a no. of MBO points are deducted
 - Standard achievement of competencies - > no adjustments
 - Above standard achievement of competencies - > a no. of MBO points are awarded.

As a consequence of the results of the performance appraisal, each individual is subject to establishing, together with his/her direct manager, a Personal Development Plan which aims to present the objectives of personal development as well as an action plan for their achievement. The Performance Development Plan consists of:

- Analysis of current status of competency levels (i.e., strengths and weaknesses)
- Personal development objectives (i.e., objectives, performance indicators, targets, deadlines)
- Action plan (i.e., activity, result, start, deadline, resources).

Based on the deadline set for reviewing the competences required in the job and performance objectives, a coaching discussion is organized between the direct manager and their subordinated staff.

2.4 Implementing the consequences of the Performance Appraisal session

Implementing the consequences of the performance appraisal consists in actions such as: rewarding the good performance or developing an action plan for poor performance. Rewarding the good performance will imply the payment of an incentive award that will be conditioned by the performance of the Bank, at national and/or international level. The incentive will be calculated based on each bank Remuneration Policy principles. Based on the overall rating obtained by the employee, all employees with an unsatisfactory score will be subject to a Performance Improvement Action Plan. This is conducted between the employee's direct manager and the employee, after the communication of the Performance Appraisal results, and will consist into specific measures for improving the performance of the employee, that will have to be fulfilled by the person in case. In case that the employee will fail to significantly improve his/her performance during the coming Performance Management cycle, they may be considered for contract termination, based on miss fitting to job requirements.

Conclusions

Performance management is a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures or indicators. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans (Gurjeit, S. 2010). It provides the setting for ongoing dialogues about performance, which involves the joint and continuing review of achievements against objectives, requirements and plans. But it is also concerned with inputs and values. Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion.

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