

Performance evaluation in banking

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Abstract

This is a study to evaluate the performance of employees in the banks. Bank system is a sector that is developed with rapid strides in the recent years, this is why we saw reasonable to study employee performance in this sector as one of the main factors affecting the success of firms in general. This idea is further reinforced by the fact that banks are part of the services sector, a sector in which employee performance is particularly important because of its affect in the performance of the entire organization. In this study we will consider how banks evaluate the performance of their employees and how this effects the employee's motivation and consequently their commitment to the duties. This can be included in the purpose of employee's performance evaluation. As we will see the Human Resource departments of local banks in Albania have applied different structure of procedures and methods for evaluation of employee' performance. However we will see how effective are the actual structures and will describe their efforts for creating a proper correct and effective system for this purpose.

Introduction

Banks have an organizational structure on the basis of which they perform their activity, that definitely helps them to successfully carry out their functions or activities. Having an appropriate and detailed organizational structure helps the progress of the bank as a whole but also in terms of HR in particular. Having well defined duties and clear lines of authority, employees are well orientated at work and they help the organization to achieve its goals without bringing many problems in terms of work organization.

1. Structure that deals with performance evaluation.

Banks are realizing the importance of good HR management and they all have in their structure the HR department. This is a positive element that shows the attention that they pay to their employees. As to HR departments, they may get different names , knowing the importance that was given to various aspects of the HR, for example Raiffeisen bank's HR department calls the HR "Department of HR and Training" which means that this bank attributes a considerable importance within the aspect of HR and trainings in particular.

2. Performance evaluation system

The evaluation of performance in most banks is formally made. This because they have planned, organized and controlled activities, made in order to be observed, measured, judged and to be improved the contribution of the employees in the organization's objectives. Each bank has defined the objectives, criteria and norms as well as its methods and forms according to its nature. So, we can say that banks have a genuine program for evaluating the performance which is published in the employees'

handbook. These systems formalize their appreciation by helping to identify formally issues related to the assessment and this assessment to be ultimately a systematic or regular process for the organization itself. When things or facts are written, processes are carried out in defined periods, they lead to a more accurate assessment of employees than when the process is messy, both on the procedural, timing side etc... As a formal system, both assessors and employees are aware of what they should do and of their responsibilities regarding the evaluation process. Another element that shows the use of formal systems of evaluation is the evaluation form used by almost all banks.

3. Performance evaluation process

The performance evaluation process of the banks which are being studied consists of several stages each of which has its importance and peculiarities. The performance evaluation of employees generally is divided into three phases:

- Starts at the beginning of the year where objectives are defined and tasks that the employee must carry out and fulfill this year.
- The informal evaluation, which deals with the assessment of the daily work of employees. At this stage it is aimed that between employees and managers could be a sincere communication, so as not to cause problems during other periods of assessment. Both interested parties discuss about daily activities at work, difficulties encountered during the accomplishment of their tasks, their latest achievements etc.

- The formal written evaluation of the employees based on their results at work for a period of 1 year or 6-months. This evaluation is related to the results actually carried out with respect the objectives and responsibilities assigned during the period when the evaluation is made.

Such phases are found at Raiffeisen Bank, Credins Bank, National Bank and Tirana Bank while there is no information available for other banks.

4. Purposes of the performance evaluation

The performance evaluation process, by itself, has several purposes that serve the company, in general and workers, in particular. The organization sees this process as a source of information for many decisions or changes related to HR. This is because employees are a resource which we should to invest in order to expect individual high scores that lead to organizational ones. Companies today, especially banks have realized the importance of employees and therefore they have paid more attention to them, which leads to the discovery or to the need of even more specific performance evaluation goals. Furthermore, we should take into consideration that employees claim more and more in terms of working conditions, bonuses, promotions etc.

The performance evaluation purposes which are particularly encountered in banks are intertwined with each other. Based on the discussions with the HR department managers of these banks, these objectives are well studied, because they try to link the performance evaluation process not only with other HR activities, but also with the bank strategy. So, we can say that these banks exhibit strategic elements of human resource management.

As we know, the most common purposes of using performance evaluation are as follows:

1. Decision on salary increase or remuneration (recompense).
2. Decision on employees 'moral reward
3. Decision on a promotion.
4. Decision on labor transfer.
5. Decision on retention or dismissal.
6. Determination of individual needs for training and development.
7. Evaluation of goals achievement.
8. Staff's needs planning needs.
9. Identification of performance problems.

Purposes of performance evaluation that are generally observed in the surveyed banks are such:

- Employees should be fully informed about their achievements in the fulfillment of the assigned tasks.
- This information serves to the improvement of his work in the future and personal skills development as well.
- By evaluating the level of the employees, the bank has real opportunities to determine their training needs.
- The bank creates opportunities to build a more efficient reward system based on the effectiveness of employees' work.

- Through a continuous monitoring we can gather current and real information about the new needs required for the job position.
- It is possible to evaluate the effectiveness of methods of employment.
- Communication facilitates the establishment of right and open relations between the employees and the directors.
- It has been observed that such purposes are common for most banks and particularly for Raiffeisen, Credins, National Bank and Tirana Bank while the NCB, Pro-Credit and American Bank, we did not receive any information.

The performance evaluation purposes as we have mentioned, are numerous and if we divide them according to the context of bank and employees, they can be seen precisely as follows:

Targets for employee:

1. Providing regular information about his official work results.
2. He is able to recognize if his work is satisfactorily performed, if there is progress in it.
3. The employee sees the opportunity for a future career.

Targets for the bank as a whole:

1. Provides standardized data on the outcome of its employees 'work.
2. Undertakes significant steps to increase salaries.
3. Making changes in career plans.
4. Reveals weaknesses and skills to employees.
5. Improves management and qualification methods.

*Information obtained from Raiffeisen banks and the National Bank.

Only for the two banks from which this information is received, these purposes are divided in this way.

We note that banks, despite the different and specific organizational objectives, have almost the same objectives of performance evaluation. This makes us think that, or MHR in the banking market has already created a profile, or managers have not paid much attention to this section and objectives are simply formal.

5. Criteria

The criteria generally used by banks are those of behavior and results, however, there are banks that use personality traits, but they do not represent the majority of banks surveyed. Since the behavioral criteria and results, contain a number of advantages when using them, as stated above, compared to the criteria of personality traits, because we have claimed that personality traits are difficult to be defined, and to be objectively evaluated and difficult to communicate to employees. In terms of personality criteria, we can say that the bank NCB and Pro use such criteria and for both of them we can mention some personality traits which we have noticed in their forms.

NCB uses the following traits:

- Learning behavior
- Willingness to learn

- Way of thinking, acting
- Initiative and independence
- Mental versatility

Whereas ProCredit we can notice the use as a criterion the element of personal ambition. Concerning the other banks, they do not use the personality criteria. So in this line, the use of these two features indicates a positive element of performance evaluation of employees, since these both criteria are important for a more accurate evaluation of employees' performance. Their importance can be seen not only as two separate elements, but they also should be seen as a whole since the results outcome is accompanied by the behavior, which plays an important role.

We can see this in terms of outcome accompanied by a behavior which should be correct because a higher result can be achieved in a short period along with an attitude which will bring long-term damage to the organization.

So, banks focus on these two types of criteria which they express through concrete meters which employees should apply in order to do the best possible and to reach higher levels of results.

Specifically the criteria that are generally observed are mentioned below and they are divided into general and essential criteria for executives. We notice that, in some cases, the criteria are classified according to managers and special employees, from it we can conclude that some of the banks surveyed are accustomed to the employees' evaluation system based on the hierarchy.

The general criteria are:

1. Professional Competence
2. Quality of work
3. Quantity of work
4. Labor relationship
5. Communication skills

The main criteria for managers:

1. Management skills -Ability to plan, organize and delegate work, to lead, motivate and develop staff, to communicate, in order to create a team and maintain a harmonious ambiance at work.
2. Ability to make right decisions and in due time.
3. Ability to be objective in staff evaluation.

*Information obtained from Raiffeisen Bank.

As for the division of these criteria, the general criteria are noted in Credins and Tirana Bank, while for Commercial Bank on the forms that she uses it is observed such a separation in the general criteria and for executives but for these the criteria are stated in other ways. With regard to Popular Bank and American Bank we did not receive any

concrete information about this method of separation of the criteria.

6. Evaluation rates

In general, evaluation rates used by banks are absolute, which means that the performance of employees is compared to certain standards set by the institution. This has its advantages as compared with the relative rates since evaluations are made in an absolute way and not making comparisons among employees which would not result so effective. So, it would not bring a fair evaluation and therefore would not contribute positively to the company's operations. In this regard, we see that banks apply the most accurate and preferable rates.

7. Measuring of evaluation criteria

We can declare that banks involved in this study use qualitative and quantitative items of measuring. Both these types are suitable to a better evaluation of employees when they are well incorporated. However, it is observed that quantitative measuring are more frequent than the qualitative ones, probably because of the predominance of the economic nature of this sector, showing a greater interest for precise measurement of the attained results. We also note that moving toward lower levels of management, the qualitative items of measuring are more widespread than the other ones because of the contact they have with clients. So, for lower levels the qualitative items of measuring are considered more convenient, while for high levels, the quantitative ones items of measuring, due to the fact these levels are of greater responsibility for concrete achievements of the banks may.

8. Evaluation methods used

The performance evaluation method has a considerable importance for the bank using it. The most frequent methods used by these respectively two:

1. Management through objectives
2. Evaluation through levels

Through this study in these banks it resulted that the most common method was rather that of "Evaluation through levels" The banks which have been using this method, have a form that includes a set of criteria which are evaluated on the basis of points and then on the basis of levels set by the bank itself, it is determined which level of performance the employee is.

The method of evaluation through levels that is used by Popular Bank is as follows:

The performance factor	Evaluations				
	Minimum	Low	Medium	High	Maximum
Professional skills					
Quantity of work					
Quality of work					
Labour relations					
Communicative skills					
Correctness at work					

*Information obtained by the Popular Bank.

However, the evaluation through objectives also has a considerable place. Raiffaisen and Tirana Bank are the only ones that use MAO.

The procedure used from these two banks for the performance evaluation is the following: The evaluation of individual performance is made by means of the "Form of Individual Performance Evaluation "(Form HR-7).

This form is completed in close cooperation with employees and the respective leaders, throughout the evaluation period and it will be a transparent process that will allow the most objective evaluation of the employees' performance and a reciprocal exchange of comments and suggestions will be possible for both parties.

The completion of the form starts at the beginning of the assigned period (usually at the beginning of the year) by setting the objectives for the period when employees will be evaluated (section 2). Then, with the consent of both parties (employee and evaluator), the date of the discussion about this performance is set when the leader tells the employee about his performance regarding the achievements the targets set by the institution and highlights the training needs of employees, so that the employee acquires the right skills for the most qualitative performance of his functional duties and achieves the objectives set by the bank. The manager is required to keep accurate records on the results of this discussion because they will be available for the explanation of the evaluation at the end of the period.

When the end of the evaluation period approaches, the employee and the manager, each of whom for the respective part, are required to start the completion (section 3) of the form, giving clear explanations for each evaluation.

These assessments will serve as the base of the scoring evaluation of performance key factors (Section 4). After being signed by both parties (section 4 and 5), the form will be given to the second leader, according to the reporting line in for the firm's organizational structure and final comments (section 6) as well. Then, it will be finally signed by the employee and the first leader, proving that it has been received a copy by both the employee and the leader, whether they agree or disagree with the content.

The original form is submitted to the Human Resources Department as it is a part of the employee's personal file. This document serves as a basis for determining salary change, and it is a documented argument in cases of raising or lowering the employee's liability.

*Information obtained by the manual of Raiffeisen and Tirana Bank

9. Evaluation interview

The Evaluation interview is conducted by Pro Credit Bank; an interview which is conducted after completing the evaluation form, which is called 'Employee's Questionnaire' and it, is completed 2 weeks before the evaluation. Meanwhile, after the end of the interview, the person in charge of this procedure fills in another form where results of the interview are included.

As for the other banks we did not receive any information.

10. Responsible for performance evaluation.

The person who will evaluate performance of employees should have the willingness and the right capacity to do work much better. That person must also have the necessary knowledge, should be able to observe employees while they perform their tasks and he should be able to abstract from personal prejudices so that he could avoid the errors of evaluation.

Regarding the issue of who is the responsible for evaluating the performance of the employees in these banks, in most cases this function is performed by the direct manager of the employee and this is a positive factor as he is able to follow the employees 'work and to evaluate it objectively.

The supervisor is the person who is more in contact with his employees, his subordinates and therefore we think it is appropriate to perform this function.

At the Credins bank it happens differently, the evaluator is the director of the Branch. So, he makes the evaluation of employees. On one hand, this is a positive factor because he is alone in charge of this work and there are no duplications of work dealing with some bank employees' evaluation, but he is a director for each branch. But, on the other hand, he is not able to follow the work of all employees and therefore to evaluate objectively.

11. Evaluation of new employees

We note that in the banks involved in the study, a considerable amount, besides the periodic evaluation of current employees, has also the evaluation of new employees. A special attention is paid to this category of employees by creating specific evaluation procedures for them.

Evaluation of these employees is made within 3 or 6 of their first months of work. An employee is observed during this period to reach the conclusion that he is or is not able to perform properly the work that he is assigned to.

The procedure precisely followed to make the evaluation is as below:

1. The director carefully evaluates the accuracy in the task of the new employee and respects the time in performing tasks.
2. Based on this evaluation, the director suggests if the employee should stay or leave from work. In both cases the decision made by the General Director or the respective member of the Board.

Conclusions

The effective systems of the performance management are an instrument that provides a strategic function by relating the performance criteria to the requirements of internal and external customers.

- The banking system, in general, presents a system that is being consolidated but still needs further improvement.
- We notice that banks, despite their differences and specific organizational objectives, have almost the same objectives of performance evaluation. This makes us think that, either HRM in the banking market

- has already created a profile, or managers of this section have not paid much attention to this part and the objectives are simply formal.
- The typical goals of performance evaluation system used by the banks that we surveyed, are the following:
 - Remuneration distribution
 - Identification opportunities for training
 - Generally, the performance evaluation criteria used by the banks are those of comportment and results. As to the criteria of personality, they are very little observed, so they are very rare.
 - Some banks classify the criteria according to a hierarchical level, but not all do so. This classification is an element that shows the importance that is given to the performance evaluation system, because even the goals of evaluation and performance should be different for different levels of employees based on the characteristics, tasks and different goals of the specific hierarchical positions.
 - Generally, surveyed banks use the methods of Evaluation through Levels and the method of Evaluation through Objectives. The application of the method of Evaluation through Levels shows that banks verify very well the performance evaluation criteria, which is an important element to implement this method. As to the Evaluation method through Objectives, it is an effective method to evaluate the employees' performance as it highlights the objectives to be achieved and how to be applied.
 - As to the evaluation interview as mentioned above, this aspect is noticed only at ProCredit Bank, while in the other banks it has not been noticed such an element.
 - The performance Evaluation is generally carried out by supervisors of the evaluated employees. And this is a positive element as direct supervisor is the right person to evaluate of his subordinates because they are in direct contact with each other and therefore an objective evaluation of the employees' work could be made.

References

Primary research was made in the form of interviews and questionnaires to managers regarding the problems of performance appraisal system used in their banks.

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