EMPLOYEE PERCEPTION OF PERFORMANCE MANAGEMENT PRACTICES IN INDIAN BANKS

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ABSTRACT

Performance management is an integral aspect influencing organizational performance and it is important that the performance appraisal systems of organizations are aligned to achieve organizational objectives. The study is part of an exploratory research work on identifying the different types of performance management practices prevalent among banks in India. The banking sector of India comprises of a large number of Indian Public Sector, Indian Private Sector and Foreign banks. Banks are an integral part of the country's economic environment. The Banking, Financial Services and Insurance (BFSI) sector generates a lot of employment opportunities and is therefore a sector that will benefit from optimal utilization of performance management practices using human resource (HR) analytics. The present research involves identifying the perception of Indian bank employees of different demographic backgrounds about their work environment, performance management systems, frequency of conducting performance appraisals, types of appraisal systems used and outcomes of performance appraisals. The outcome of the study is helpful in identifying the trends of performance management practices across Indian banks, provide suggestions and recommendations to execute better human resource practices involving HR analytics.

Key words: Banking Financial Services & Insurance (BFSI), HR analytics, Performance Appraisal, Performance Management
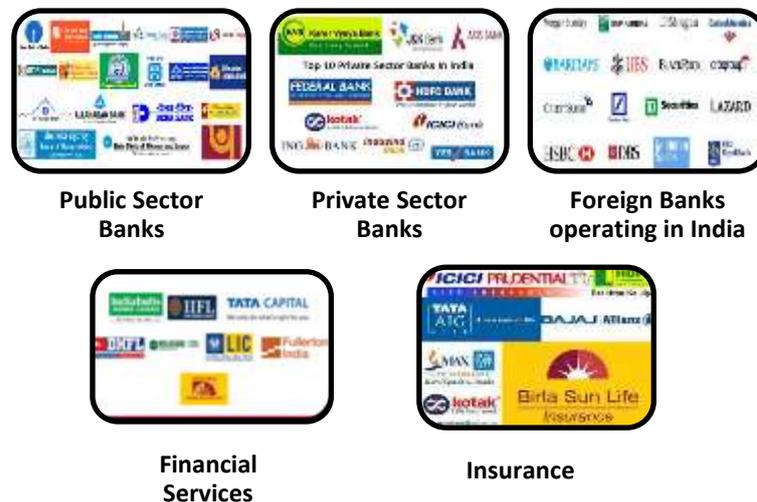
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1. INTRODUCTION

Manpower asset has moved into the center stage of banking in the recent years. The contribution of human resource to the success of banking has been subjected to so much of debate and discussion. This situation has developed as a result of some fundamental change that has taken place in the banking industry. Banking and Insurance sector has witnessed fluctuations in recent years. Between the recession, the subsequent economic recovery and the introduction of newly developed financial technologies, the way people manage their money has shifted dramatically, further changes will be significant phenomena in the years to come. Big disruptions – many of them driven by technology clubbed with deficient internal administration & controls, like frauds surfacing involving many employees at different levels– are poised to rock/squash the banking industry in the very near future. The most important of which is the pervasive and intensive competition that Banks & Insurance companies are facing today. To sustain the competitive advantage, both Banks & Insurance companies, must have a commitment for improvement, innovation & change. It has become very important for the Banks to identify the skills, recruit, take care and also impart training on ongoing basis to improve productivity, innovation and to create conducive environment for personal growth.

Public Sector Banks   **Private Sector Banks**   **Foreign Banks operating in India**

Financial Services   **Insurance**

Figure 1 The Exploratory Study Covers Sectors Like

This makes the role of HRD ever so important in ensuring the success of business. It is increasingly recognized that sound HRD policy of the Banks, Financial Services and Insurance (BFSI) sectors is vital.
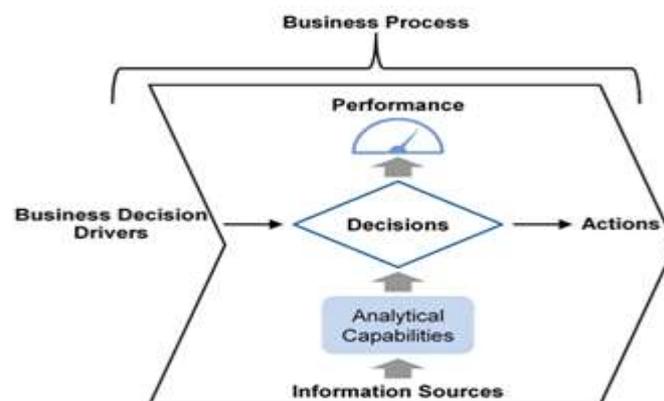
Figure: 2 Workflows of Efficient Unit

2. OBJECTIVE OF THE STUDY

Some of the objectives for the study were as follows:

1. To review the performance appraisal practices of Banks, Financial Services and Insurance (BFSI) .Pilot study has been conducted.

2.To identify the specifications to create a high-performance talent management system focusing on executing motivational strategies and suitable interventions & drivers to execute strategies/practices like reward, recognition and promotion for the next level and effectively imbibe a team culture and encourage leadership qualities amongst the employees in Banking, Financial Services and Insurance (BFSI) sector.

3.To suggest strategies for making the performance management systems more effective.

3. BRIEF REVIEW OF LITERATURE

Various studies have examined the design and implementation aspects of performance appraisal system across public sector, private sector and foreign banks operating in India. Research has been done on the perceived satisfaction level of the bank managers pertaining to the performance appraisal practices viz., PA outcomes in terms of performance improvement and employee development; fairness of PA rating; accuracy of PA rating; providing feedback; explaining rating decisions; and overall satisfaction with appraisal system (Sheelam Jain, 2015). Design and implementation of performance appraisal system and practices in Indian banks across the sectors have been reported to have both strengths and weaknesses inherent in them. On an average, sixty-seven per cent of the bank managers reported being satisfied with the existing performance appraisal practices. Thus viewed, performance appraisal system and practices in the selected banks may be considered to be moderately effective which necessitates a substantial improvement in the systems and practices required. It has been reported across some studies that more women on boards enhance the financial performance of the firms, while across other firms with women representation on the board have a negative or no effects. Participation of women on corporate boards also have been seen to have a positive effect once a threshold level of gender diversity is achieved (Ann L. Owena, 2018). Furthermore, this positive effect is only observed in better capitalized banks. Continuing the voluntary expansion of gender diversity on bank boards are expected to have a value-enhancing role with a strong capital support. In recent years, greater competition in banking industry has been driven by globalization. The growing diversity of customers' demands and technology changes are expected to have a great impact on the management of the bank in order to retain and attract potential customer and investor into the banking industry. However, with the increase in income levels, status and number of bank branches, the bank management is driven to identify banking services to improve their bank performances (Bobby Boon-HuiChai, 2016). Guidelines, techniques, and a general direction in which something is developing or changing on how to use dashboard technology to optimize business performance. Business performance management is new management discipline that delivers tremendous value when supported by information technology. It has evolution, why, what, architecting, cost of deployment, how to build effective metrics, design effective Dashboard screens and criteria for evaluating dashboard products in Employee Performance Management (Eckerson, 2005). The result of a dashboard & a performance chart combination is a performance dashboard. There are two disciplines namely Business Intelligence and corporate performance management, The tactical drivers used are to monitor status of several areas on one screen, graphical view of key metrics, alerts users to exception conditions, click to analyze and drill to details, customized views based on role and personalized views based on interest. Accurate directions are possible with a performance dashboard. Purpose of monitoring is to convey performance, status and trends at a glance for effective information

assimilation. Present business world requires new approaches towards Strategic Performance Management. The wrong approach may lead to dysfunctional behavior and affect performance (Marr, 2006). Three key components of this problem are an incomplete picture of the strategy (the strategy trap), the wrong performance measures (the measurement trap), and the wrong approach towards managing performance (the Performance Management trap). Hence traps need to be handled more diligently. Studies have been done to provide a perspective by capturing some of the more fine-grained aspects of performance measurement and (a) Path for performance measurement, (b) Guide to improve performance appraisal ratings, (c) Definition of performance, and (d) Description of quality of ratings. Across all research interests in the area of performance management it has been found that there is an absolute need to make a detailed study to find out suitable solution for application of analytics on performance management (Kline,2009). The study examined the performance appraisal system of two banks Bank of Baroda and the HDFC. It attempts to study the methods and techniques employed for Performance appraisal. It attempts to study the satisfaction level of employees regarding the Performance appraisal System. It also seeks to study as to how the results of Performance appraisal conducted in these banks are being utilized for Performance Pay and incentives of employees' training need assessment and Promotion of employees.

Case 1 is one of the largest public sector banks owned by government of India. It provides services like Personal Banking, Corporate Banking, Priority portal, Forex, Trade Finance and MSME. It has a network of more than 4500 branches throughout India, in addition to branches in Hong Kong and London. Bank's branches -- including those located in rural areas -- are computerized. The modernization of all branches allows the bank to offer its customers networked ATMs, telebanking, internet banking, and debit/credit card services. Bank's lending focus is on agriculture, retail, housing and infrastructure loans. Other services include asset management and factoring. The financial institution is 73% owned by government of India. Size:10000+employees,Type-Public sector, Industry- Banks & It is more than 45 years old Public sector Bank. Case 1 Organization review rating is PA system, will be analyzed on Current employee's feedback in three sections i.e., Recommendations, Positive outlook and finally pros and cons for present and prospective employees in terms of talent management, compensation and retention policy.
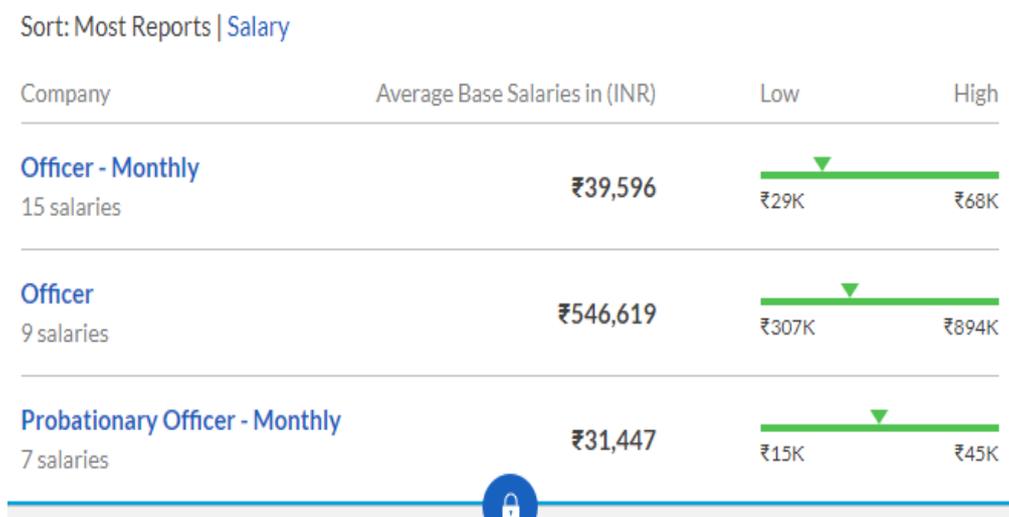
Figure: 3 Average Salary Report till 2017 of Public Sector Bank

Source: www.glassdoor.co.in

Case 2 is private sector scheduled commercial bank operating in India. It has a network of 310 branches and 515 ATMs in the country It offers products to individuals, small and medium businesses, rural banking and mid corporates across the branch network. The Bank has presence in 19 States and 3 Union Territories. Bank's products and services range from loans for Small and medium enterprises and Mid Corporate customers, Loans for individual needs such as home loan, loan against gold, commercial vehicle loan and small business loan. Agriculture & Inclusive Banking. Bank Savings Accounts provide attractive value such as cash back option and personalized account number. The Bank is active in the online and digital banking space with - instant mobile banking, SMS banking, tele banking. Number of employees are 4979 as on March 2017.

Case 3 To make the harmony and standardization possible in the banking industry, The research team had personal interview with HR Manager with this public sector bank. In the personal interview questions on what the goals and objectives of the bank was asked. HR Manager explained that they believe to initiate and institutionalize globally sustainable HR Practices. They have strategies to suit the modern customers to undertake renewal. They see the benefits of performance-driven culture and always exciting work place for employees supports intellectual growth and creativity so as to create business leaders for present and future needs. Recruitment and Selection in this bank, can recruit select group of personnel with required skill, students from graduate/management schools .This has led to the improvement of these banks' operation. Training and Development: This bank can provide on-the-job training programs for employees at the supervisory level & induction training programs for entry level to maintain the bank's Competitiveness. Performance Appraisal in banks use their performance appraisals for the administrative purpose such as for pay revision and promotion, which help emphasize teamwork, creativity etc. other than interpersonal or managerial & technical skills.

- Employee Involvement and Job Security: bank employee's involvement and provide job security.

- Employee relations: bank creates a healthy among employees. People oriented Deployment, Promotion and selection policies:

- HR Resourcing policy, Promotion policy for officers, Transfer policy for officers, promotion policies for clerical, Overseas selection policy,

- Talent identification & grooming programmes: SEED (Self efficiency and effectiveness development), Customized Leadership development programmes.

- Employee performance management system. Idea online etc Role-change programmes and executive development programmes.

There are some beneficial inputs received during the discussion. With the objective of bringing an organization wide performance culture in the organization, hitherto uncovered employees in the Clerical and Sub-Staff cadre brought in under a new performance appraisal system. To take care of the Bank's requirement in different specialized areas like IT, Treasury, HR, Marketing & Sales.

4. RESEARCH METHODOLOGY

Perform analytics and forecasting to make smarter and appropriate decisions, accurately measure efficiencies and identify management "blind spots". The answers for these important questions regarding workforce productivity, the impact of training programs, identify potential leaders and prediction of workforce attrition require in-depth study and analysis of contemporary performance appraisal systems in the domain.

Exploratory research design was used followed by conclusive research design using descriptive research with cross-sectional research design. Primary data was collected by using questionnaire for surveying different bank employees. Secondary data for the present study was collected by reviewing literature pertaining to the performance appraisal system in the banking and financial services domain.

5. PROBLEM STATEMENT

The human resources division of banks have to identify potential leaders and predict workforce attrition, thus the study and analysis of performance appraisal system prevailing in the banking sector has been found to be important, In this regard, the problem statement may thus be stated: To identify the perception of Indian bank employees of different demographic backgrounds about their work environment, performance management systems, frequency of conducting performance appraisals, types of appraisal systems used and the outcomes of the performance appraisals. The outcome of the study is helpful in identifying the trends of performance management practices across different Indian banks; provide suggestions and recommendations to execute better human resource practices involving human resource analytics. A questionnaire as a part of primary data containing twenty-four questions has been distributed on performance management practices in Indian banks based on which some action plans for performance management for the BSFI sector has been suggested as a digital innovative initiative. Analytics is the key pillar of talent strategy in the organization.

6. RESEARCH DESIGN

Through in-depth interviews, focus groups, projective methods, case studies & pilot studies approach is followed. A structured questionnaire was used to collect data. Apart from questionnaire, sources such as mission statements, annual reports, letters, proposals, progress reports and other internal documents were used to collect relevant data of the BFSI sector. Information was also collected about the strategies and composition of bank employees; the nature of the human resources department and the nature of human resources management (HRM) practices that involves recruitment, compensation, performance appraisal, training, managing attrition and retention. Outcome of such studies are expected to equip employers to customize performance centric strategies for Career-based Performance Management by nurturing leadership. mission statements, annual reports, letters, memoranda and other communiques, proposals, progress reports and other internal documents were used to collect relevant data. The interview data was analyzed. On an average the interviews lasted for one hour. The main issues examined during the in-depth interviews are: The organization - its activities, strategies and composition of employees; nature of HR department; and nature of HRM practices: recruitment, compensation, performance appraisal, training, attrition and retention. As promised to the case organization, their real names are not disclosed. A Pilot study was conducted before the final implementation, based on which suggestions and recommendations to execute improved human resource practices. In the following sections, the methodology of the study, the analysis of the data, conclusions and discussion have been provided. The sampling technique, size and tools used for the measurement have been given in detail, followed by the analysis of the data and the conclusions of the study.

Some of the variables that were of interest in the study were about execution of Performance Appraisal (PA) process, frequency of performance appraisal, the different types of appraisal instruments, communication of final ratings, explanation regarding reasons for the given rating, providing feedback regarding the results of PA, uses of the outcomes of PA, information regarding setting standards for employee at work, key pillars of talent strategy in the organization, understanding the extent to which there is a disconnect between how

employers and workers feel about compensation, finding out if the pay scale of the company is considered as transparent, finding out if employees feel that they are paid well, enquiring if employees feel interaction between Managers and Employee is positive and productive and finding whether the relationship between manager and employees is great. Some of the other variables that were considered important were about Key Performance Indicators (KPIs) and if they are explained to the employees and finally finding out if the employees are adequately motivated to work in their respective organization.

7. DATA COLLECTION

In this study Public Sector Banks, Private Sector Banks, Foreign Banks operating in India Financial Services Insurance (BFSI). In the Pilot study the questionnaire was sent to twenty-five respondents across the Public Sector Banks, Private Sector Banks, Foreign Banks operating in India Financial Services and Insurance (BFSI) .Targeted employees, highest qualification Post Graduates, from 18 years to 70 years. After understanding the tenure of association with present organization with current designation time spent in the organization studied if the bank employees are familiar with the appraisal system of their organization. Employees Performance appraisal policy, execution of PA process, frequency of performance appraisal, type of appraisal instrument. Further, Communication of final rating, explanation regarding reasons for the given rating, is providing feedback regarding the results of PA, Use of the Outcomes of the Performance Appraisal, standards for employee at work set. Key pillars of your talent strategy in organization are and if is there a disconnect between how employers and workers feel about compensation and if the organization pay scale transparent. In the process efforts were made to understand if the employees perceived that they were well paid, if managers and employees have great relationship, if the KPIs were explained to employees and finally getting to understand if the employees of the organizations are motivated to work in the organization. Employee's feedback in three sections i.e., Recommendations, Positive outlook and finally pros and cons for present and prospective employees in terms of talent management, compensation and retention policy. The objective is to build a model that may predict workforce attrition. So, in-depth study and analysis of Performance Appraisal System prevailing is conducted in BSFI. Employee turnover within an organization can also be measured in a churn rate, as it provides a method for analyzing the organizations hiring and retention patterns. This can be especially helpful if overall employee longevity within an organisation is low. When statistics are examined on a department by department basis, it can highlight which particular departments are experiencing more frequent turnover within the organisation. Churn calculation, prediction and prevention. Churn or employee attrition is the phenomenon where, employees no longer want to stay in the organization. Churn rate or employee attrition rate is the mathematical calculation of the percentage of employees who are not likely to stay in the organisation. Importance of predicting employee churn is the ability to predict that certain employee is at a very high risk of churning, while there is still some time to do something significant about it, itself represents a great additional potential revenue source for any organisation. It's a fact that acquiring new employee is an expensive and risky affair but losing an excellent performing employee will cost even more for the organization. The Churn rate calculation may be stated as the Customer Churn Rate being a product of No. of Employees lost/Total no. of Employees (Period) x 100. For example, if ten employees were acquired annually who are Rs 100 worth of goods and service, over 3 years at 0% churn rate, firms are expected to be mobilising (Rs100 X 10) + (Rs100 X 20) + (Rs100 X 30) = Rs6000 worth of value. The application of this formula for one employee iteration is simple, however, it is more complicated when you have to calculate employee churn over multiple time periods. However, things get more complicated when churn rate kicks in. Now let's take an average business churn rate of 30%

and suddenly you have (Rs100 X 10) + (Rs100 X 17) + (Rs100 X 21.1) = Rs4810. Thus, the employee churn cost the organisation Rs 1,190, which over 3 years costs the organisation about 20% of overall revenue. This lost revenue due to employee churn is called revenue churn.

Organisations spend a significant sum of money in acquiring, but very less focus goes into ensuring that manpower continue to make repeat performance to achieve the goal and objectives or exceed the goals. Some experts even suggest that more focus needs to go into higher retention and lower churn rate as an organisation grows. Higher churn has a visibly negative impact on organization for the following reasons as well. Cost of acquiring new employee is significantly higher than retention costs. Existing employees, when satisfied are an excellent source for brand promotions through the organic spread of "word of mouth". In other words, they become your brand promoters and recommend your brand to others, thereby increasing your overall base without you having to spend more on acquisition. Thus, for any organisation to make incremental profits, it is critically important to have a low churn and high employee satisfaction rate. Besides analyzing churn by the cohort report, churn can be analysed by observing behaviour. It is required to observe a certain behaviour pattern of using certain features or completes a certain action and determines its impact on the churn, may decide to focus on features that need improvement to reduce employee churn. It is required to also focus on making the already existing features better to retain employees.Performance Management (PM) is a part of business intelligence (BI) involved with monitoring and managing an organization's overall performance. Whereas BI takes care of key performance indicators (KPIs) such as revenue, return on investment (ROI), overheads and operational costs.

8. FINDINGS

It has been found that there is a need to focus on motivation and effectiveness in (PA) systems. The selection, planning and delivery of performance management model is done keeping in mind the operational measures, financial & market based condition and completely linking internal process along with encouraging learning. Key Performance Indicator, Employee churn calculation, prediction and prevention is solution found in the process for data-driven decision making.

9. INTERPRETATION

The results indicate that private sector bank employees report greater presence in our country. In the pilot study, it was observed that 6 candidates with HIPO (High Potential employees) i.e., total of respondents with highest qualification having association with the current organization for more than 6 years who are familiar with formal appraisal system and aware of execution of performance appraisal system state that online as well as manual Performance Appraisal is followed. However, HIPO recommends Annual appraisal (we suggest Half-Yearly is best fit for BSFI). Preferred instruments of appraisal suggested by respondents are Structured 360 Feedback, Weighted Checklist Method, Self-Appraisal & Management by Objectives, also, the communication of final rating, through personal interview and email in holding higher count in this survey. It makes more sense if explanation regarding reasons for the given rating with a detailed feedback to employees regarding the results of individual performance can be shared. Best portfolio recommended in this study is the outcome can be made use for promotions, for salary increment, for bonus/ cash reward, for identification of training needs, for identification of strengths and weaknesses of the employee. The standards should align Individual goals with corporate Strategy, Branch Manager, HR Manager should be completely involved in the process, to promote a culture across the organization that

supports team work, respect for others, and achieve excellence and continuous improvement. This process strengthens, if employers and workers feel positive about compensation, pay scales are transparent, finally paid well backed by continuous interaction between Managers and Employee, which are positive and productive. Hence, sign of great relationship is most highlighting KPI to reduce employee churn and to track the Net Promoter employee Score.

10. CONCLUSIONS

Bank management can monitor and review an employee's work objectives and overall contribution to the organization. In this phase a collaborative effort involving managers and employee will yield desired results. Thus, a linking process will be developed between employees; his/her job role, job description, work plan and finally achieving the goals, objectives and strategic plan of the Banks & creating a high performance environment at work place. Some of the ways to reduce employee churn using simple ways may be to track the Net Promoter employee Score: Net Promoter employee Score not only helps you identify your loyal (Promoters) but also the dissatisfied ones (Detractors). The churn may be reduced by tracking the NPES score. The Churn Effort Score (CES) is helps in deriving insights on employee efforts. Lesser the Churn effort score, the better is the HR service perception. With better HR service employee churn ought to be lower. It was also found that asking employee's appropriate questions can help to get the right feedback that will ultimately help in making informed decision / timely changes thus reducing the number of dissatisfied employees. Keeping loyal employees happy is also an important aspect as loyal employees will have suitable reasons to remain associated with the brand. Loyal employees not only contribute to returns but also suggest their family, friends and business associates to the company. Offering loyalty or reward points, birthday/anniversary rewards are also important employee motivational tools. Providing an exceptional work environment and valuing work experience and knowledge along with integrity, sincerity can help nurture and develop subordinates to grow into higher roles. Aligning individual goals with corporate strategy and creating a highly-skilled internal talent pool was important. Breaking down Information Silos and developing collaborative environment is likely to create a pay-for-performance culture.

It was important that the branch manager and the HR Manager should know their employees. Branch heads are expected to act as a liaison for both management & employees. KRAs (key result areas) are allotted on an yearly basis to know the strength of the employee as also to enhance knowledge in different jobs, and planned transfers on regular basis into different branches or departments are expected to expose employees to varied job risks. Job related skills, team spirit, performance levels need to be monitored. Motivating employees to achieve their goals, remembering to name the performance management may be done keeping in mind the operational measures, financial & market based condition and completely linking internal process along with encouraging learning. Human capital shall be conducting Performance Management Training, which may be conducted across all branches and locations and can cover all to ensure fair communication of the process. Lastly, employees and their respective supervisors are expected to conduct the performance discussion in a meaningful & objective manner. Thus it is essential to create a strong performance culture that will provide sustainable benefits for the company.

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