

BA (Hons) in Human Resource Management

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**An exploration of Performance
Management within the Financial Services
Sector considering the current global
financial crisis**

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**A dissertation submitted in partial fulfilment for a BA (Hons) in
Human Resource Management**

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Declaration

I hereby certify that this material, which I now submit for assessment of the programme of study leading to the award of B.A (Hons.) in Human Resource Management is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work

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Abstract

This project is an exploration of performance management within the Financial Services Sector taking into consideration the current global financial crisis. The recent financial crises has had a severe impact on all financial institutions and on economies across the world and I hope this research will provide information and feedback on current trends and underlying problems, which will be of help to these organisations. The research is intended to find out what are the major challenges in performance management in the current environment, how are these challenges being addressed by financial organisations and what strategy is in place to comply with the minimum competency requirement legislation.

The study will review current literature and will cover areas which are considered to be relevant so that recommendations can be made. I hope to explore performance management best practice, identify how it is been carried out in various organisations and identify opportunities where it can be improved upon so that organisations can make the most of their opportunities to expand their business and return to profitable organisations. For the research I have used quantitative and qualitative methods to collect primary data with a questionnaire based survey sampling employees of 5 organisations operating within the financial services sector. I have also followed up with interviewing four individuals who have substantial experience and service in four major banking institutions and obtained their views, opinions and beliefs about challenges in performance management and for their organisations in the present climate.

Having gained an insight into the views, opinions and perceptions of staff working within the financial services industry on performance management and how it is carried out within their organisations, I will analyse performance management feedback to identify any underlying problems. I would like to enhance the ability of the financial services industry to address problems identified through this research and to propose solutions for the industry for the future. I would hope to give suitable suggestions and recommendations to help resolve some of these issues as organisations try to work through the current crisis and return to successful organisations.

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INTRODUCTION TO LITERATURE REVIEW

1.1. Introduction

Over the past year the banking sector has gone through huge uncertainty and change with organisations trying to maintain their market share and ensure they remain a viable business. All organisations need their employees to be creative, innovative and committed to ensure their business survives in the current climate. One tool of management, which could add a significant contribution to the business is a good performance management system. Organisations which develop its employees through good performance management will see the benefit of increased competitiveness and improved motivation.

Performance Management is how the organisation outlines its expectations to its employees, it communicates its organisational goals and ensures employees are working towards the same objectives. It provides a system which identifies training and development opportunities and performance review and reward. If performance management is carried out correctly it promotes fair and equitable treatment of employees and enhances the organisations reputation as a good employer. This contributes positively to the psychological contract employees have with their employers and improves performance and job satisfaction. The psychological contract deals with the employees' expectation to be treated in a fair and equitable manner and encourages higher performance on a discretionary basis.

1.2. Purpose of Dissertation

The purpose of this project is to explore performance management within the financial services industry and to provide an insight into the views, opinions and perceptions of staff working within the industry on performance management in their organisations. The project also takes into account the forthcoming minimum competency legislation which requires banks to ensure that those who sell regulated products to customers are qualified to do so. This will have a huge operational impact on the banks and how they do business. The motivation for this topic has come from the recent financial crisis which has had a severe impact on all financial institutions. The project attempts to provide an insight into how performance management is carried out in practice and to obtain the perceptions of staff themselves during this

difficult time in the banking history. The aim of the project is to identify the current trends and to understand how the problems banks are facing impacts performance management in their organisations. I decided to conduct research with the intention of providing information and feedback and which will help underlying issues. I will give suitable suggestions and recommendations to help resolve some of these issues as financial institutions try to work through the current crisis and return to successful organisations in the near future.

1.3. Statement of Research Problem

Having worked in the financial services sector for over 15 years and through the phenomenal financial turmoil over the last few months, the regular news and media broadcasts and the global impact of the financial crisis, it is reasonable to consider that performance management within the financial services organisations needs to be explored and researched. There is evidence of certain challenges and problems with the performance management in the financial services industry at present and it is my intention through this research study to make a contribution to the area of performance management and to provide some reliable information on this subject.

“until recently financial performance, measured in terms of outperforming one’s peer group, has been used as the key indicator of high performance. But this one dimensional view of high performance is one that is being questioned, as more and more stakeholders expect organisations to adopt a much broader perspective on high performance.”

(Evans, C. 2009 p.14)

A variety of evidence shows performance related pay systems have contributed in some part to the financial crisis and that there are certain challenges and practices that need to be explored and addressed. The need for change was outlined by John Hurley, Governor of The Central Bank & Financial Services Authority of Ireland in a recent speech to ACI Ireland on ‘Restoring Stability to the Banking System’, when he stated that “the restructuring of remuneration packages is another important issue related to risk management practices, and the re-alignment of incentives to prioritise long term sustainability above short-term profitability is necessary”. (Central Bank, 2009).

It is necessary that senior management and those in control in making change in the financial services industry are informed about the current practice of performance management to enable them to make correct decisions and changes to policies and practices. It is my aim to do research which will identify and provide some contribution towards providing information about performance management from the perspective of the employees working in the industry.

1.4. Research Questions to be answered:

1. What are the major challenges in performance management in the current environment?
2. How are these challenges to be addressed by financial organisations?
3. What are the implications of the minimum competency requirement legislation?

1.5. Objectives of Dissertation:

The most important objective is to explore performance management in place within the various institutions which operate within the financial services sector and to identify how performance management can be used as a management tool to help senior management lead their organisations through these difficult circumstances. It is my intention to find out what are the main factors, to analyse performance management feedback, to identify any underlying problems and to enhance the ability of the financial services industry to address problems identified through this research and to propose solutions for the future.

1.6. Justification and Rationale

Historically, organisations maintained their competitive advantage through use of resources such as individual products, technology or economies of scale but in highly competitive markets this is becoming more difficult. However, skilled, experienced and motivated staff can still be a major source of competitive advantage for organisations. "People, not companies, innovate, make decisions, develop and produce new products, penetrate new markets, and serve customers more effectively". (Roche, W.K. 1998 p.416). The Psychological contract is the unwritten contract of employment and can be a major contributor to the overall success of the organisation

in retaining positive and highly productive employees. In the banking sector uncertainty and change is happening on a daily basis and people and how they are deployed is increasingly important.

Branch staff need to be supported in dealing with customer concerns and the many business issues arising daily. The branch staff are the front line of the organisation and deal with the banks' customers on a day-to-day basis. This is where the sales and revenue of the business is generated and in the present circumstances organisations need to focus on revenue, maintaining their customer base and the repeat business their customers need. Many financial services organisations now operate a flat structure and the need for flexibility, adaptability and a quick response to change in today's market is vital. Staff need to upskill and retrain regularly to add value to the organisation. Performance management of staff at the operational and front line level in the Bank needs to be managed well and this is something financial organisations cannot afford to get wrong.

1.7. Delimitations

Research involved questionnaire based surveys and interviews with employees from six organisations operating within the financial services sector; five of these organisations are main stream banking organisations and one finance bank which provides finance to corporate businesses. All operate with an Irish banking licence and are regulated by The Financial Regulator. Employees working for the finance bank do not have to complete the QFA examinations or comply with the minimum competency requirements as they only sell to corporate customers. In some instances staff declined to complete the survey stating that they were uncomfortable in the current business environment to provide feedback. Feedback responses between organisations varied with one organisation providing 17% of responses, two more at 7% and 8.5% and three organisations contributing with 2.5%, 2.5% and 1.5% of responses received.

Overall, I obtained 78 replies to 200 surveys sent which was a response rate of 39%. Where I received a low response rate for the surveys for an organisation I tried to interview an employee to obtain more information. In total four employees were interviewed from four different banking organisations. It was not possible to

correspond responses with the different sections in the various organisations as I would be unable to establish how many employees are employed in the different sections of the organisations surveyed.

1.8. Definitions

Performance Management

“Performance management incorporates that part of management which by objectives philosophy emphasises the importance of goal-setting and feedback – reviewing performance in relation to agreed objectives” (Armstrong, M. 2000 p.368). Performance Management is how organisations outlines its expectations to its employees through setting objectives and development plans and carrying out feedback and measurement.

Performance Related Pay

“Performance management processes can also be used to produce ratings which govern the distribution of financial rewards in a performance-related pay scheme” (Armstrong, M. 2000 p.367). Performance Related Pay operates whereby the grade for the job is decided based on job evaluation and job description. The performance of the individual is evaluated against agreed targets, customer service standards, measures and objectives for training and career development and a ranking given which determines the pay increase awarded.

Minimum Competency Requirement

The Financial Regulator, who regulates the financial industry in Ireland, introduced a basic competency framework that sets minimum competency standards for regulated entities. This is to ensure that their staff members who provide advice on retail financial products, who sell retail financial products or who undertake certain specified activities on their behalf have obtained these competencies and continue with a programme of continuing professional development (CPD) on an ongoing basis. (Financial Regulator, 2009)

1.9. Outline of Dissertation:

The study will review current literature and will cover all areas which are considered to be relevant so that a recommendation can be made. The literature review will take a look at the different theories relating to performance management. I intend to explore performance management best practice, identify how it is been carried out in various organisations and identify opportunities where it can be improved upon so that organisations can make the most of their opportunities to expand their business and return to profitable organisations.

The methodology chapter looks at the methods of research that I have carried out whilst doing this study as well as looking at the present philosophy in the subject area. In this chapter I will also describe the sampling, collection of information and the data analysis. Finally I will present the results of the research taking into consideration the demographic analysis of the people surveyed and their perception of performance management in their organisations. I will offer conclusions and recommendations as a result of the information analysis taking into account the review of the literature and the results of the primary information received.

RESEARCH ISSUES - LITERATURE REVIEW

2.1. Introduction

The aim of the literature review is to provide a background into the area of performance management. It provides the reason for research by outlining what is already known and identifies any gaps in literature. Organisations in the Financial Services sector analyse their strategic position and make sensible courses of action depending on what is happening in their business environment. The most important goals and objectives are prioritised and can come from the mission or vision of the organisation.

Objectives break down the goals and make them easier to understand. Managers focus the attention of employees on what the organisation is trying to achieve by using systems such as performance management. This ensures everyone is working towards the organisation achieving its business strategies and organisational goals. Performance management involves taking into account both the people of the organisation and the business objectives to be achieved. Without a proper performance management system in place management are only monitoring numbers and managing figures and having too narrow a focus. For organisations to be successful good performance management is important however it is also necessary to recognise that poor performance management also has consequences for organisations if not carried out correctly.

According to the Banking, Insurance and Building Societies: Employment and Earnings Report, June 2007, there was 59,500 people employed in the financial services sector. (Central Statistics Office, 2009). The sector is a fundamental part of the overall economy of the country as it provides the flow of money from investors to companies and back into the public finances through taxes from wages. Over the past year the banking sector has gone through huge uncertainty and change and all resources of competitive advantage are important as competition is now more and more intense. Financial services organisations are trying to maintain their market share and manage their business towards reverting back into profitable organisations.

2.2. Definition of Core Terms

2.2.1. Performance Management

Performance Management involves setting objectives, outlining development plans, carrying out feedback and finally measuring performance at the end of the year. The objectives which are set should be derived from the objectives of the organisation so the most important goals and objectives are prioritised and are likely to be achieved.

“Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organisation.”

(Aguinis, H. 2007 p.22)

In order that the performance management system is successful it is vital that managers clearly outline to their employees what is expected of them, how this will be measured and what to do to achieve the set objectives. It is also necessary that managers have regular discussions with their staff to provide regular updates on progress. Performance management needs to have the input of both employee and manager, the goals and objectives agreed by both parties and then reviewed regularly for progress. Sometimes individuals may require the opportunity for improvement if they appear to be behind on achieving the goals. This is why regular communication and reviews on progress are important.

“It is about sharing expectations. Managers can clarify what they expect individual and teams to do; likewise individuals and teams can communicate their expectations of how they should be managed and what they need to do their jobs”.

(CIPD, Website 2009)

Performance Management should treat each person as an individual, take the whole person into account and ensure both organisational objectives and personal objectives are catered for. The review should include the training and development needs of the

individual and a career plan. It should also be clear to the employee what reward will be available on achieving the objectives which have been set.

Armstrong and Barron define performance management as

“a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisation performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved”.

(CIPD Website, 2009)

When setting performance objectives, managers need to take time to decide what motivates their employees. The manager should try to have a balance between organisational and personal objectives and outline clearly to their employees what is required and expected. Performance management includes setting organisational goals and objectives, identifying training needs and development opportunities, regular appraisal and feedback and finally performance review and reward.

Advantages of Performance Management

Organisations which develop its employees through good performance management ensures the organisation gets the best performance and capabilities from its employees. Performance management also ensures that the individual goals and objectives are matched with those of the organisation enabling its strategic objectives to be achieved. Employees have the opportunity to provide the organisation with feedback and time is taken to discuss the learning and development needs and career planning of the employee. Implementing a performance management system also results in indirect advantages such as increased motivation, job satisfaction and loyalty, better insight and relationships with employees and better cooperation in times of organisational change. According to CIPD

“performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behaviour and contributions.

(CIPD Website, 2009)

One of the most important aspects of performance management from the individual staff members point of view is that it facilitates employee development and progression and career planning.

Poor Performance Management

When performance management is not managed or when implemented badly the result will have a number of negative consequences to the organisation. It can result in a committed and hardworking employee becoming upset and angry and the employee may disconnect from the process or from the organisation. With all organisations trying to ensure they stay in business management cannot afford the consequences of poor performance management at present. All organisations need their employees to be creative, innovative and committed to ensure their business survives. Poor performance management can result in the organisation experiencing increased staff turnover, demotivation, increased job dissatisfaction and employees feeling they have been treated unfairly. All of these have a direct cost to the organisation in terms of productivity and damages the relationship employees have with the organisation.

“Performance management is essentially based on human dimensions, and its success is closely linked with how organisations create opportunities for wholesome growth and development of employees in the course of attainment of organisational objectives and strategy.”

(Kohli, A.S. & T. Deb 2008 p.64)

It is important for managers to realise that poor performance management can result in employees becoming disconnected and demotivated in their job. As competition is so intense and the economic climate uncertain, the signs of increased job dissatisfaction and demotivation across a substantial number of employees poses a real business threat to the survival and success of any organisation in the present climate.

2.2.2. Appraisal

The performance appraisal is the formal review of the individual performance. The appraisal process and one to one meetings are used to manage staff performance,

communicate business objectives and manage performance and development. Organisations should have guidelines for performance management and the appraisal process. Each staff member should have a role profile and be given the appropriate behavioural competencies for their position. Performance appraisals should occur regularly throughout the year and identify what has been achieved and what still needs to be done.

“Performance expectations should be objective and data oriented, and should be designed to allow employees to count, rant or rate their progress on a regular basis so that they can make adjustments as needed.”

(Kohli A.S.& Deb T. 2008 P.232)

A regular performance appraisal means that there is regular communication and feedback with the opportunity for guidance and help where necessary. It also ensures the manager has knowledge where progress is at throughout the year. Goals and objectives should be clear and specific so that employees know how they contribute to the goals of the organisation. This eliminates any surprises or negative feelings from employees about being treated unfairly at review. “What matters is that the parties involved should agree what constitutes desirable norms, and how they will be measured and rewarded.” (Harrison, R. 2000 p.247). Appraisal and continuous feedback should be carried out through regular team meetings, one to one meetings and yearly appraisals.

Performance management aims to ensure the best and most effective use is made of the appraisal process and of employees. Managers are required to have clear role descriptions for employees and to make time for formal reviews which incorporates employee development. The objectives and targets set each year for branches are normally stretching and difficult to achieve with various reward systems to reward staff and encourage good performance.

Employees require to have some control with opportunities to develop, to be able to learn new skills and to have a career plan in place in order to remain motivated at work. “What is demotivating for employees is an excessive focus on control, and abuse of the power to control.” (Harrison, R. 2000 p.247). Also the type of

management style a manager adopts over their employees has a significant impact on the employees' job satisfaction and performance.

“Performance Analysis - Analysing a job-holder's performance can be classed as a technique in the sense that it should reveal any problems being experienced or likely to be experienced in reaching required performance standards; typical faults encountered in the work and how to deal with them; and other valuable information.”

(Harrison, R. 2000 p.275)

The one to one meetings identify what training or additional help may be required. It is very important that managers receive training in carrying out performance reviews, appraisals and how to manage people as the reviews should identify any problems the employee may experience.

2.2.3. Reward Systems and Performance Related Pay

Reward systems attempt to link the performance of employees to the pay they receive. The objective of reward systems linked to performance is to have a system whereby good behaviour can be encouraged and rewarded in monetary terms with poor behaviour discouraged.

“Reward management refers to the process of formulation, implementation, maintenance, and communication of strategies and policies with the purpose of rewarding people fairly, equitably, and consistently in accordance with their relative contribution to the organisation and to help the organisation achieve its objectives.”

(Kohli, A.S & T.Deb 2008 p.303)

Most financial institutions have incorporated some system of performance related pay. Performance related pay operates whereby the grade for the job is decided based on job evaluation and job description. A development plan is devised for each staff member including agreed targets or objectives, customer service standards objectives, training and career development objectives and finally measurement for rewards such as bonus or salary increase. The performance of the individual is evaluated and a

ranking given to each individual, such as: unsatisfactory, satisfactory, good, very good, and excellent. Ranking criteria is based on performance evaluation and determines the pay increase awarded.

Many banks use a variety of means to reward staff in recognition of work well done. In addition to salaries, quarterly bonuses are sometimes paid based on the branches performance and customer satisfaction survey results. There can be on-the-spot awards used to recognise good work done, staff can be nominated for ovations which are reward vouchers for exceptional performance, good customer service, to promote a product campaign, or staff can also be nominated for achievers events which are awards night to celebrate high performance. Flexible work design is available with part time, flexible and personalised hours and continuous learning is strongly promoted with financial support, rewards for achieving exams and paid study leave.

2.2.4. The Psychological Contract

The Psychological contract is different from the legal contract of employment which sets out terms and conditions of employment, remuneration and basic rules which govern the relationship. The psychological contract deals with the employees' expectation to be treated in a fair and equitable manner and security of employment so that the employee can commit fully into the relationship with their employer. Employee's career expectations and opportunities to grow and learn and trust and fairness in management are all very important in terms of the psychological contract with employees.

“People want to work in an environment of trust and respect, where they can have fun and develop relationships with others, and do meaningful and interesting work. People also want to balance their work and home lives.”

(Aguinis, H. 2007 p.248)

It is also necessary to recognise that pay, although important, does not motivate the performance of employees. Employees are motivated to work by many other factors

and for this reason most banks use additional means of providing various awards to staff in recognition of work well done.

2.2.5. Minimum Competency Requirements

The Financial Regulator, who governs the financial industry in Ireland, has introduced a basic competency framework that will set minimum competency standards across all financial service providers. This regulation is called Minimum Competency Requirements and came into effect on 1st January 2007. The legislation now requires banks to ensure that all staff who are involved in selling regulated products are qualified to do so. At present staff fall into 3 categories – they are either qualified, grandfathered in their existing role or studying towards qualification. Qualified Financial Advisers have passed the examinations and standards required whereas grandfathered staff are limited to selling products for which they had relevant experience at 1st January 2007. Any existing staff who were not qualified or grandfathered by 31st December 2007 have until 1st January 2011 to complete the qualification. New entrants to the bank have four years to complete the qualification from the date they joined the Bank. Qualified Financial Advisers and Grandfathered staff are required to undertake continuing professional development each year comprising of both formal hours and informal hours and must complete an annual return.

As part of the research into the minimum competency requirements I carried out an exploratory pilot telephone interview with a senior executive who manages the minimum competency requirement strategy for her bank. This interview was carried out on 10th February 2009, see Appendix 2 for full details. The organisation had 1453 staff in the branch network at that time with 1241 staff eligible to sell. There were 234 fully qualified and 734 working towards qualification and 274 staff in a grandfathered role. There were 211 staff not eligible to sell which are the main focus. The Bank was mainly concerned with staff who were not eligible to sell. In particular the 22 staff who were working towards qualification and had not re-registered to sit another exam were considered high priority as there was only five more sessions to sit exams before the deadline of 31st December 2010.

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The implications for branch staff are that those who are grandfathered can carry out duties within their role only and cannot act up or stand in for staff in another role as they would not be qualified. The QFA qualification is part of learning and training and organisations can manage this strategy in their performance management systems. The minimum competency requirement strategy is part of the performance management process as it is a regulatory requirement for the Bank and is therefore an organisational objective. It is also closely linked to selling and as an organisational objective it incorporates the sales and revenue needs, and the flexibility and adaptability needs for organisations in the financial services sector for the future.

2.3. Themes identified during literary review

2.3.1. The Current Environment

The events over the last year have highlighted the fact that the financial services sector and banking in general plays a crucial role in the overall economy of the country. The implications of the financial crisis have affected countries across the globe and it is necessary to review systems which have been in place in the financial services industry which may have contributed to the crisis the industry now finds itself in. According to Christina Evans in a recent article in the People Focus CIPD Magazine called *Shaping the Future* she identified a problem within the financial service industry as follows:

“Pursuing short-term financial gains at the expense of developing organisational capabilities to thrive in the future, or overlooking employee well-being, is not consistent with current thinking on sustainable high performance”
(Evans, C, 2009 p.14)

It is necessary that appropriate changes be made in terms of how organisations in this industry operate and are regulated. According to Larry Broderick, IBOA Union General Secretary, media release on 9th October, 2008 “The narrow focus on the short-term maximisation of shareholder value and the culture it generated is precisely what caused the current difficulties throughout the global financial services sector.” (IBOA website, 2009).

2.3.2. Objectives and Targets

As this has been particularly difficult during a year with huge financial uncertainty ongoing, it has had a serious effect on business in general. With regard to performance management reviews, little consideration is given to the effect changes in the marketplace has made on employees ability to achieve their objectives and targets. People are not necessarily in control of whether they can meet their goals and objectives as the business environment for organisations has been in turmoil and has dramatically influenced performance on every level. "The problem is that we don't recognise that performance isn't under the control of each individual, but depends on the individual working within a system"(Bacal, R 1999 p.123). Since setting objectives at the beginning of the year, business needs and objectives have changed dramatically.

Objectives have become out of date and irrelevant because of the constantly changing environment. Employees feel the performance process no longer has relevance as more and more is expected of them. To deal with this problem managers need to have regular communication with their staff to ensure that employees remain committed, motivated and understand the needs of the organisation. Objectives will have to be changed to take into account developments in the business environment and agreed with employees. Employees are motivated by factors such as career development, job enrichment or job enlargement and personal development plans are a significant part of the whole process.

2.3.3. Pay and Reward

It is important for organisations to take into account that in any workforce there will be differences in performance. Sometimes focusing on outstanding performers can mean the contribution and reliability of the competent employees can be overlooked. The huge bonuses and salaries reported over the last year in the media is in contrast to employees rewards which according to Larry Broderick of the IBOA, "the many thousands of staff working in the financial services sector who have made a substantial contribution to the profitability of these institutions in return for modest rewards." (IBOA, 2009). According to the Central Statistics Office report on Banking, Insurance and Building Societies: Employment and Earnings, June 2007, the

average weekly earnings for employees was €888.34 per week. (Central Statistics Office, 2009). It is evident there is huge inequality over pay in the financial services sector with senior executive pay levels increasing much higher than that of employees. According to a recent report by Joe Brennan in the Irish Independent "Finance Minister Brian Lenihan pledged yesterday to place 'proper controls' on the salaries of staff at banks covered by the €440bn state guarantee scheme". (Irish Independent, 2009).

Financial institutions have been cutting costs because of the huge losses last year and in many cases have opted not to pay profit sharing, bonuses and implemented wage freezes for employees. However this has resulted in unrest and dissatisfaction amongst the trade union and many employees whose bonuses are modest and part of their terms and conditions of employment. "If a company opts to scrap its bonus system, it is liable to find it has to raise its salaries to retain staff and that is a fixed cost". (Phillips, L 2009 p.10). This has not been the case and the IBOA which is the Bank Officials union has been in dispute and mediation over many issues with regard to pay and terms and conditions with many of the banks in recent months as various commitments have not been kept.

2.3.4. Pressure and Stress

Whilst organisations wish to drive performance and maintain high performance from its employees this is difficult to achieve in the long term. Employees will become unwell with stress and burnout and be unable to achieve this level of performance on an ongoing basis.

"One likely reason for this increase (work related stress) is that work has become more intense in recent years. Economist Francis Green has identified a number of factors contributing to this trend, including competitive pressures being passed on to employees, the decline of union representation and power and the growing use of incentives linking effort to pay."

(Willmott, B 2009 p.23)

Also employees need to have a work/family balance and management need to take this into account. In times of recession some senior management can operate too

much control and develop systems of micro management whereby they are standing over employees and implement systems to control everything the employee does. This again can prove problematic to organisations in terms of performance management as it negatively effects the job satisfaction and psychological contract that exists between employees and their employer.

Practices are often not aligned and department heads can be pulling in different directions for example senior management focused on profits and competitiveness whilst front line management must deal with staff, flexibility, sales, and the development and motivation of employees. "If there is too much pressure on the employees to perform, then it is going to cause stress among the employees" (Kohli, A.S 2008 p.308). Within the financial services industry managers driving sales are in conflict with managers driving control of lending with both areas putting pressure on branches to ensure both areas are satisfied, which again causes stress. "Higher level of stress is negatively associated with job satisfaction" (Kohli, A.S 2008 p.308).

Management can make mistakes in performance management which can have unanticipated side affects such as too much focus on measurement of performance ie the number of sales per week can result in branches achieving many sales however they may not be to the company's overall benefit. Other factors to consider are the paperwork involved, labour and the return to the organisation. Sometimes performance management and appraisals can be difficult with both parties having different perceptions on what is important. "Tying pay to performance appraisals tends to put the manager and the employee on completely different sides: the manager tries to control spending, while the employee tries to get more money." (R Bacal, 1999 p.163)

Excessive focus and pressure on sales numbers can result in other fundamental aspects of the business being neglected such as customer service. It can also result in the output of some employees being undervalued because their work is not given much attention. It is important to recognise that, in turbulent times, competent, experienced and reliable performance which provides excellent customer service to customers is vital to ensure existing customers remain loyal to the company. Control

and customer service are vital aspects of the business for financial services organisations and which have been overlooked with the drive for sales in recent years.

2.4. Conclusion

In the present climate it is vital that senior management in financial services organisations have leadership and strong management attributes. To ensure the performance management system is successful it is vital that managers clearly outline to their employees what is expected of them in terms of performance. With all organisations trying to ensure they stay in business, management cannot afford the consequences of poor performance management at present. Whilst organisations wish to drive performance and maintain high performance from its employees this is difficult to achieve in the long term.

Another significant factor for financial services organisations to manage is the requirement for banks to ensure that all staff who are involved in selling regulated products are qualified to do so. This is regulated by the Financial Regulator with minimum competency standards set for staff selling regulated products. These employees are required to have the relevant qualification and undertake continuing professional development each year. The Financial Regulator has the deadline of 1st January 2011 for financial services organisations to ensure that all their employees selling products are qualified to do so and this represents a vital business objective for organisations to meet.

Management should try to have a balance between organisational and personal objectives as there are fewer promotional opportunities with employees required to be more flexible and adaptable. Most importantly, financial services organisations need to have better communication channels to portray to employees what is required for the organisations for the future, provide employees with the opportunity to give feedback, and have systems in place to have feedback evaluated and acted upon where it can contribute positively to the organisation.

RESEARCH METHODOLOGY

3.1. Introduction

Methodology is the system used to collect information and analyse the data received. "Having a general familiarity with some of the philosophical issues and arguments about the process of research" (Fisher, C 2007 p.7). Outlined in this section is the methodology used and the research strategy and reasons for selection. I chose both quantitative and qualitative methods in order to get an in-depth view on the beliefs and opinions of employees within the financial services industry on performance management. Also contained in this section is a description of the sample population and how the primary data is collected and analysed. The research carried out was to obtain the views and opinions of staff working within the financial services sector to explore the performance management practices within their various organisations.

3.2. Research Problem and Literature Review

The information I require to examine is performance management in the financial services sector and the impact of the minimum competency requirement taking into account the additional challenges of the recent turmoil in the financial services industry. I intend to identify if there are any trends, which the surveys and interviews may highlight and which could be useful for organisations to work through the current difficulties. A Pilot test was carried out on the survey questionnaire and the interview questions. I also gained feedback from staff regarding the study support in place for the QFA examinations and obtained this information from the questionnaires.

3.3. Data Collection

I chose both quantitative and qualitative methods in order to get an in-depth view on performance management. The quantitative data was collected through a survey questionnaire distributed amongst five organisations within the financial services industry and dealt with yes and no answers to questions. The quantitative data is easily measurable and factual whereas the qualitative data focuses on the experiences of the individual and aims to understand the meanings of their answers. (Fisher, C 2007). The qualitative data was collected through semi structured telephone interviews and during which interview notes were taken. Immediately afterwards the interviews

were transcribed and follow up phone calls made to clarify any discrepancies. This was all primary data in that the information was collected directly by me first hand.

Secondary data includes research gained mainly from using the library, newspapers and articles in professional periodicals, which have been written on the subject in recent months. I researched on the Internet, which provided background information on many of the organisations involved. All these were used to add to the literature review and ensure the research was both comprehensive and thorough. The research carried out was to obtain the views of staff working within the financial services sector and to explore the performance management practices.

3.4. Research Methods

3.4.1. Survey Questionnaire

Research included questionnaire based surveys conducted and distributed among staff in various financial institutions. I considered this to be the best method available to conduct research across a wide range of employees in different organisations. People surveyed include a cross section of staff through various levels in their organisations and with varied lengths of service. These employees are knowledgeable about their own organisations performance management practices. The first section highlighted general information in the questionnaire about the participants themselves and the second section in the questionnaire asked about their organisations performance management system and their views on the Qualified Financial Adviser requirements. The questionnaires were pre-coded which means tick box type. "The pre-coded ones have lots of tick boxes for respondents to fill in" (Fisher, C, 2007 p.161). There was also a section for the participants to add additional comments at the end. Purpose of study and confidentiality and consent was discussed with all participants prior to completing the questionnaire.

Advantages of Survey Questionnaires

The advantages of using questionnaires to collect research on performance management were that they could be distributed to various financial institutions and to

a large number of people by post, email, fax or hand delivered. This enabled information to be collected relatively cheaply from a large geographic area. No appointment was needed and the respondents had time to complete and think about their answers for the questionnaire. There was additional lines allocated at the end of the questionnaire for the respondent to add their own comments. Questionnaires are easy to compare and analyse and enabled a lot of data to be collected. (Fisher, C 2007). The questionnaire was piloted prior to distribution in order to reduce errors occurring.

Disadvantages of Survey Questionnaires

The disadvantages of questionnaires for research on performance management was a medium response rate in this case 39%. Sometimes respondents can use questionnaires as a tick box exercise without thinking about the questions being asked. Questionnaires are time consuming to prepare and send out, with a lot of time wasted waiting for completion and return. (Fisher, C 2007). Questions have to be kept clear and simple and no assistance or clarification can be given to respondents if needed. Sometimes there is a problem with incompleting questions or fully-incompleting questionnaires. Care needs to be taken not to bias the respondents' replies with the wording of the questions. "Survey items should provide an appropriate range of options and the working of the item itself should be made to be as free of value judgments as possible" (Church, A & Wacławski, J, 1998 p.60).

3.4.2. Telephone Interviews

Research was also carried out by semi structured telephone interviews. It was necessary to speak and collect the information from the staff themselves to get their experiences and opinions. I selected four participants of the survey for follow up interviews, discussed the purpose, confidentiality, obtained written permission beforehand and arranged a suitable time for the interview. Each participant works in one of the main banks in Ireland and include a cross section of levels in their organisations ie Area Office Manager, Business Banking Manager, Assistant Manager and Senior Bank Official. Research was collected in this manner to get more detail and compare the views and experiences of employees from different financial services

organisations on performance management. Primary data was collected by note taking during the interview and participants were assured their responses were confidential and anonymous. This ensured respondents were encouraged to discuss their feelings and opinions at ease. Following the interview, having taken notes the interview transcripts were written immediately with any gaps clarified with a follow up phone call that day.

Advantages of semi structured telephone interviews

The advantages of carrying out telephone interviews to collect research on performance management was that it was convenient for both respondents and myself, relatively cheap to carry out, the interview took approx 30 to 45 minutes each to do and it meant that geographic location wasn't a problem. The telephone interview enables the researcher to probe deeper and the interviewer can be flexible with the respondent in terms of time and what the respondent wishes to discuss. (Fisher, C 2007). The telephone interviews were semi structured which meant the interview was focused with a set of questions which I asked, however the respondent was free to give as much detail as they wanted on the topic discussed. At the end of each interview the respondents were given the opportunity to add anything else they wished to discuss or felt was relevant. They enable the researcher to take account of changes in tone of voice or hesitations on behalf of the respondent, which would indicate emotion regarding particular topics and can be probed deeper. (Fisher, C 2007). The telephone interview was pilot tested beforehand to reduce errors occurring.

Disadvantages of semi structured telephone interviews

The disadvantages of carrying out telephone interviews to collect research on performance management was there is the need for a pre-arranged time with respondents and they are time consuming to prepare, carry out and transcribe. The interviews followed a basic set of questions and can be difficult to analyse and compare. With telephone interviews the respondent has little time to think about their answers and the researcher is unable to see the respondent to take account of facial expressions or body language, which would be beneficial. (Fisher, C 2007). Again

there is the possibility that the interviewer can bias the respondents' responses by agreeing on the subject and I took care to avoid this.

"Be careful in the use of non-committal nods and utterance (often no more than an 'Uh-huh'). They might seem non-committal to the researcher but they may convey to the interviewee that the researcher agrees with the interviewee's point of view"

(Fisher, C 2007 p.170).

Sometimes respondents can be embarrassed or demonstrate reluctance to answer questions which are personal to them and the interviewer has to manage and control the interview and keep the interview flowing.

3.5. Links Between Research Problem and Methodology Methods

The purpose of this project was achieved through the questionnaire based survey which consisted of 33 questions based on the main areas of performance management planning process, job descriptions, feedback and service, information gathering and monitoring, business strategy, performance, performance improvement, reward, career planning, appraisal, one to one reviews, and the minimum competency requirement with a section for additional comments from employees from five different organisations in the financial services sector. The aim of the project is to identify the current trends and to understand how the problems financial organisations are facing impacts performance management their organisations. Current trends were identified through the questionnaires and the telephone interviews.

The research questions which I wish to be answered are; what are the major challenges in performance management in the current environment?, how are these challenges to be addressed by financial organisations? and what are the implications of the minimum competency requirement legislation?. These questions were researched through the telephone interviews with employees from four of the main banking organisations.

3.6. Validity and Reliability

I sent out 200 questionnaires to 5 main stream banks and one finance bank, all of which operate under the financial services category, have an Irish Banking licence to operate and who are regulated by The Financial Regulator. Of the 200 questionnaires, 40 sent to each company, 78 questionnaires were returned which is a response rate of 39%. People surveyed included a cross section of staff through various levels in their organisations with varied lengths of service and no specific selection criteria was used. I interviewed employees from four large banking institutions and again included employees from a cross section of positions and sections. I also included managers who have experience carrying out performance appraisals for their employees and obtained their feedback in this regard.

Questionnaires:

There were 200 surveys which were distributed by hand, email and through the post. The participant ratio was 39% with 78 surveys returned and completed. Some surveys were returned without having been completed and these were not included in my figures. All participants' work in various sections in the financial services sector and a prior consent was sought before the surveys were handed, emailed or posted to the individuals. Participants consist of both male and female of a wide range of ages and across various grades in their organisations with various lengths of service. The sections within financial services included respondents from the retail branch network, commercial, business banking, finance and leasing and international with the locations being in Kildare, Dublin, West Meath, Tipperary, Limerick and Kilkenny.

Telephone Interviews:

From the surveys I interviewed four employees who work in four of the large banking institutions in Ireland. Again these employees have varying lengths of experience working within the financial services sector and are from a cross section of positions and sections. Prior permission was sought from each participant and agreement received to part take in the telephone interview, that notes would be taken and that the interview transcribed and analysed for the purpose of the dissertation. An appropriate time was allocated and each interview took between 30 and 45 minutes in length. Immediately following the telephone call time was taken to transcribe the information collected and a follow up phone call made if there was any questions.

3.7. Ethical Issues

Prior permission was sought from individuals completing the questionnaire and the telephone interviews. The purpose of study, confidentiality and consent was discussed in full with all participants prior to completing the questionnaire.

“No one should be a participant or a source of information in a research project unless they have agreed to be so on the basis of a complete understanding of what their participation will involve and the purpose and use of the research”.

(Fisher, C 2007 p.64)

With regard to the survey the need for confidentiality was an issue with some participants. This was addressed through having the interviews and surveys anonymous and explaining exactly what the information was being used for beforehand. In some instances staff declined to complete the survey stating that they were uncomfortable in the current business environment to provide feedback. This is reflected in the response rate of 39%. There was no reference to gender/age/racist based questions and care was taken not to influence or bias respondents in both the questionnaires and the telephone interviews.

3.8. Summary

The information I required to examine was performance management in the financial services sector and I chose both quantitative and qualitative methods in order to get an in-depth view on this subject. The people who contributed include a cross section of staff through various levels in their organisations. Secondary data was gained mainly from using the library, newspapers and articles in professional periodicals, which have been written on the subject in recent months and also researched on the Internet. All these were used to add to the literature review and ensure the research was both comprehensive and thorough. This was the best available method to collect primary data. This report does highlight issues within performance management which are significant regarding the impact of the financial crises and the effect this is having on staff in the various organisations.

ANALYSIS OF RESEARCH

4.1. Introduction

This section deals with the results of the primary data collected through the questionnaire based surveys and interviews conducted with staff across various financial institutions and of various grades. The first section contains the results of the questionnaire and the second section contains the results of the interviews. The purpose of the research was to provide an insight into the performance management systems within the Financial Services sector. Also outlined in this section of the dissertation is an examination of the responses to the questions asked regarding the different parts of performance management.

4.2. Results

The breakdown of the demographics of the employees surveyed can be seen from Appendix 3. The survey respondents worked in various sections with the financial organisations and mainly consisted of the Retail Branch network - 37 respondents (47%), Commercial - 8 respondents (10%), Business Banking - 13 respondents (17%) and others which included finance and leasing and international – 18 respondents (23%). From the total of 78 replies, 39% return rate, one employee omitted to indicate any personal information and their details are not included in the following figures. 28 respondents (36%) male / 49 (63%) female. 16 respondents were manager level (20%), 7 Assistant Manager/Customer Adviser grade (9%), 25 Bank Official grade (32%), 7 were Business Executives (9%) and the remaining 23 were other grades in their organisations (29%). The age of respondents was not completed by everyone however the majority are aged between 25 and 45 years of age. Length of Service was the next category with 27 respondents (35%) with less than 5 years in their organisation, 22 respondents (28%) with service of between 6 and 11 years, 4 respondents (5%) have service of between 12 and 17 years, 10 respondents (13%) with services of between 18 and 23 years and 14 respondents (18%) with service of over 24 years with their organisations. The majority of respondents work 5 full days a week ie 69 respondents (88%).

It was not possible to correspond responses with the different sections as I would be unable to establish how many employees are employed in the different sections in the

organisations surveyed. Breakdown of answers summarised on Appendix 4. Percentages are calculated on the number of responses to each question with some questions having a number of respondents who did not answer that particular question. In this case I have included this figure under the heading unknown.

4.3. Survey Questionnaires

Planning Process

Q.1: I know what my section's business/team plan contains?

Q.2: I contribute in the development of my section's business/team plan?

The majority of respondents knew what their section's business/team plan contained as 27% strongly agreed and 64% agreed to this question and 24% strongly agreed and 62% agreed that they participate in the development of their section's business/team plan. This would indicate that both the planning of business/team plans and the communication of same is well carried out in financial organisations.

Job Descriptions

Q.3: Our job descriptions state the outcome expectations in the job?

A high proportion agreed with this question with 14% strongly agreeing and 62% agreeing that their job descriptions stated the outcome expectations in their job. However 18% indicated neutral and 6.5% disagreed with this question.

Feedback and Service

Q.4: My organisation is informed on service delivery through customer feedback and consultation?

21% strongly agreed and 58% agreed that their organisation is informed on service delivery through customer feedback and consultation. Most financial institutions operate mystery shoppers and use companies who carry out independent surveys to get their customers feedback and are well informed on service delivery and customer satisfaction.

Information gathering and monitoring.

Q.5: My organisation has systems in place to gather relevant information to monitor progress against the business/team plan and central targets?

Q.6: My section monitors progress against business/team plans on a regular monthly basis?

Q.7: My section gathers and uses appropriate information to improve services?

77% agreed that methods for monitoring progress takes place and is progressed against business/team targets. 78% agreed progress is monitored on a regular monthly basis and 76% felt their section gathered and used the information to improve services. This would indicate that progress is well monitored and systems are in place to ensure that focus is on achieving the business/team plan objectives and targets.

Business Strategy

Q.8: All areas/departments/sections are pulling in the same direction and following the business objectives in my organisation?

Q.9: I believe that for day to day operations in my job there are appropriate levels of control?

4% strongly agreed and 42% agreed that all departments are pulling in the same direction and following business objectives in their organisations. However 27% indicated neutral and 26% disagreed with one respondent strongly disagreeing that all departments were pulling in the same direction. This would indicate that this issue would need to be researched further and possibly not everyone is working towards the same goal. 80% believed that there were appropriate levels of control in the day to day operations of their job with only 8% disagreeing with this question.

Performance

Q.19: Goals are chosen by both managers and the staff involved?

Q.21: Managers in my organisation give regular feedback on performance to individuals?

Q.22: I understand how I contribute in terms of my performance to my sections business/team plans?

41% agreed that goals were chosen by both managers and staff however again there is a high number either indicating neutral (31%) or disagreeing (28%) which would indicate that more work could be done in this regard. 53% thought that their managers give regular feedback on performance however 24% disagreed with this and

22% indicated neutral. 88% of respondents understand how their own performance contributed to their sections business/team plan. These survey answers show that staff opinions vary widely as to how the performance system relates to pay, recognition and career progression, and indicates that more could be done in this area. A large proportion of respondents are either neutral or disagree with aspects which are the fundamentals of performance management in their organisations. However as one respondent indicated in the additional comments *currently there are issues regarding pay within financial services organisations, such as pay freezes, which would affect opinions of employees. Further research in this area would be beneficial.*

Performance Improvement

Q.23: I would feel comfortable giving feedback directly to senior management in terms of improving performance in my section?

Q.27: In my organisation individual poor performance is addressed in my section?

Q.28: In my organisation individual exceptional performance is recognised in my section?

The majority of respondents at 77% felt they could feedback to senior management which is positive with only 10% indicating that they would feel uncomfortable giving feedback directly to senior management. 13% indicated neutral in this question. Poor performance was an issue raised by few participants with 38% selecting neutral, 18% disagreeing and 4% strongly disagreeing that poor performance was being addressed in their section. This would indicate that poor performance was not always being addressed. 42% believed that exceptional performance is being recognised and rewarded with 30% indicating neutral and 26% disagreeing exceptional performance recognition. These questions are particularly relevant as a very high percentage of employees feel comfortable to give feedback to senior management to improve performance, however it would be relevant to know are organisations taking advantage of this, is the feedback being communicated upwards to the relevant people and what is the organisation doing about improving performance with feedback from employees. The employees should have their feedback welcomed and be advised of developments and follow up.

Reward

Q.10: In my organisation I believe that pay and performance are closely related?

Q.11: In my organisation I believe that annual pay increments are clearly linked to the performance of the individual?

Q.12: In my organisation I believe that there are appropriate levels of pay exist throughout the company?

4% strongly agreed and 28% agreed that pay and performance is closely related with 28% indicating neutral and 36% disagreeing and 2% strongly disagreeing that pay and performance are closely related. 5% strongly agree and 22% agree that annual pay increments are clearly linked to the performance of the individual however again a large number indicated neutral 22% with most respondents disagreeing at 42% and 8% strongly disagreeing with this question. 28% believe that levels of pay are at appropriate levels throughout their organisation, 29% indicated neutral, 36% disagree and 6% strongly disagree that pay levels are appropriate throughout their organisations.

Career Planning

Q.13: In my organisation I believe that promotions go to the most competent individual?

Q.20: My organisation uses performance information for career planning?

27% believing that the most competent individuals get promoted, 41% are neutral and 26% disagree with 5% strongly disagreeing. 33% felt that their organisation uses performance information for career planning with 21% disagreeing however most respondents indicated neutral for this question at 46%.

Appraisals

Q.14: I have an appraisal annually, the last one being within the last 12 months?

Q.15: The quality of my annual appraisal enables me to be better at my job?

Q.16: Appraisals are based on objectives which are relevant to my job?

Q.17: Appraisals ensure the staff at my organisation focus on achieving the goals of the company?

Q.18: The appraisal process is trusted by both managers and employees?

76% agreed that they had an appraisal within the last 12 months, 9% indicated neutral and 13% disagreeing the appraisals are regular. 40% agree that the appraisal enables them be better at their job with 32% indicating neutral and 27% disagreeing that the quality of the appraisal helps them be better at their job. 60% agree that appraisals are based on objectives which are relevant to their job with only 15% disagreeing with this question. 56% believe appraisals ensure staff focus on achieving the organisational goals. However on the question of trusting the appraisal process only 33% agreed that the appraisal process was trusted by both managers and employees with 37% indicating neither way and 29% indicating that they do not trust the process. This would be a fundamental part of the performance management system worth researching further as a high number did not state they trusted the process.

One to Ones/Regular Reviews

Q.24: I have regular monthly one to one discussions with my line manager where my performance is discussed?

Q.25: The quality of my regular one-to-ones enables me to be better at my job?

Q.26: I would be comfortable asking my manager how am I doing in terms of performance?

45% agree they have regular one to ones however a high proportion, 36%, feel that one to ones are not been carried out on a regular basis to discuss the employees performance with 12% indicating neutral to this question. 36% of employees do not feel that they help with their job, 28% did not indicate either way and 36% agreed that the one to ones help with their job which shows that respondents have mixed feeling in this regard. 72% would feel comfortable asking their manager how they are doing in terms of performance which is a good indication however 17% indicated neutral and 12% would not be comfortable indicating that some managers would need to be more open to communication and approachable to their employees.

Minimum Competency Requirements and Qualified Financial Adviser Questions

Q.29: The QFA and CPD will help me develop my career into other jobs and widen my skills and experience?

Q.30: I want to do QFA and CPD to improve my performance in my current job?

Q.31: It is a requirement for me to complete the QFA and CPD at work?

Q.32: The QFA requires me to complete CPD annually?

Q.33: The learning materials I have received are appropriate and sufficient to enable me to pass the exams?

Not all employees are required to complete the QFA examination and therefore many are shown in the questionnaires as not answered. 46% believe the QFA will help develop their career with only 15% disagreeing with this statement. 38% indicated that they want to study for the QFA exams to improve their performance in their job whilst 23% disagreed. 60% outlined that it was a requirement to complete the QFA for work with only 18% disagreeing showing that passing the QFA qualification is a requirement for many employees in the financial services sector. 68% recognise the requirement of the QFA certification to complete CPD hours every year and 47% agreed that they were satisfied with the learning materials provided to pass the examinations however 15% disagreed that there was sufficient support in this area.

Additional Comments

Participants made additional comments, mostly in connection with the minimum competency requirements and the QFA exams however two comments gave some insight into performance management and pay. Comments detailed below:

- “The structures around effective performance management exist in my company however my personal experience is the process is not utilised by my manager as per company guidelines”.
- “Q30 and Q33 not relevant as am QFA holder. Questions in relation to pay are obscured due to current climate re pay freezes”.
- “QFA is not required for Banks working exclusively with Corporate/Business market, (I believe)”.
- “It is a requirement to hold QFA qualification and complete CPD however this does not have to be carried out at work and can be done at home or by attending classes outside of working hours”.
- “Already grandfathered so two questions not really relevant”.
- “Assessments for QFA exams are not always even similar to actual exam, should be some way in line with exam”.
- “I find the QFA totally irrelevant to my day to day job”.
- “Given my role, I am not expected to complete QFA/FCCC exams”.

Summary of Findings:

In most organisations the planning process with regard to employees' knowledge, contribution and participation into their team/business plans is well done. Employees are also clear on outcome expectations with regard to their positions as stated in the job descriptions. Systems are in place to obtain customer feedback and consultation and are informed on service delivery. Data gathering and service delivery appears to be extensively monitored with employees believing that their organisations have a clear understanding of where their section is at in this regard. Control is also well carried out with appropriate levels of control in place. Where there are high percentages of employees indicating neutral, I believe this means their organisations are not hitting the needs of the individual in that it could be an indication of apathy, why they do not feel strongly enough to agree or disagree. Alternatively it may be the individual did not wish to indicate what they truly felt about the topic. In some cases the neutral selection may indicate the question may not be relevant to their circumstances such as the QFA exams.

Themes which appear to not be working as well are in the areas of organisational direction, pay, career planning, appraisals and communication. Appraisals happen each year but many feel that they are not helpful and performance management is not carried out as it should be in best practice. One to ones are not always happening on a regular basis and in many cases not helping the employees in terms of their performance or their job. There needs to be a focus on regular communication to employees with systems in place to deliver feedback upwards and feedback to be acted upon. This is particularly relevant in times of uncertainty as this impacts on employee satisfaction and job security. Good performance is being rewarded with participants indicating that they agree with the statement. However there needs to be more consistency regarding annual pay increments with reward more clearly linked to performance.

4.4. Telephone Interviews

The second type of primary data research was done through semi structured telephone interviews. Seven questions were prepared for each interview to collect the participants' views on performance management in their organisation. Full details of

the interviews are transcribed on Appendix 5 with additional information on Appendix 6.

Question 1.

How is performance management carried out in your organisation?

In each case respondents advised that there were good performance management systems in place with reviews and regular meetings taking place every year. In all cases objective setting occurs at the beginning of the year with a final rating awarded at the end of the year.

Question 2.

What are your views on performance management?

This question highlighted issues with the performance management system. Two respondents have outlined that in the present economic climate they can be demotivational as financial institutions are not paying bonuses or rewards due and there is no incentive in times of a downturn. Two respondents highlighted that it depends on the line manager in question. One respondent outlined that reviews are vulnerable to favouritism. One respondent felt strongly about performance management stating that they hated the process but could understand why it was necessary for the organisation. Another issue raised was that in their organisation a grading was awarded depending on whether targets and objectives were achieved with no consideration given to the effort and work done. This is particularly relevant in the present climate where targets and objectives are regularly changing and proving very difficult to achieve.

Question 3.

Is the appraisal process carried out well/correctly in your organisation?

In all cases respondents outlined that whether the appraisal process was being done correctly very much depended on their line manager. Two respondents indicated that the appraisal reviews are rushed or one to ones don't always happen. Another respondent highlighted that sometimes there is conflict in the appraisals with

disagreement on performance however they still believed the process was fair as staff do not have to sign the appraisal if they are unhappy with the review. Two respondents outlined that they believe the goals set are impossible to achieve in the present economic environment and that this can be demotivational.

Question 4

What are the challenges facing performance management in your organisation?

The challenges facing organisations are to have goals achievable in the present circumstances, organisations need to provide training for managers to get it right, staff engagement & people development, the complete focus is on targets and sales being driven needs to be reviewed, staff have to trust and buy into the process however this is difficult when organisations are not paying bonuses or salary increases which is the reward part of the performance management process. Staff feel they are working twice as hard for no return.

Question 5

What would you like to be done differently in terms of performance management?

Proper systems are required to set goals and objectives for every staff member, the input from staff who currently work in each role to provide feedback on the realities of their job, performance management to take into account other aspects of work and not just sales and targets, ratings not to get changed by senior management which makes employees not trust the process, targets to be realistic and achievable with current circumstances to be taken into account. More feedback and communication with senior management and follow up communicated back to employees.

Question 6

Do you think the present economic circumstances has had an affect on performance and performance management in your organisation?

Each interviewer felt that the present economic circumstances has had an affect on performance and performance management in their organisations. Each respondent advised that it is more difficult to achieve goals and objectives, targets and sales are

not realistic and that because many organisations are not paying bonuses or salary increases many staff feel there is little point to the process. More communication is required to ensure organisations keep their employees engaged and committed as one respondent advised it is about survival for organisations and keeping jobs at present.

Question 7:

Is there anything else you would like to add or think is relevant in relation to performance management?

If performance management is done right it is very good and necessary for the organisation. Some people are unhappy with performance management and working in the banks at present. The management is target driven with pressure on staff to achieve sales and targets. Some employees feel performance management is a horrible process and not sure if it makes any difference in relation to promotions. Employees are working harder than ever before and gaining nothing in terms of monetary reward.

Summary of findings:

Participants have mixed feelings with performance management, some respondents feel the system is fair and working well however others have strong feelings of hate of the process and believe it is unfair at present. However, respondents understand and believe performance management is necessary and that the process aims to be fair but there are inconsistencies. With the present difficult circumstances one respondent outlined that this year will be difficult for performance management with employers not adhering to their own policies. Without proper communication and explanation this only erodes the trust employees have with their employer. There is a lot of pressure on employees to achieve sales and targets which are unrealistic and unachievable in the current climate with no reward at the end of the year.

4.5. Current Trends Identified

The first trend identified is that performance management is being planned and the process carried out well in most financial services organisations with the results from the questionnaire indicating that the majority know what their sections business/team

plan contains and that they contribute to the development of their sections business/team plan. From the interviews each respondent advised there were good performance management systems in place with yearly reviews and regular meetings during the year. This is not always the case with one respondent stating he/she would like "people from roles to participate in the goal setting ...but the organisation would not do this as they don't want to know about challenges just to drive performance".

The next trend on information gathering and monitoring, a high majority agreed the questionnaires that methods for monitoring progress take place and are considered against business/team targets, that progress is monitored on a regular monthly basis and that their section gathers and uses information to improve services. However with further insight from the interviews it is clear that in the present circumstances, whilst monitoring is being done well, targets and objectives are not realistic or achievable. Employees feel the difficulties in the current environment are not taken into consideration. In some instances sales and targets are the complete focus of performance management to the extent that other aspects of performance management are not considered important.

The next trend is in relation to performance is a majority agreeing that managers give regular feedback on performance. A very high majority agree that they understand how their own performance contributes to their sections business/team plan. Again this is evident in the interviews with each respondent confirming that regular meetings throughout the year take place to discuss performance and progress and in most cases employees know, during the year, how they are doing in terms of achieving their goals and their rating being awarded. Again this is not always the case however, with one respondent advising that they wouldn't really know how they are doing throughout the year which would indicate that this should be addressed.

The next trend in relation to reward is a majority disagreeing that annual pay increments are clearly linked to the performance of the individual. There were also a high number of neutral indications with regard to this question which could also be significant. From the interviews and additional comments in the questionnaires it appears there is a significant issue with annual pay increments and bonuses as many financial services organisations have decided not to pay bonuses or increments due to

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present circumstances. However these form part of the performance management system and it is strongly evident from the interviews that employees feel, what is the point of the performance management reviews and appraisal when there is nothing being awarded in return.

The next trend is in relation to career planning. It does not appear to be clear to employees that promotions go to the most competent individual or that their organisations use performance information for career planning as in both questions a majority indicated neutral for these questions. From the interviews one respondent stated that they were not sure if it makes any difference to promotions how you do in the reviews or are people already decided upon for jobs when they arise.

The next trend is for appraisals with a high majority agreeing that they had an appraisal within the last 12 months. Again in the interviews all respondents confirmed that appraisals are being carried out on a yearly basis in their organisations. Again a high majority agreed that appraisals were based on objectives which are relevant to their job and that the appraisals focus staff on achieving the organisational goals. From the interviews one respondent confirmed that they are a vital tool in managing sales from branch target perspective. Again with further insight from the interviews the appraisal process in organisations varies with some respondents confirming that they are being carried out correctly and some advising that they believe they are not. Each respondent advised that it very much depends on the individual line manager involved which would indicate the need for training and consistency within organisations.

4.6. Findings for Research Questions

1. What are the major challenges in performance management in the current environment?

The major challenges in performance management in the current environment are in the areas of organisational direction, pay, career planning, appraisals and communication. Appraisals happen each year but many feel that they are not helpful and performance management is not carried out as it should be in best practice. One to ones are not happening on a regular basis and there doesn't appear to be any focus on

delivering feedback upwards or if feedback gets acted upon. With regard to reviews employees feel annual pay increments risk the possibility of favoritism, exceptional performance is not recognised enough, and reward needs to be more clearly linked to performance.

Research from the interviews shows participants have mixed feelings with performance management. All interview respondents understood and believed performance management is necessary and that the process aims to be fair but it very much depends on the line manager. Many banks have decided not to give bonus rewards due or salary increases and without proper communication and explanation, this only erodes the trust employees have with their employer. There is a lot of pressure on employees to achieve sales and targets which are unrealistic and unachievable in the current climate with no reward at the end of the year.

2. How can these challenges be addressed by financial organisations?

The major challenges in performance management can be addressed by providing managers with training regarding how to carry out appraisals, setting of objectives and a consistent approach to measuring and review. Objectives and targets would have to be realistic and achievable in the current environment and appraisal and review fair. More focus on the importance of carrying out one to ones regularly and again in a consistent manner across the organisation with proper discussions regarding helping the employees in terms of their performance in their job. Better communication to employees from Senior Management with focus on ensuring employee commitment and engagement. There needs to be more communication regarding systems for employees to deliver feedback upwards and follow up to be given back to employees regarding feedback acted upon.

More transparency needs to be evident regarding annual pay increments eliminating any perception of favoritism and exceptional performance needs to be recognised more. Even if it means the organisation can only do this through recognition, reward more clearly linked to performance and the current issues regarding bonus and salary increments be addressed. All employees should feel the performance management process is fair and more needs to be done if employees have feelings of hate towards

the process. Organisations need to be conscious of the pressure on employees to achieve sales, targets and from customers in the current environment and to provide support to frontline employees in this regard.

3. What are the implications of the minimum competency requirement legislation?

This regulation is called Minimum Competency Requirements and came into effect on 1st January 2007 and requires banks to ensure staff who are involved in selling regulated products are qualified to do so. Financial services organisations are mainly concerned with staff who are not eligible to sell. In particular staff who are working towards qualification have only a few more opportunities to sit exams before the deadline of 31st December 2010. The implications for branch staff are that staff who are grandfathered can carry out duties within their role only and cannot act up or cover for another role as they would not be qualified. The implications are also closely linked to selling, with sales a vital part of any organisation currently trying to survive the present difficult circumstances, and restrictions on flexibility and adaptability will be difficult for banks to comply with. The aim for financial organisations would be to ensure as many staff as possible are qualified by the deadline of 31st December 2010.

An implication of employees not being qualified would be the staff member will not be able to carry out their role in the branch network all of which are selling roles. There is a responsibility on each employee to do whatever is necessary to ensure they are compliant in their role. The Financial Regulator can carry out spot checks on the different financial organisations and on individual employees to check if they are compliant. The penalties include possible imprisonment for individuals and/or fines plus a fine for the financial institution.

CONCLUSIONS AND IMPLICATIONS

5.1. Introduction

This section involves a discussion of the results of the study and offers conclusion and recommendations based on the review of literature and findings of primary research. The specific research questions of the study were what are the major challenges in performance management in the current environment, how can these challenges be addressed by financial organisations and what are the implications of the minimum competency requirement legislation which were discussed in the analysis of research chapter of the study.

The objectives of study to explore performance management in place within the various institutions which operate within the financial services sector and to identify how performance management can be used as a management tool to help senior management lead their organisations through these difficult circumstances. The research for the study has been used as a basis to discover and understand performance management in organisations within the financial services sector and to enable me to contribute in some way towards providing information about performance management in the financial services industry from the perspective of the employees working in the industry.

5.2. Performance Management - Processes

Feedback from the survey questionnaires under the headings of planning process, job descriptions, feedback and service, information gathering and monitoring, business strategy indicates that strategic and business planning is well done in financial organisations. This includes setting of organisational objectives and branch/team plans with staff agreeing that they know what the plans are and how they contribute. There was high agreement that methods for monitoring progress and measurement against business/team targets with regular monthly monitoring and information used to improve service. Feedback from the interviews indicated that in each case respondents felt there were good performance management systems in place with reviews and regular meetings taking place every year. In all cases objective setting occurs at the beginning of the year with a final rating awarded at the end of the year. This would indicate that the business aptitude is very strong in most financial services

organisations with strong focus on what the organisations wish to achieve and well developed strategic plans in place. These plans are well communicated and distributed throughout their organisations with employees at all levels understanding and believing the business strategies and plans are well carried out.

5.3. Performance Management - People

Feedback from the survey questionnaires under the headings performance management, performance improvement, pay and reward, career planning, appraisals, one to one reviews indicates that the areas of performance management that deal with employees are not carried at a satisfactory level or consistent manner in the various organisations at the present time. Staff have varying opinions with regard to performance management and there are wide differences in opinions on performance management practices organisations. Whilst financial services organisations have practices and policies in place which reflect best practice in reality it depends on the various line managers and that a consistent approach to performance management is not carried out in many cases. The basics of performance management are not always being carried out such as regular one to ones, regular reviews, communication, achievable objectives being set, present circumstances to be taken into account, performance management to include more than just sales and targets. Training and more attention to the policies is required. Also highlighted at present is the fact that financial services organisations are damaging the relationship they have as employers with their employees by not paying bonuses and salary increases which are due to staff whilst at the same time reports in the media of huge bonuses at senior executive levels still being paid.

5.4. Contributions and Recommendations

Financial services organisations are trying to maintain their market share, manage their businesses, survive and remain viable businesses for the future. This is a hugely significant factor in the study of performance management in the present climate. The fact that over the past year the banking sector has gone through huge uncertainty and change and that this is happening still on a daily basis cannot be ignored. However within the financial services sector there are skilled, experienced and motivated staff working hard to ensure their organisations have enough endurance and continued existence to successfully overcome the current difficulties. Smart organisations know

how their staff are deployed can be a significant source of competitive advantage. In the present circumstances organisations operating in the financial services environment cannot afford to get performance management wrong as organisations need to ensure that every employee is making a substantial contribution to the success and continued existence of the organisation. The following contributions should help managers deal with the challenges facing financial services organisations at this time:

Objective Setting

From the interviews and surveys respondents confirmed there were good performance management systems in place with yearly reviews and regular meetings during the year. However with regard to targets and goal setting employees are not always involved in the setting process of their targets, with one respondent stating he/she would like “people from roles to participate in the goal setting ...but the organisation would not do this as they don’t want to know about challenges, just to drive performance”. A recommendation would be to ensure proper time and effort is given to setting of branch/team targets and objectives with employees in the relevant roles given the opportunity to give their input and contribution to the process.

Information Gathering and Monitoring

Whilst information gathering and monitoring is regular and progressed against business/team targets and objectives are not realistic or achievable. The difficulties in the current environment need to be taken into consideration with achievable targets set and reviewed regularly because of the uncertain and changing business environment. Although there is high focus and importance on sales and targets other aspects of performance management such as training and development and career planning continue to be important for employees. As outlined in the research and in the primary data received excessive monitoring and control and continued focus on achieving sales and targets which are unattainable can be demotivating and stressful for employees. Managers need to continue to focus and apply pressure for achieving targets without micro managing and demotivating employees. This can be done through promoting creativity and innovation, organising focus groups and promoting discussion and ideas, empowering employees and showing leadership towards problem solving within the organisation.

Feedback and Appraisal

Regular feedback on performance occurs however not all employees know how they are doing throughout the year which would indicate that again the quality of reviews and feedback depends on individual line management. Investment in performance management and appraisal training in management would be beneficial, particularly how to deal with difficult circumstances such as at present. Managers need to be able to motivate and engage employees, which means continued and regular feedback and communication. In times of uncertainty and change employees need constant communication. Organisations require their employees to be flexible and adaptable to the constantly changing business environment which will only work if there is regular communication and leadership regarding the direction of the organisation. Also in this regard management need to have alternative recognition and motivational tools in order to ensure employees continue to perform more than is just required of them.

Reward

From the interviews and additional comments in the questionnaires it appears there is a significant issue with annual pay increments and bonuses as many financial services organisations have decided not to pay bonuses or increments due to present circumstances. Many employees have greatly contributed their organisations success over their professional working lives in receipt for average rewards whilst at the same time huge bonuses and poor business decisions have been done at the top levels within their organisation. It is vital for senior management to communicate and justify reasons for deciding not to carry out a fundamental part of the performance management system such as reward, in order for staff to understand the reasons and get behind their organisations. Otherwise it will be seen as unfair and a deterioration and erosion of the employees terms and conditions of employment.

Career Planning

From the interviews and surveys feedback it is clear that career planning needs to be managed more effectively in performance management. It does not appear to be clear to employees that promotions go to the most competent individual or that their organisations use performance information for career planning from both the surveys and interviews. Without rewards such as bonuses or salary increments at present

career planning remains a very significant method of promoting motivation for employees. Techniques such as job enlargement and job rotation can be used to make jobs more interesting and to provide greater flexibility to the organisation. Rotation amongst employees creates learning, variety and teamwork. Job enlargement and rotation to be used for succession planning, promotion and to encourage teamwork to ensure employees remain motivated and engaged.

Minimum Competency Requirement/QFA Exams

Each bank also has the regulatory requirement to ensure they comply with the minimum competency requirements with implications for employees as a lack of qualifications will result in staff unable to go for promotion and staff unable to cover for each other in various roles. This is very relevant in current circumstances as organisations cannot afford staff not to deliver on objectives. It also has serious implications for the Banks as organisations need to be fluid, flexible and adaptable to change in its people planning and day-to-day operations. Banks need to encourage and promote continued learning in their organisations with rewards and continued support to employees studying the QFA examinations.

Psychological Contract

Employee's career expectations and opportunities to grow and learn and trust and fairness in management are all very important in terms of the psychological contract with employees. It is also necessary to recognise that pay although important does not motivate the performance of employees. Organisations which develop positive psychological contracts with their employees benefit in the extra mile employees choose to go in terms of performance and commitment. Employees will then exceed what is expected or required from them as a result and the end outcome is a more motivated, productive and happy workforce with a more successful organisation.

5.5. Limitations

In carrying out the research there were practical limitations that I had no control such as over the numbers of replies received. 200 questionnaires were sent out and reminders for returns sent however 78 respondents returned completed questionnaires which was a good return rate at 39% on the numbers sampled. The questionnaire contained 33 questions, 28 regarding performance management and 5 questions,

regarding the QFA requirements. It is also relevant to say the research is a snapshot in time and is subject to participants' feelings and opinions in a time of major crisis in the economy and the financial services environment and this needs to be taken into account as the situation is constantly changing. The findings of the surveys while valid may be influenced by the staff members' own individual experiences at the time of conducting the surveys. The study has however raised a number of interesting questions and opportunities regarding performance in financial services organisations.

5.6. Further Research

Further research would be beneficial to organisations in the financial services industry regarding feedback from employees. It is clear from the research done that staff are willing and comfortable giving feedback to their managers and senior managers on how to improve performance for the organisation however it would be beneficial to know what senior managers have done as a result of getting this feedback and have actions been carried to as a result. The level of trust in performance management is unclear from the research with mixed opinions from employees. Trust would be a vital element in the whole process and further research into this area would be beneficial. There is a view that performance related pay doesn't work and may be damaging the performance of organisations more than it has helped. Again further research into this concept would benefit organisations in the financial services sector as the majority have put in place a system of performance related pay. Further research is required regarding the current bonus and salary issues as already indicated in the study the organisation may have to consider to increase salaries if it wishes to abandon the bonuses and the current system of performance related pay in order to maintain trust and commitment from its employees.

5.7. Conclusion

The organisations in the financial services sector are operating in a pressurised and highly competitive environment at present with the financial services sector dealing the challenge of the banking crisis. The findings of the report are significant with implications for management and an opportunity to improve the performance management practices within the financial services sector. The study has explored and examined the current practices and discussed strategies that organisations can adopt to improve performance. Good performance management results in good

succession planning and management development, the identification of training and skills gaps, action plans for employees and discussions on personal and career development for staff. Organisations need to ensure they retain and develop talented employees and focus on managing people to ensure durability and success for the organisation for the future.

Financial organisations need to be flexible to provide competitive advantage, be adaptable to change and be readily available to meet the changing needs of their business. This requires them to have the best people and to have great leaders in steering the organisations through the present difficult circumstances. Performance management will ensure staff are equipped to deal with these challenges, ensure staff are focused on the right business objectives and that a positive psychological contract is maintained. Performance management ensures planning takes place with regard to the development of the employees through job design, rotation and enlargement and ensures planning for staff to be trained to cover various positions in the branch network. Performance management in the organisation greatly influences the commitment, loyalty, satisfaction and productivity of employees. If companies demonstrate good performance management throughout the company, it could be a significant contributor to the organisations overall success and competitiveness and ensure continued support and commitment from its workforce. It is through the cooperation and commitment of the employees that organisations will work through the current difficulties and restore stability to the financial services sector.

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Appendix 1.

Pilot Survey regarding Performance Management and the Qualified Financial Adviser
(minimum competency requirement legislation)

Questionnaire No:

Age:

37

Gender:

Female

Organisation:

N/A

Division/Branch:

Business Banking

Position:

BUS. Executive

Length of service:

18 1/2 yrs

Work Pattern:

5 Days

Date:

12/2/09

Please state whether

Qualified Financial Adviser

Grandfathered or Working

Towards Qualification

Q.F.A.

Please answer the following by ticking one box only:

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Pay and Performance are closely linked		✓			
Appropriate levels of pay exist				✓	
Appraisals are fair to everyone				✓	
Appraisals are based on team performance				✓	
Appraisals are based on organisations objectives	✓				
Appraisals result in improvements		✓			
The appraisal process is trusted by everyone				✓	
Performance information helps career planning		✓			
Managers give regular feedback on performance				✓	
Staff are involved in the setting of their objectives		✓			
Promotions are awarded to the competent employees		✓			
I am comfortable asking for performance feedback		✓			

Job descriptions state the expected performance		✓			
Appraisals are made on factors relevant to the job		✓			
Managers give feedback to staff about performance regularly		✓			
Objectives and targets are regularly reviewed				✓	
All areas are pulling in same direction		✓			
Appropriate control exists in my job		✓			
Superior performance is expected regularly				✓	
The QFA and CPD will help me develop my career into other jobs and widen my skills and experience		✓			
I want to do QFA and CPD to improve my performance in my current job		✓			
It is a requirement for me to complete the QFA and CPD at work		✓			
The QFA requires me to complete CPD annually		✓			
The learning materials I have received are appropriate and sufficient to enable me to pass the exams			✓		

Additional Comments:

Appendix 2.

Exploratory Pilot Interview with Senior Executive regarding Minimum Competency Requirements. Date: Tuesday @ 16:00pm 10th February 2009.

Questions Asked:

- Q: What is the Bank's strategy with regard complying with the minimum competency requirement?
- A: The strategy of the Bank is to promote, encourage and provide assistance to its employees to comply with the requirements as set out by the Financial Regulator regarding minimum competency requirements and to ensure as many staff as possible are qualified by the deadline of 31st December 2010.
- Q: What numbers of staff are fully qualified, working towards or grandfathered?
- A: At present there are 1453 staff in the branch network. Of those staff 1241 staff are eligible to sell, 234 are fully qualified QFAs, 734 are working towards qualification, 274 are grandfathered and are qualified in that particular role. There are 211 staff not eligible to sell which are the main focus at the moment. 171 staff are new entrants, 24 staff are on leave such as maternity leave, sick leave or other long term leave. 22 staff who are working towards qualification have not passed any module or exam and have not registered again to sit another exam or have never repeated the exam they failed.
- Q: What is the area to be concerned about?
- A: The Bank is mainly concerned with staff who are not eligible to sell. In particular the 22 staff who are working towards qualification and have not re-registered to sit another exam are considered high priority as there are only five more sessions to sit exams before the deadline of 31st December 2010. The Branch Managers are given the responsibility to ensure the staff qualify and should a staff member not be eligible to sell a decision will have to be made at that stage.
- Q: How is the Bank monitoring progress?
- A: There is an active live register which is updated daily and even hourly. It holds the records of all staff and details of whether they are qualified, working towards, if they have passed or failed exams and holds details of everyone in the various roles. The Branch Manager sends an update every month by 15th of every month and the amendments are updated on the register. The Bank hopes to have IT look at fixing the register online whereby every manager can update the records of their staff themselves which would mean everyone across the board would have access to it however there are budget constraints so we are unsure if this will go ahead.

Q: What are the implications of staff not achieving their qualification?

A: There is a breach of compliance policy and the staff member will not be able to carry out their role as all roles in the branch network are selling roles. Part of our contracts of employment state you must do whatever is necessary to ensure you are compliant in your role. The Bank wants to encourage staff to achieve the qualification by the deadline set by the regulator. Staff who have taken up employment post 2007 the achievement of the qualification forms part of their contract. Also the Financial Regulator carries out spot checks on individuals and on the Banks to ensure staff are eligible to sell and if found to be in breach of this regulation the penalties include possible imprisonment and or individual fines plus a fine for the financial institution.

Q: What percentage of staff are failing exams?

A: 30%/40% have failed the first module for various reasons such as not realising the amount of study that was required however in the majority of cases staff pass the resit or second exam. The Bank also pays for one resit if an exam is failed so this also acts as an incentive to pass the exams as it is the individuals own money is being wasted if the staff member continues to fail.

Q: What audits or checks are carried out by the Bank and the Financial Regulator?

A: The Financial Regulator is carrying out an audit in the next three weeks and we have no idea or control of where they will go. They have the authority to check any branches records, the MCQ branch register, can ask to see the Eligible to sell forms for various staff members, list of QFA staff, the monthly updates, they can call into Head Office and check the Bank's register. The Financial Regulator can carry out spot checks at any time or at any stage. The Bank also carries out its own audits as part of the Are You In Control branch audits, which are done on an annual basis at a minimum.

Q: What areas in the Bank does the minimum competency requirement apply to?

A: It applies to all roles Bank Official/Customer Service Role, Assistant Manager/Customer Adviser, Branch Manager, it also applies to Commercial and Business Banking sections of the Bank and applies to Department staff also. Commercial and Business banking have their own monitoring systems. Staff to be grandfathered can carry out duties within their role only and cannot act up or stand in for staff in another role as they would not be qualified.

Appendix 3.

Breakdown of Survey Questionnaire: Demographics

CO	Total No.	Male	Female	Unknown	Manager	CA/Ass Manager	CSO/Bank Official	Bus Exec	Other	Age	Service	Section	Work Pattern	QFA
Firm A	34	7	27	0	5	3	15	5	7	(18-24) 3 (25-31) 14 (32-38) 7 (39-45) 5 (46+) 4	(0-5) 15 (6-11) 8 (12-17) 4 (18-23) 2 (24+) 5	(Branch) 20 (Commercial) 6 (Bus Banking) 7 (Other) 1	(5 days) 31 (4 days) 1 (3 days) 0 (Lunchhrs) 0 (Other) 2	(QFA) 8 (Grandfathered) 6 (WorkTowards) 20
Firm B	5	1	4	0	2	0	0	0	3	(18-24) 0 (25-31) 2 (32-38) 2 (39-45) 0 (46+) 1	(0-5) 4 (6-11) 0 (12-17) 0 (18-23) 0 (24+) 1	(Branch) 0 (Commercial) 0 (Bus Banking) 0 (Other) 5	(5 days) 5 (4 days) 0 (3 days) 0 (Lunchhrs) 0 (Other) 0	(QFA) n/a (Grandfathered) n/a (WorkTowards) n/a
Firm C	5	5	0	0	2	1	1	0	1	(18-24) 0 (25-31) 0 (32-38) 1 (39-45) 2 (46+) 1	(0-5) 0 (6-11) 1 (12-17) 0 (18-23) 2 (24+) 2	(Branch) 3 (Commercial) 0 (Bus Banking) 2 (Other) 0	(5 days) 5 (4 days) 0 (3 days) 0 (Lunchhrs) 0 (Other) 0	(QFA) 3 (Grandfathered) 1 (WorkTowards) 1
Firm D	17	7	10	0	1	2	9	2	3	(18-24) 1 (25-31) 3 (32-38) 2 (39-45) 7 (46+) 4	(0-5) 3 (6-11) 5 (12-17) 0 (18-23) 4 (24+) 5	(Branch) 12 (Commercial) 0 (Bus Banking) 0 (Other) 5	(5 days) 13 (4 days) 0 (3 days) 1 (Lunchhrs) 0 (Other) 3	(QFA) 2 (Grandfathered) 12 (WorkTowards) 5
Firm E	14	7	7	0	5	0	0	0	9	(18-24) 1 (25-31) 1 (32-38) 12 (39-45) 1 (46+) 1	(0-5) 5 (6-11) 8 (12-17) 1 (18-23) 1 (24+) 1	(Branch) 2 (Commercial) 1 (Bus Banking) 4 (Other) 7	(5 days) 13 (4 days) 1 (3 days) 1 (Lunchhrs) 0 (Other) 3	(QFA) 1 (Grandfathered) 1 (WorkTowards) 1
Others	3	1	1	1	1	1	0	0	0	(18-24) 1 (25-31) 1 (32-38) 1 (39-45) 2 (46+) 1	(0-5) 1 (6-11) 1 (12-17) 1 (18-23) 1 (24+) 1	(Branch) 1 (Commercial) 1 (Bus Banking) 1 (Other) 1	(5 days) 2 (4 days) 1 (3 days) 1 (Lunchhrs) 0 (Other) 5	(QFA) 1 (Grandfathered) 1 (WorkTowards) 1
Totals	78	28	49	1	16	7	25	7	23	(18-24) 4 (25-31) 20 (32-38) 24 (39-45) 17 (46+) 10	(0-5) 27 (6-11) 22 (12-17) 4 (18-23) 10 (24+) 14	(Branch) 37 (Commercial) 8 (Bus Banking) 13 (Other) 18	(5 days) 69 (4 days) 2 (3 days) 1 (Lunchhrs) 0 (Other) 5	(QFA) 13 (Grandfathered) 20 (WorkTowards) 27

Appendix 4.

Breakdown of Survey Questionnaire - Answers

No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	No Answer
Q.1	I know what my section's business/team plan contains.	21	50	4	2	1	0
Q.2	I contribute in the development of my section's business/team plan	19	48	8	3	0	0
Q.3	Our Job descriptions state the outcome expectations in the job	11	48	14	5	0	0
Q.4	My organisation is informed on service delivery through customer feedback and consultation.	17	46	12	2	0	1
Q.5	My organisation has systems in place to gather relevant information to monitor progress against the business/team plan and central targets.	19	41	12	5	0	1
Q.6	My section monitors progress against business/team plans on a regular monthly basis.	15	46	9	6	1	1
Q.7	My section gathers and uses appropriate information to improve services.	16	43	16	3	0	0
Q.8	All areas/departments/sections are pulling in the same direction and following the business objectives in my organisation.	3	33	21	20	1	0
Q.9	I believe that for day to day operations in my job there are appropriate levels of control.	15	47	10	5	1	0
Q.10	In my organisation I believe that pay and performance are closely related.	3	22	22	28	2	1
Q.11	In my organisation I believe that annual pay increments are clearly linked to the performance of the individual	4	17	17	33	6	1
Q.12	In my organisation I believe that there are appropriate levels of pay exist throughout the company.	2	20	23	28	5	0
Q.13	In my organisation I believe that promotions go to the most competent individual.	0	21	32	20	4	1
Q.14	I have an appraisal annually, the last one being within the last 12 months.	15	44	7	8	2	2
Q.15	The quality of my annual appraisal enables me to be better at my job.	4	27	25	21	0	1
Q.16	Appraisals are based on objectives which are relevant to my job	5	42	19	11	1	0
Q.17	Appraisals ensure the staff at my organisation focus on achieving the goals of the company.	7	37	19	13	0	2
Q.18	The appraisal process is trusted by both managers and employees.	2	24	29	22	1	0
Q.19	Goals are chosen by both managers and the staff involved.	4	28	24	20	2	0
Q.20	My organisation uses performance information for career planning.	3	23	36	16	0	0
Q.21	Managers in my organisation give regular feedback on performance to individuals.	4	37	17	19	1	0
Q.22	I understand how I contribute in terms of my performance to my sections business/team plan.	7	62	6	3	0	0
Q.23	I would feel comfortable giving feedback directly to senior management in terms of improving performance in my section.	7	53	10	7	1	0

Q.24	I have regular monthly one to one discussions with my line manager where my performance is discussed.	7	28	9	28	6	0
Q.25	The quality of my regular one-to-ones enables me to be better at my job.	5	23	22	22	6	0
Q.26	I would be comfortable asking my manager how am I doing in terms of performance.	11	45	13	7	2	0
Q.27	In my organisation individual poor performance is addressed in my section.	1	29	30	14	3	1
Q.28	In my organisation individual exceptional performance is recognised in my section.	5	28	24	17	3	1
Q.29	The QFA and CPD will help me develop my career into other jobs and widen my skills and experience	11	25	20	7	5	10
Q.30	I want to do QFA and CPD to improve my performance in my current job.	14	16	21	12	6	9
Q.31	It is a requirement for me to complete the QFA and CPD at work.	19	28	7	10	4	10
Q.32	The QFA requires me to complete CPD annually.	24	29	12	1	3	9
Q.33	The learning materials I have received are appropriate and sufficient to enable me to pass the exams.	9	28	16	7	5	13

Interview One

Question 1.

How is performance management carried out in your organisation?

Answer:

There are half yearly reviews and appraisals. Objective setting occurs at the beginning of the year. There are meetings held at half year to discuss progress and at this stage an indication grade is also discussed and given. Full appraisal occurs at the end of the year and the final rating decided upon.

Question 2.

What are your views on performance management?

Answer:

I believe performance management is good in an upturn and when business is going well however I believe it is bad in times of a downturn such as we are experiencing at present. The potential to earn more is there when times are going well however it is very different in times of a downturn. We are still working as hard as ever, even more so for little reward. It can also be demotivating at present.

Question 3.

Is the appraisal process carried out well/correctly in your organisation?

Answer:

I think the appraisal process is being done correctly in my organisation however it very much depends on your line manager. It can happen that you could have hassle with the appraisal however it is a fair process because you do not have to sign the appraisal if you believe it to be unfair. However a clash with your line manager is a very stressful experience. I do believe it is a fair process because I wouldn't sign the appraisal if I felt it was not fairly done.

Question 4

What are the challenges facing performance management in your organisation?

Answer:

The challenges are that the organisation cannot pay out the bonuses which are due this year. In particular how to motivate staff who are on performance related pay. With performance related pay there is the potential to earn good rewards when times are good however there is no reward when times are bad and staff are working twice as hard because of the difficult circumstances and the environment we are in.

Question 5

What would you like to be done differently in terms of performance management?

Answer:

Targets to be realistic and achievable with consideration given to the challenging times that we are operating in at present. Also greater communication and feedback to staff to ensure staff are engaged and realise why difficult decisions have to be made.

Question 6

Do you think the present economic circumstances has had an affect on performance and performance management in your organisation?

Answer:

Most definitely. The present economic circumstances has had a huge impact on both the performance of the organisation and on the current performance management within the organisation. There is very little monetary reward outside of job satisfaction at present and it is likely to remain this way for the near future.

Question 7:

Is there anything else you would like to add in relation to performance management?

Answer:

This year I believe we are working even harder than we have ever done before and there is nothing in it in terms of monetary reward. The major challenges this year are as a result of the economic circumstances that we find ourselves in. I believe it will be a difficult year for performance management to be carried out because of the circumstances we are having to deal with.

Interview Two

Question 1:

How is performance management carried out in your organisation?

Answer:

There are interim reviews, half yearly reviews and final reviews. Goal setting occurs around April/May, the half yearly reviews occur in October and the final reviews at year end which is late March/early April. At the final review the rating on performance for the year is given. We operate on a scale from one to five rating system. One being inadequate, two being poor, three being good, four is very good and five is exceptional. It is rare that someone would achieve a rating of five as it would be viewed as practically unattainable. The rating at year end determines the bonus that the staff member will receive or the salary increase that they will get.

Question 2:

What are your views on performance management?

Answer:

I haven't really thought about it, it is something that I just get on with. At the moment in the current climate it can be demotivational. There is no benefit and no rewards to employees and because of this I believe some view it as a ticking box function at present. I believe in the present climate performance management is somewhat redundant at present. If performance management is done right, in that it is fair and equitable, it is a good system and I can see why it is vital in the running of a branch. However different people have different ways in how they do performance management and they don't apply it in the way that they are supposed to. It needs to be more unified as it is vulnerable to favourites and not so favourites. If it is done right it can be motivational for employees however in my experience more often than not it is done wrong, the goals are not set right, no interim reviews are done, the reviews are done inconsistently. Some branches all the staff get awarded a rating of four even if this rating has not been earned as the manager is unwilling to deal with what will happen if they award less.

As Sales Manager I found the performance management system hugely beneficial however I was careful and thorough to ensure that there was no ambiguity, the goal setting was specific, I ensured it was set out in black and white and a fair indication was given at half year to ensure that no staff were surprised with what rating they were heading towards. If a staff member was hovering around a four at half year review I would outline what they could do to get a five. If a staff member was underperforming I would look into the reasons why ie perhaps there were not in the correct role, at half year review I would discuss with them how things were progressing and say to stick with it, to do their best and work together as I would want to give the staff member a rating of three. The rating of three means that the staff member has achieved their objectives. The rating of five is practically unattainable.

Question 3:

Is the appraisal process carried out well in your organisation?

Answer:

I believe all organisations in the financial services sector are in a serious situation in the present environment. It can be hit and miss with regard for appraisals. Goal setting in particular can be done badly or perhaps no interim review carried out or no objectives set. I have come across a situation where I took over as line manager for a staff member where the previous manager didn't do any appraisal or goal setting, the staff member had worked the whole year without a formal appraisal in place which makes it very difficult when it comes to year end and assessing performance. I have had a lot of experience in carrying out performance management reviews and I believe it is essential to lay it out in black and white. When working in the Sales Manager role I had approx 15 staff members appraisals to do each year. If staff didn't achieve their targets they wouldn't be awarded a rating of 4 or 5. The targets I would have set would have been achievable and if the staff member involved was finding it easy I would be pushing them to aim for a four or a five rating. Setting the targets is something that can be got wrong, sometimes they can be too easy or they could be too difficult and it is necessary to assess how they are going during the year. At the moment for management the goals are way too hard and I believe completely unachievable. They are impossible to achieve in the present circumstances and this in effect can be demotivational. I would also question an organisation who gives a rating of two across the board to employees as a standard. I would be looking at why the staff members can't do their job, why there is no improvement after interim review, there should be no surprises at year end. When performance management is done right it is good however in my experience there needs to be greater collaboration within the organisation.

Question 4:

What are the challenges facing performance management in our organisation?

Answer:

The challenges for performance management are in getting it right. Another major challenge is that goals need to be achievable. The organisation needs to provide more training to managers carrying out reviews. I do not believe that this subject is high on the agenda at the moment. Senior Management expects managers to look after things on a local level however there is no major emphasis on engagement of staff at present or for the foreseeable future. There does need to be more training for managers in this area.

Question 5:

What would you like to be done differently in terms of performance management?

Answer:

I would like goals to be set for every role in the organisation and that people from that role participate in the goal setting as I believe the input from people in that role would be beneficial. However the organisation would not do this though as they don't want to know about challenges, they just want to drive performance. I would want stricter sign off on goal setting, collated by one up, no one should not know what is expected

of them. You can't manage or appraise or motivate an employee without them knowing what is expected of them.

Question 6:

Do you think the present economic circumstances has had an affect on performance and performance management in your organisation.

Answer:

There is a certain amount of apathy at present. There is nothing at stake for employees, they believe their rating is not going to affect them as there is no reward if they achieve their objectives/targets. Likewise people won't get any reward for achieving a 4 or 5 and so won't care as much. It is vital to convince people that their performance is helping to save their jobs. I believe upper management is scrambling to save the banks and we are working in a stark and difficult economic environment.

Question 7:

Is there anything else that you would like to add in terms of performance management?

Answer:

I do think when performance management is done right it is very good, it is a necessary instrument to manage staff and for the organisation to succeed.

Interview 3

Question 1.

How is performance management carried out in your organisation?

Answer:

There are personal reviews which take place every three months. There is the final review at the end of the year December.

Question:

Do you have reviews during the year?

Answer:

Throughout the year you would know how you are doing with an indication in September of where you are heading in terms of your rating. The rating system is based roughly on five statements, objectives not achieved, some objectives achieved, completed all objectives, completed all objectives and exceeded some, exceeded all objectives.

Question 2.

What are your views on performance management?

Answer:

Personally I hate them, but we have to do them. How else are they going to measure how employees are doing. In my experience I believe they have been fair. You only sign if you are happy with them and don't sign if you are not. I have never seen one that didn't get signed however there may be a discussion over them and amended.

Question 3.

Is the appraisal process carried out well/correctly in your organisation?

Answer:

The appraisals are done every three months however a lot of time they are rushed. It is up to yourself how much work is put into them. You are given about two weeks notice told when the interview is to take place. You have to keep a personal log of what you have done. The objectives are voluntary and you don't have to take them but it is easier for managers to measure what you have done if you do.

Question:

Does your appraisal have different areas for your objectives such as sales, development etc?

Answer:

There are four areas learning and development, customer focus, teamwork and results for the branch plan so sales only takes up a small percentage of the objectives. Customer surveys measure customer focus.

Question 4

What are the challenges facing performance management in your organisation?

Answer:

The challenges for us it that this performance management system – performance related pay is only in operation the last three years with staff having the option whether to sign up for it fully or not now. This option was up end of last year but it has been extended because people were coming out of it. With all that has been happening in the banking sector there is no definite time when to decide at the moment. The challenge would be in trying to convince people to stay in it.

Question 5

What would you like to be done differently in terms of performance management?

Answer:

I am happy enough, I hate it in general but can't see a better system. I do believe they are carried out correctly in my organisation. In some instances since the performance related pay came in they go to Area Office and some might change, I think there may be a percentage which pass or fail which is unfair.

Question:

Would you know during the year what your rating was likely to be?

Answer:

You would know more or less in September what rating you are heading towards and you are given the opportunity to turn it around in the few weeks before year end. I think Area Office when reading them are more strict to the definitions and the rating ends up being changed.

Question 6:

Do you think the present economic circumstances has had an affect on performance and performance management in your organisation?

Answer:

The feeling at work for some staff is why bother doing these when we are not getting bonuses. I believe there is some agreement now about the bonuses for last year though.

Question 7:

Is there anything else you would like to add in relation to performance management?

Answer:

Nothing else, I think it is a horrible process that you have to go through. I'm not sure if it makes any difference to promotions how you do in the reviews or are people already decided upon for jobs when they arise.

Interview Four

Question 1.

How is performance management carried out in your organisation?

Answer:

There are monthly one to one meetings with annual reviews.

Question:

Do you set objectives or have reviews?

Answer:

Objective setting occurs at the beginning of the year and full appraisal occurs at the end of the year and the final rating decided upon.

Question 2.

What are your views on performance management?

Answer:

Firstly, the monthly one to one's don't always happen. When the setting of targets and objectives occurs there is no consideration given if you don't meet the targets you are automatically given a certain score which doesn't reflect the work done. The scoring system of between 1-5 is interpreted differently by different managers and the definitions of each grade is interpreted differently by each manager.

Question 3.

Is the appraisal process carried out well/correctly in your organisation?

Answer:

I don't think appraisals are being done correctly – it again depends on your manager. Sometimes the discussions are centred around what the manager wants to discuss, how the meeting is carried out depends on what the manager brings up. The appraisals are all target driven and they are not looking outside of sales.

Question:

Do you discuss career plans or training and development needs?

Answer:

Not every appraisal discusses your own career plan or development progress. Sometimes if you raised the issue or identified an area where you needed training.

Question:

How about feedback on your progress during the year?

Answer:

You wouldn't really know how you are doing throughout the year as the manager doesn't really give feedback, the employee gives answers instead of the manager on progress.

Question 4

What are the challenges facing performance management in your organisation?

Answer:

The challenges for the bank are that at the moment it is completely sales/target driven. The bank is forgetting about people in the bank and the support they might need. Managers are not looking outside of sales and targets. People and their feelings are left aside at the moment.

Question 5

What would you like to be done differently in terms of performance management?

Answer:

I would like performance management not to be so sales/target orientated. There should be a section with the performance management review to take account of the hard work and general effort employees are making in very difficult circumstances. Also credit given for the work done in developing and training other people which is done as part of your job or external work done to get business into the branch. All of this should be part of your rating at the end of the year. It should take account and look at the whole job that you do.

Question 6

Do you think the present economic circumstances has had an affect on performance and performance management in your organisation?

Answer:

Definitely, it is much more difficult at present. Performance Management in the bank is just taking account of profitability. Its completely based on sales rather than the overall performance of individuals and focusing on sales and achieving targets and nothing else.

Question 7:

Is there anything else you would like to add in relation to performance management?

Answer:

In general people are unhappy with performance management at present and also unhappy with the banks. Managers are not considering people and are only focused on driving sales aggressively, they are not looking past sales or profits at present or on the affect the pressure they are putting staff under to achieve these sales in the current environment.

Appendix 6:

BACKGROUND TO RESPONDENTS INTERVIEWED

Respondent A

Respondent has 20 years experience working in the financial services industry, currently at management level with experience gained in the Retail Branch Network and Head Office.

Respondent B

Respondent has approx 19 years experience working in the financial services industry, currently a Senior Bank Official with experience gained in the Retail Branch Network.

Respondent C

Respondent has 5 years experience working in the financial services industry, currently at Assistant Management level and experience gained in the Retail Branch Network and Department of Head Office.

Respondent D

Respondent has 19 years experience working in the financial services industry, currently at management level with experience gained in the Retail Branch Network and Business Banking.