Analysis of Performance Management System in Pakistan Banking Industry

Author’s Details:

(1)Humera Asrar-Designation: Lecturer-University: Dow University of Health & Management Sciences
(2)Muhammad Rizwan-Designation: Lecturer-University: Dow University of Health & Management Sciences
(3)Sohail Pasha-Designation: Lecturer-University: Dow University of Health & Management Sciences
(4)Prof. Waqar Uddin Usmani-Designation: Assistant Professor-University: Biztek Institute of Science and Technology

Corresponding Author: Humera Asrar

Abstract
Banking commerce in Pakistan is presently opposite a hyper turbulent position where banks have to function in progressively comparable and convoluted localized and international markets. The proficiency to contend in the very fast paced international natural environment is of paramount significance – survival of the fittest being the title of the game. The affray has even become ever strong and demanding with the application of numerous foreign world-class banks and other economic institutions. The study is conducted to reveal the strength and weakness of current performance system in banking industry of Pakistan. For such purpose qualitative research approach is adopted which is supported by open ended interviews of forty employees of four leading banks of Pakistan. The study is supported by performance management documents of MCB, ABL, UBL and HBL Pakistan. It has been identified that MCB is practicing right PMS in Pakistan banking industry which is significantly linked with employee performance and reward system. In rest of three banks there is no well define architecture of PMS, due to which policies for compensation and performance are changing every year. Even there is no proper feedback to employee of their evaluation. Because the current Performance management system in Pakistan is not fulfilling the demands of true Human Resource Management practices so, there is strong room for international banks to take off the local commerce market. To gain the competitive edge, it is indispensable to make corrective changes in architecture of current performance management system in banking industry of Pakistan.

Key words: Performance management system (PMS), Banking Industry, Architecture of PMS.

Introduction
The first premise behind carrying out the study of the Performance Management Systems (PMS) of the household banking commerce is the significance adhered to Human Resource constituent of an organization. The second premise is the motivational force needed of human asset to present the allotted jobs and to positively assist in the direction of accomplishment of organizational goals. It is the Human Resource that would conceive the distinction when correctly taught, evolved and, overhead all, suitably inspired through intrinsic and extrinsic rewards/ reimbursement system.

The study has been conveyed out on the Performance Management System (PMS), with specific quotation to applicability of the scheme to Pakistani banking industry. PMS is a customary undertaking of Human Resource department of most of the premier associations in evolved countries. The major rationale behind assortment of this theme is the detail that PMS is the focal issue of HR undertakings for example manpower designing, teaching & development, reimbursement & pays, vocation designing, succession designing and advantage management. The PMS is precious equipment that assists in cascading the organizational objectives down the hierarchy and farther assists in designing, supervising and assessing performance.

This method is integrated/connected with numerous other constituents of HR scheme and does not function in isolation. As of today, nearly all large-scale associations are benefiting from PMS.

Scope of Study
The Performance Management System has considerably amplified over the time span of time, especially in the last two decades and it is tough to cover all aspects. However, a dedicated effort has been made to study the diverse phases of PMS that have been endeavored in the past by the premier associations and verified highly successful. Recommended forms of world-renowned practitioners have been revised to get an equitable concept about the exact advantages adhered to diverse constituents of this tool.

The scope of the study is to study the designing, supervising and evaluation of the presentation administration in premier worldwide associations and then to contrast these practices with the PMS being actually utilized in the Pakistani household banking industry. For this reason four premier localized banks that have been privatized in the past 15 years i.e. MCB, ABL, UBL and HBL have been chosen.

Literature Review
This administration method, more than any other, has the power to change association and aim the power of every association constituent in the direction of the accomplishment of organizational goals” Dick Grote, 1996. Performances Management System (PMS) is exceedingly precious devices in the hands of the Human Resource department, which can assist propel performance. It can play a crucial function in cascading the organizational goals down the hierarchy. If managed, appropriately this device can yield multiple outcomes administering the association on the route of success.

“Performance administration is a strategic and incorporated set about to consigning maintained achievement to associations by advancing the presentation of the persons who work in them and by evolving capabilities of groups and one-by-one contributors” Armstrong and Baron, 2002.

An alternate but complimentary delineation is supplied by Fletcher (1993):

“The genuine notion of presentation administration is affiliated with an set about to conceiving a distributed dream of the reason and aspires of the association, assisting each worker realise and identify their part in assisting to them, and in so managing, organize and enhance the presentation of both persons and the organization”. Porter 1985 conveyed his outlooks that: “Performance Management can only be productive where the association has a clear business scheme and has recognized the components of its general presentation which it accepts as factual are essential to accomplish comparable advantage”.

Moharman and Moharman (1995) emphasized, “Performance administration is a holistic method that pervades every facet of running the business”. “If you can’t characterize presentation you can’t assess or organize it” Armstrong and Baron (2002).

It has been sharp out by Bates and Holton (1995), “Performance is a multi-dimensional assembles, the estimation of which varies, counting on a kind of factors”. There are of course distinct outlooks on what presentation is. It can be considered as easily the record of conclusions achieved.

Armstrong (2006) stated that the prime focus of PMS is to develop a culture in which employee skill development can be measured through systematic process. For such practice there is strong need to eliminate the weakness of previous system. As according to Prasad (2005) PMS is the step by step improvement in the outlining and evaluating performance by giving corrective instructions to employees which boosts the employee job outcomes. The core aim of performance management system is to make a bridge between individual and organizational performance goals (Desselor 2008). Now the banking sector in Pakistan making significant progress after privatization (Rizwan 2015). According to (Zulfiqar et al, 2011) while studying the basic practices of Human Resource management in Pakistan Banking industry and its impact of employee job performance it is observed that employee performance evaluation produces significant result in privatized banks rather public banks. According to (Lamba & Chaudhary, 2013) there is strong relation between organizational human resource activities and employees job outcomes. Because it polishes employee capabilities and intellectual capital.

**Objectives of study**

The objectives of the carrying out study on the crucial HR constituent are multifold; salient ones are appended below

- To study the living PMS in the banking part, particularly in four premier banks – Muslim Commercial Bank, Allied Bank Limited, United Bank Ltd and Habib Bank Ltd.
- To suggest a PMS form founded on worldwide schemes and then to convey out a relative investigation of this suggested form with the PMS living in the banking industry.
- To find the power and flaws of both the suggested scheme and the one being performed in household environment.
- In lightweight of the outcome of the relative investigation, farther propose improvements in the suggested framework.

**Research Methodology**

To attain objectives of study the Qualitative research approach is adopted. To reveal the current performance management system of banking industry of Pakistan, four main leading banks were selected. Name as

- Muslim Commercial Bank (MCB)
Data is collected through conducting open-ended semi-structured interviews/considerations with forty worried agents of the banks throughout visits to all local head agencies and localized parts—directed at extracting all likely data about the PMS being implemented. Assistance has been taken from diverse textbooks, periodicals, study publications, case investigations and Internet to support the views of interviewees from all above-mentioned banks.

Findings
These are major findings which were revealed through the interviews of all four major banks of Pakistan, and by reviewing the currently practices performance management documents of banking industry of Pakistan.

- MCB is the only household bank where presentation evaluation is taken very seriously. The scheme presents the cornerstone for setting up a connection between the conclusions and rewards.
- Existing PMS at ABL is rather customary and is very badly defined. The whole method is regulated by the Corporate Headquarters established at Karachi.
- There is still no perception about the efficacy and necessity of PMS practices because of the customary heritage current in ABL. There is no clue of any teaching undertook for appraisers or appraisee in the past neither is any future designs for such an activity.
- Employees are not granted any sort of response, be it periodic or end of the period. Final ranking is shown to worker that he has to generally accept. An Official of the bank acquainted throughout the consideration that significance is not being granted to the response to the employee.
- In case of any contradiction between appraiser and the appraisee, the issue is mentioned to the Head of Department for explaining the problem.
- At HBL, PMS has been very lately presented in its present form, shortly after privatization. The living PMS is rather customary and is not well defined.

- Principle on pays is not reliable and varies from year to year. Since the banks have been privatized and workers are anticipating down measuring in beside future, there is an air of uncertainty.

Summary of Analysis of the Entire Industry
Having individually investigated the living PMS of four premier Pakistani banks, it would be befitting to consolidate the investigation into a lone compact abstract and then to gaze at the alternate structure that would better chip/fit in the banking commerce to assist it stand at par with foreign banks functioning in localized market. It is boosting to note that our banking commerce has, though belatedly, recognized the require to institutionalize a PMS for the employees. This is furthermore reflective of the significance the banking commerce is adhering to the human asset component. However, why banking commerce is lagging behind is due to the detail that heritage adversities are the major barricade in accomplishing some viable breakthrough. The difficulties being faced are nearly of alike environment with some distinction in their gravity and significances on the comparable environment. A abstract of the investigation is duplicated underneath in projectile form:

- Existing heritage and mindset of the workers at all grades are the key components that contemplate the mind-set of workers that they brandish on their job. It is one of the premier causes why banks have not been adept to accomplish the yearned innovation in rotating the steady heritage into hyper turbulent and makes them adaptive to reply to the call of very fast altering banking industry. Lack of perception about the tremendous advantages adhered to the productive and thriving PMS. The vintage workers of the banks appear to be shocked of their places and are tough to change.
- Lack of requisite concern and perception about the PMS, particularly at the peak grade, is another origin of dissatisfaction amidst the employees.
- Top administration appears to have failed to assign requisite assets to cater to the learning and teaching of workers considering multiple advantages of the system.
- Some of the banks have developed a very good scheme but workers are not amply trained/
groomed to apply the PMS as asserted by its factual essence – producing in poor implementation of the system.

• The present appraisal types being utilized by the banks are not factual agent of the PMS. There is broad gap between what has been designed and what is being practiced. Additionally, appraisal types of most all the banks are devoid of the absolutely crucial components encompassing the KRAs, Competencies, Behavioral facets, Employee participation in developmental desires and linkage of the scheme with rewards/promotions/techniques that makes the scheme less effective.

• Some banks evidently have clear scheme as the appraisee is shown the last ranking that is bestowed to him/her at the end of appraisal period. In some other situations, workers are kept unseeing, producing the integrity of scheme questionable.

• Development desires of the worker are catered for in some cases. However, the worker participation appears to be missing from this aspect.

• The presentation pay linkage is not clear-cut in some types that would not stimulate essential impetus in the employees.

• The ABO part, cited in the types, falls short to cater for the scheme consequences, putting the appraisee in a disadvantageous position.

• Key Result Areas are absolutely crucial part of the appraisal pattern and are similar/consistent for workers of all purposes – interrogating the system’s validity.

Conclusion
Based on the investigation of the banking commerce, it can be securely resolved that Pakistani banking commerce is lagging far behind the foreign banks functioning in our close proximity, assisting the identical market. The banking commerce is yet not equipped with the schemes essential to contend in a highly dynamic banking environment. The heritage and attitudinal difficulties are the premier components that are imitating major disagreement in changing the banks to be on the pathway to success. If Pakistani banks go incorrect to evolve their human asset as asserted by effectively checked new methodologies, their survival as thriving economic organizations would stay just a dream. Sooner or subsequent, foreign banks will organize to take foremost part of the market share, by proposing newer and better goods and services.

Having investigated the PMS being performed by the world premier associations and then matching it with the one being utilized by Pakistani banking commerce, it can be securely states that factual implementation of Performance Management can be accomplished if both presentation architecture and assessing device are characterized as asserted by the environment of commerce and the power of competition. The key contributory component to blame for the thriving implementation of PMS is the firm promise and mind-set brandished by the supervisors in specific and subordinates in general. Appropriate teaching of workers can guaranty the equitable evaluation.

It has farther been accepted by most of the companies that the gifted Human Resource, if suitably evolved, can supply the comparable for demonstration over the affray for long times to come. However, obtaining and keeping gifted workers is not an so straightforward task, and is in detail a dilemma opposite organizations. Organizations provide work diverse motivational and commitment profiting methods to double-check long-run connection and high grade of worker firm promise – PMS being the key device in this regard. The living PMS in Pakistani banking commerce is reflective of the detail that mindset of the workers is not suitable/ripe for factual and impartial evaluation because peak administration has not ever taken it in the past and rank quo sustaining attitude/heritage persists. The vintage workers find the scheme a risk to their places and accept as factual in vintage customary administration style. Although, some of the banks have organized to evolve the scheme encompassing appraisal pattern on new lines, the major topic is the evaluation process. There is an authentic require for nearly all the banks to embark upon a normal teaching program to train the workers directed at advancing their evaluative abilities as well as change their mindset.

Improvements in the Proposed Framework
Though the major structure of the suggested structure continues the identical, some added points are suggested for addition in the scheme in
alignment to farther advance the suggested form, as cited below:

- First of all, it is suggested that there should be correct training of the people who will use the PMS and there should furthermore be a client manual to help the process. The HR department should take the blame for this and encompass the competency lexicon and competency matrix in the client guide/manual.

- The next change that will farther improve the scheme is that of encompassing group objectives in the appraisal form. Giving weightage to group objectives and ranking an one-by-one as asserted by them will advance group essence and would inspire workers to present better in teams. Since most associations, now-a-days, are having group organizations, ranking an persons presentation on the cornerstone of the group objectives accomplished will give a broader viewpoint of how the individual assisted and supplemented worth to the accomplishment of group goals.

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