Performance Management

A Handbook for Developing and Implementing Effective
Performance Management Systems in Myanmar Banks

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Project Background-Banking and Financial Sector Development in Myanmar

An efficient and stable financial sector is prerequisite for sustainable economic development. The financial sector in Myanmar is underdeveloped by international standards and is not able to fulfil its role as intermediary. The financial intermediary ratio (credits to GDP) is with 11.15% the lowest one in Asia and also at the bottom end on an international level.

After years of isolation, Myanmar is now opening up and working on reforming various sectors of its economy, including the financial sector. A new Microfinance Law has been enacted in 2011, a revised Central Banking Law has been enacted in July, 2013 and a revised Financial Institutions Law is expected to be enacted in 2014.

The GIZ project Banking and Financial Sector Development in Myanmar (FSD) aims at supporting Myanmar stakeholders in creating and inclusive and stable banking sector. The current Project started its implementation in autumn 2012 and will last for at least three years. The focus of the project is on four complementing pillars:

1. Banking regulation and supervision
2. Improving financial reporting and auditing standards in banks
3. Capacity development in the banking industry
4. Piloting of SME-finance products.

FSD Component 3. Human Resource Development –
Facility for Innovative Learning (FIL)

The changing environment puts great pressure on the local banks and their staff which they are currently hardly able to cope with. The vast current growth process in particular of private banks, including the extension of branch networks (several banks grow their networks by 30% per annum) causes additional challenges for banks concerning the management of their human resources. Banks find it increasingly difficult to hire, train and retain qualified staff, required to increase the effectiveness and efficiency of their operation.

A major shortcoming can be identified in the almost non-existent performance and qualification-based career development. Promotions are often based on the time an employee has served in a particular position, rather than identifying his qualification and performance. Salary schemes are rather inflexible. Bonuses are regularly paid out to staff depending on their position, rather than their performance.

Most banks do have regular staff evaluations. However, these are usually based exclusively on qualitative and interpersonal indicators and do not connect to the financial performance of the department, branch or bank as a whole.
In order to strengthen the capacities of the banking staff through the facilitation of innovative learning approaches, GIZ-FSD established a Facility for Innovative Learning (FIL). Through

this facility learning approaches are supported by GIZ technically (through feedback, discussion, external expertise) as well as financially (co-financing).

In one pilot under the FIL, a selected consultant was contracted by the GIZ to develop and assist the implementation of a Staff Performance Management System (PMS) and prepare the grounds for a Performance-based Staff Incentive Scheme (SIS).

GIZ-FSD is pleased to share with Myanmar Banking sector the experience of designing a Staff Performance Management System in a Myanmar Bank. The following document is based on the consultancy done under the FIL. There can be however no "one size fits all" to design a good handbook for developing a Performance Management System handbook. PMSs should be tailored to the requirements of the specific development needs of each bank.

Executive Summary

The goal of this booklet is to provide human resource (HR) professionals with useful guidelines and practical tools for systematically developing and implementing effective performance management systems in the context of Myanmar banks

A *Performance Management System (PMS)* is a useful tool for managing, measuring, recognizing and developing the performance of staff in an organization. It enables employees to set and focus on achieving individual and team goals that support the organization's overall goals. It allows managers to monitor performance and to provide ongoing feedback to employees.

If correctly designed and implemented, PMS can increase productivity, improve communications and have many others positive side-effects for individual staff members and for the entire organization. But before the management designs and implements a PMS, the organization must complete several tasks. First, it must clearly define whether the PMS should be done focusing on supporting decision-making (like pay increases and promotions) or on facilitating employees' development (guide training & developmental activities).Second, it must work on setting the field for PMS to be fruitful. This includes considering the integration of the PMS with other HR systems. It also means making sure the designed PMS fits in the corporate culture. PMS should be done in alignment with corporate strategic objectives by translating organizational goals to branch/unit/team/individual goals. Another critical factor is the need for qualified and motivated assessors and for the commitment of top management. Before a PMS is put into place the organization should also have *result-oriented job descriptions* and clear reporting lines and relationships.

After having all prerequisites in place, HR-managers can start working-out the PMS for the bank. However, developing an appraisal system that accurately reflects employee`s performance is a difficult task. **PMS are not generic or easily passed from one company to another.** They should not be copied from another bank and their design and administration must be tailor-made to match employee and organizational characteristics and qualities.

A PMS should be designed in a systematic form following five steps. A *competency model* or the corporate values should be the starting point and guide. Second, goals are translated into measures for the staff. Third, the rating sources are defined. A next step is developing well-crafted templates for measuring performance. Finally the ratings to be used in the evaluation are defined.

A Competencies-Based Performance Management uses a competency model as a framework for identifying the competencies to be measured and developed within the PMS. A competency model is a collection of important competencies (skills and knowledge) that

jointly define successful job performance. The advantages of a competency modes is that it includes hard and soft skills (example: technical, leadership and interpersonal). It also enables feedback on what was accomplished and how the work was performed.

A *Value-Based Performance Management* builds upon the company's core value as a framework. The company's values are used for identifying the issues to be measured and developed within the PMS. It is important to have a common value framework underlying all the HR processes.

For aligning each employee's performance plans with the organizational goals, balanced score cards can be useful. *A Balanced Scored Card* is a performance measurement framework defining goals and objectives and translating them into specific measures for employees. It uses a mixture of financial and non-financial measures (like: customer, business and learning) each compared to a "target" value.

When defining the rate sources it should be consider if all rating sources provide input and also how to collect, manage and control this input. *A 360 degree appraisal* is done using information obtained from managers, peers, direct reports or customers. Self-reviews profit from employees' familiarity with the work. They can result in more accountability and enable employees to examine and clarify their goals and weakness. Upward reviews, on the other hand enable a two-way communication that assists the development of leadership skills. **In the Myanmar context anonymous upward reviews and behaviourally anchored scales (BARS) are two forms recommended for an upward feedback process in the banks.**

All performance evaluation templates should have at least six components: Identifying information; instructions; objectives and measures (or competencies when applicable); rating scales; employee training and development plan and a sign-off section.

When defining the ratings for the evaluation it should be consider that numerical ratings can be averaged or summed across categories to derive scores for fair and uniform decision-making. Rating narratives however can provide concrete behavioural examples for employees to understand why they were evaluated in a particular way.

Behaviourally anchored scales (BARS) are able to combine the benefits of numeric and narrative scales. BARS evaluate the performance of an employee by comparing an individual's performance against specific examples of behaviour that are anchored to numerical ratings. The rating scale indicates how these behaviours are judged (Example: as good or bad or as exceptional, excellent, fully competent, or unsatisfactory). However, BARS require in-depth knowledge of each position's key tasks, along with an understanding of the full range of behaviours displayed by individuals in carrying out such tasks.

If the Performance Management System was designed with the purpose of supporting decision-making, the incentive payment should be related to staff's performance evaluations.

The rules used to determine who is qualified to receive incentive compensation and to estimate how much s/he will receive need to be fair and reward those with higher performance evaluations. The rules should also be known and understood by everyone in the organization.

Just like designing an effective PMS requires a systematic approach defining its purpose and setting the appropriate organizational framework for it, *a Staff Incentive Scheme (SIS)* must be done with a clear purpose and the decisions taken on the form of incentive payment (individual or group) must consider the organizational culture. Incentive schemes should as well be tested before they are broadly implemented. An effective SIS can decrease staff turnover and absenteeism, increase productivity and encourage hard work. With a well-functioning SIS the staff feels that their efforts are recognized and a culture of a culture of performance excellence is promoted.

SIS should be designed considering 8 steps. Once the scheme's objective is clear, the target staff members and the financial estimates are defined. The incentive mechanism (individual or group and not necessarily cash) is then selected. Developing a bonus formula is the next step. It is fundamental to analyse the costs and benefits of the incentive payments and then to run a pilot test. Once tested, the SIS needs to be accepted and understood by the staff. SIS should be constantly monitored and adjusted as needed.

Individual incentive schemes are recommended when objective standards that define individual goals and measure individual output are in place. They work better when the staff has the autonomy to decide how much effort to put into their job. Individual schemes are well aligned with an organizational culture that favours individual achievement and sees competition between staff as more beneficial than close cooperation among them.

Group incentive schemes are recommended when it is difficult to identify individual outputs; organizational structure facilitates measuring group outputs and technology or workflows make it simple to identify groups. It aligns better with an organization that gives importance to cooperation and teamwork.

The most challenging and the most important part of developing an effective performance management system is to successfully implement it. Implementing the PMS is a process: of setting goals, providing feedback in an ongoing way, conducting the performance review and storing the information.

A successful *performance management cycle* starts by setting and communicating performance goals. These goals include both what result is expected from employees and how staff should carry out their jobs (behavioural standards). Goals are more effective when they are clear, linked to organizational goals, motivating (difficult but achievable) and focused (no more than 3 areas).

Feedback is more effective when it is Timely (close to event), communicative (open to ask employee's views), specific, focused on actions (not personal characteristics), proactive (plan steps to follow) and supporting (offers assistance and resources). Feedback should take place in a continuous form and not only at the end of the year. The final performance review should therefore provide a feedback of the entire performance management cycle. It is not a point in time when employees feel uneasy or "surprised" about the evaluations obtained.

The successful implementation of a PMS requires committed management and staff. It implies continual training. Supervisors and team leaders should become competent in communicating effectively; setting goals correctly; measuring employee performance both in a quantitative and quantitative way; giving feedback that informs but also suggests improvement; coaching and in recognizing job well done. Implementation benefits as well from the use of supporting material (handbooks) and by automation that reduces the paper work.

Introduction

Myanmar Banks operate in a multifaceted global economy that is no longer driven by sweat and steel but by information and data. Within this shifting economy, people become an important success factor. As financial institutions across the world make difficult choices with regards to developing a cost-reduction strategy that maximizes efficiency without compromising growth potential, banks need reliable methods for recruiting, caring and feeding high potentials. Therefore it is important that Myanmar banks develop strategies for identifying and promoting employees who are great at their job and take pride in their accomplishments, high potentials, which will continually learn and expand their skills to reinforce an organization's vision, mission, and values. To create an environment with a unique personality and soul, and with a passion for performance, so that people make the right decisions and do the right thing, wherever they are in the business, is vital for banks' success. That's why developing a reliable Performance Management System (PMS) and a trustworthy recognition and reward program is essential in today's workforce and becomes one of the most important issues of human resources management.

The goal of this booklet is to provide human resource (HR) professionals with useful guidelines and practical tools for systematically developing and implementing effective performance management systems in the context of Myanmar banks.

A planned, comprehensive performance management and reward system motivates and empowers employees to achieve both banks and financial industry benchmarks that render measurable results. A well-implemented performance management and reward program can recast the culture of a bank to lift efficiency and earnings and facilitate a culture of personal accountability and ownership that will not only keep high performers but attracts new talents. In other words, a resourceful performance management and reward program can make a remarkable difference to customers, investors, and policymakers overall.

Banks, who have already an own PMS in place can also take advantage of this handbook. The purpose of this document is not to replace or over-ride the PMS, rather it is designed to:

- Provide context and additional information
- Provide best practice guidelines from which banks can measure their own Performance Management Systems.

1. Performance Management System: Objectives & Prerequisites

A Performance Management System (PMS) is a useful tool for managing staff's performance and for facilitating its development. Effectively used it can increase productivity, improve communications and have many others positive side-effects for individual staff members and for the entire organization. But before the management designs and implements a PMS, the organization must complete several tasks. First, it must clearly define what it aims with the PMS. Second, it must work on setting the field for PMS to be fruitful. This includes considering the organizational culture and its objectives, among other "prerequisites". A well-designed and implemented PMS improves not only the Human Resources (HR) Management but the performance of the organization as a whole.

Summary Chapter 1

Objective:

To explain possible objectives and benefits of a Performance Management System (PMS).

To explain the factors to consider when deciding to design and implement a PMS.

Key Points:

1. Objectives of a PMS (2): Supporting *decision-making* (pay increases, promotions, etc.) **or** *employee development* (guide training & developmental activities)

2. Focus on a single objective: Decision-making & employee's development is rarely supported equally well by a single system.

3. Side-effect of PMS-Reward System Alignment: employees might be sceptical to discuss development needs for fear of negative impact in their payment.

4. Benefits of an efficient PMS:

    -*For the Staff:* Understanding organizational goals & their individual/colleagues required outputs towards them; ongoing discussion with supervisors & career-planning as part of appraisals and clearer support toward achieving results.

    -*For the Supervisors:* Structured approach for work-assignment & communication of changes

5. PMS improve performance by: Improving individual/group productivity; developing staff's capabilities (feedback & coaching); aligning behaviour-organizational values, & goals; being a basis for rewards; improving employees-managers communication, institutionalizing customer & results-oriented operations; motivating staff

6. Prerequisites to effectively implement a PMS (7): integration with other HR systems; fitting with corporate culture; alignment with corporate strategic objectives (translating organizational goals to branch/unit/team/individual goals); qualified and motivated assessors; top management commitment; result-oriented job descriptions; and clear reporting lines and relationships.

Keywords: Performance Management System, Value-based performance management, organizational culture, results-oriented job description.

1.1 Objectives of performance management systems

Performance Management Systems (PMS) are essential for the effective management of staff and for their development. They help employees grow as they help them improve their business practices and, when needed, redirect their goals and objectives. They also enable management better monitoring the performance of employees against the standards of their business, better deciding on work delegation, as well as determining their people training needs and development. In fact, when properly done, PMS can accomplish many good things:

1. All staff members have a clearer understanding of the objectives to be achieved by the organization in which they work, in a given year.
2. Every staff member also have a clearer understanding of the specific outputs they are required to produce as a contribution to the achievement of those organizational objectives.
3. Every staff member see greater effort being made to ensure that the resources and tools required to help them make that contribution as agreed, are provided in a timely manner.
4. Every staff member can discuss regularly with their manager/supervisor, the challenges and successes they are experiencing as they do their work.
5. Every staff have a better understanding of what specific outputs their fellow colleagues in their Division/Section are responsible for producing, allowing them to have more productive and effective work relations within a Division/Section.
6. Career planning and the development of job related knowledge will be facilitated during the performance monitoring and evaluation process, without staff members having to make a separate special request to discuss these issues.
7. Managers/Supervisors should find it easier to manage/supervise individuals with a more structured approach to assigning work and communicating changes throughout the year.

Therefore a well-designed and implemented Performance Management System (PMS) is an essential tool for high performing organizations, and it is one of a manager's most important responsibilities, if not the most important responsibility. Experienced Managers understand the needs and motivation of employees and develop strategies that engage employees in ways that are meaningful to them both personally and professionally. For them it makes sense that a well-crafted Performance Management System (PMS) will help to increase employee engagement in measurable ways:

Box 1: Possible outcomes from an effective performance management system

1. Clarifying job responsibilities and expectations.
2. Improving individual and group productivity.
3. Developing employee capabilities to their fullest extent through effective feedback and coaching.
4. Driving behaviour to align with the organization's core values, goals and strategy.
5. Providing a basis reward good performance and achievement.
6. Improving communication between employees and managers
7. Institutionalize the principles of customer service and results oriented operations.
8. Create systems and processes to support delivery of services in a more efficient and effective manner.
9. Increase motivation of staff

However, one important restraint is to consider. While performance management for purposes of decision-making and employee development are certainly related, these two objectives are rarely supported equally well by a single system. When a performance management system is used for **decision-making**, the appraisal information is used as a basis for pay increases, promotions, transfers, assignments, reductions in force or other administrative HR actions. Managers make reward decisions based on performance ratings. When managers conduct reviews, developmental feedback is supposed to be included. However, with so much at stake, most of the meeting ends up focused on justification by both parties.

When a performance management system is pre-eminently used for **development**, the appraisal information is used to guide the training, job experiences, mentoring and other developmental activities that employees will engage in to develop their skills. Although it is theoretically possible to have a performance management system that serves both decision-making and development purposes well, HR-managers have to consider that this can be difficult to achieve in practice. Research has evidently shown that the purpose of the rating (decision-making versus development) affects the ratings that are observed. Ratings used for decision-making tend to be lenient, with most employees receiving ratings on the high end of the scale. Ratings for developmental purposes tend to be more variable, reflecting both employee strengths and development needs. When a bank emphasizes decision-making within the PMS employees are more reticent to discuss their development needs for fear this will negatively impact their rewards. This has to be considered, when you want to align a PMS with the reward system of a bank.

Performance management systems serve two primary purposes for organizations:

⬇ ⬇

Employee development. **Decision-making**

⬇ ⬇

Performance Appraisal tend to be more variable, reflecting both employee strengths and development needs

Performance Appraisal tend to be lenient, with most employees receiving ratings on the high end of the scale. Employees are more reticent to discuss their development needs for fear this will negatively impact their rewards

Figure 1: The two different objectives of performance measurement systems

1.2 Prerequisites for proficient performance management systems

There are some important prerequisites that are needed to be in track, before a performance management system can successfully be implemented. If there is a lack of clarity regarding these factors, there will be a lack of clarity how to develop a new PMS in bank.

1.2.1 Integration with other HR systems

Before HR managers embark on the development of a new performance management system, they should take a moment to consider whether or not their organization has HR management practices in place to support the performance management process. In developing a performance management system, it is important to ensure that it can be aligned with other HR systems in the organization. For example, competencies or corporate values used as the basis for performance management should be the same as those used for recruitment, staffing and training. This not only ensures that employees are being hired, trained and appraised on a consistent set of critical job requirements, but it also sends a strong message, internally and externally, about what is valued by the organization. Performance management results can often support other HR process areas and banks that

use different competency architectures to support the different HR functions will not get these efficiencies or other benefits. In order to have a completely integrated system, it is important to have a common value framework or competency profiles underlying all the HR processes.
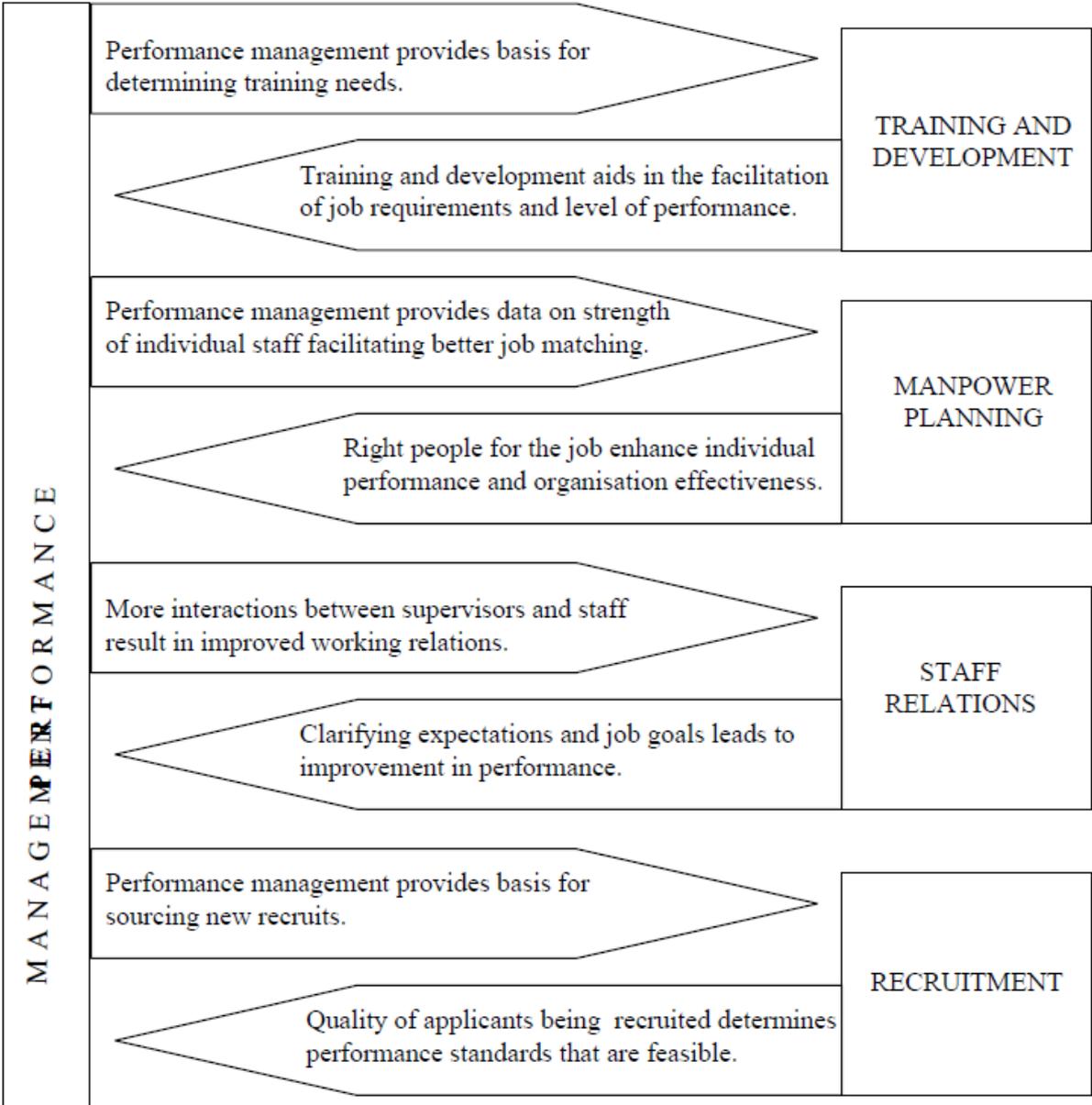
Figure 2: Performance management's linkage with other HR functions (Source: Performance Management Guide, Civil Service Bureau of Hong Kong, 1999, page 5)

1.2.2 Fitting with the corporate culture

Many companies are becoming advocates of values-based performance management where they integrate their core value as a framework on which their performance management system is built on. In order to be effective, Performance Management Systems (PMS) have to fit into the organization culture of the financial institution. The more HR Managers know about their institution's organization culture, the better the PMS can be designed.
The organization culture of financial institutions includes various aspects:

- Commonly shared values
- Traditions, history, experience
- Policies and guidelines
- Strategies
- Formal and informal agreements
- Tools, processes and techniques
- Clientele
- Products
- Staff incentives

1.2.3 Alignment with corporate strategic objectives

The definition and clarification of the institution's strategic goals is such a fundamental and important process that it requires the participation of management. Of course, clarity and agreement about the major goals of the bank are important requirements not only for the design of appropriate PMSs. They form the basis for strategy formulation in all business areas.

Expectations and employee goals should be clearly tied to the organization's strategic direction and corporate objectives. In some situations, it is difficult to see direct relationships between organizational goals and what a particular individual can achieve in his or her job. To remedy this, organizational goals need to be translated and cascaded into more refined goals and expectations at the unit, team and individual levels. This typically requires a series of meetings where, for example, the highest-level executives first develop division goals that align with the organizational goals. Then, the mid-level managers develop unit goals that align with the division goals, followed by managers developing group goals that align with unit goals and so on until the organizational goals are cascaded down to individuals. The most effective practice is to establish a hierarchy of goals where each level supports goals directly relevant to the next level, ultimately working toward the organization's strategic direction and critical priorities.
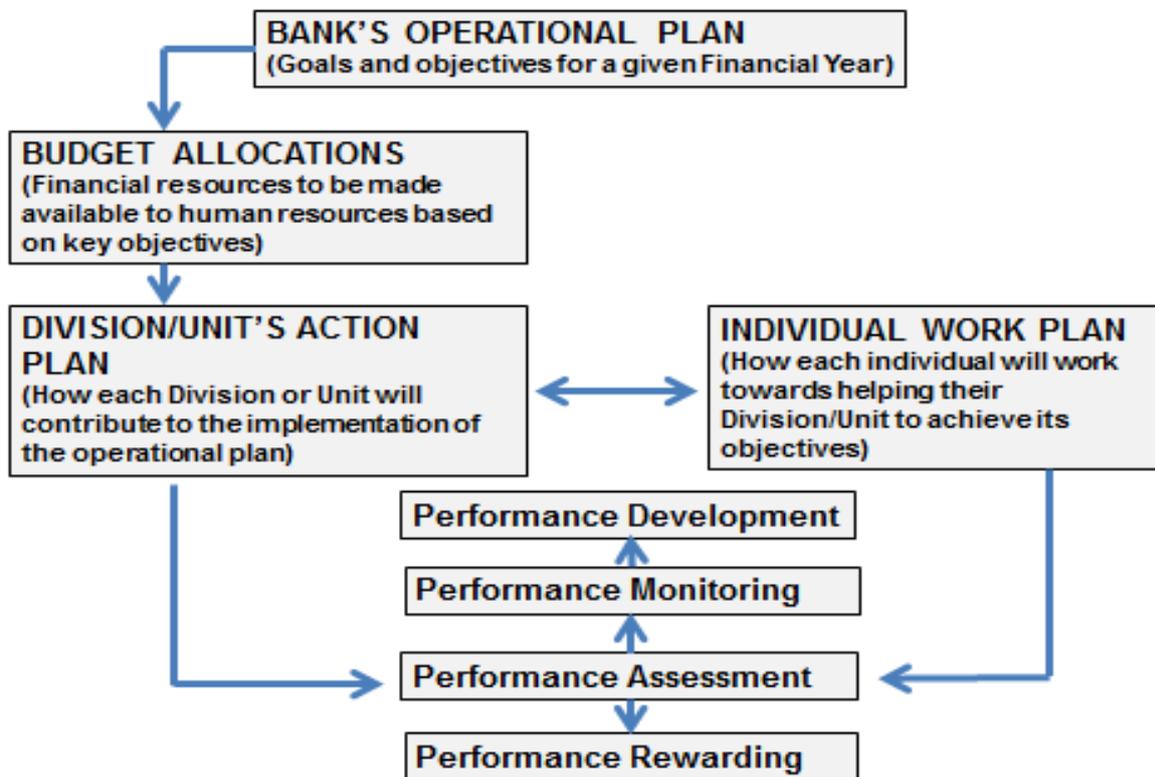
Figure 3: The place of performance management in the goal-setting-process

1.2.4 Qualified and motivated assessors

Performance management is usually carried out by line managers rather than HR professionals, therefore it is important that they understand their role in managing performance and how performance measurement contributes to the overall aims of performance management. Line managers must manage employee performance well in order to achieve their missions and reach their goals. Accordingly, performance management is one the most important parts of a line manager´s or supervisor's job and qualified and motivated assessors are an absolute necessary prerequisite for an effective PMS.

1.2.5 Top management commitment

Starting at the top and getting the commitment of upper management to make performance management a priority is an important prerequisite for success. In order for any performance management system to be effective, organizational members must be motivated to use it properly. The stronger the commitment, the greater the potential for program success is. Without top management support the system will fail. Top management support means that the highest level managers follow all parameters of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations.

1.2.6 Result-orientated job descriptions

Another important prerequisite to implement a high-quality PMS is that at all organizational levels there are job descriptions already worked out and periodically up-dated. A job description should be a comprehensive statement of all that the job includes. A results-oriented job description does more than describe what a person does (the tasks); it also describes what a person accomplishes (the results). Result-oriented job positions are defined working situations where value is created for the organization. Every position has its own internal and external customers to whom unique results are delivered. The result-oriented description reproduces the unique value chain of the job position, being the aimed job results (output), the problems to be solved independently (throughput) and the necessary knowledge and skills (input). Changeable job information on procedures to be followed or systems to be used is not included so that job descriptions are durable and to the point. With result-oriented job positions the significance of job positions for the organization becomes clear. Employees can commit themselves to their own to be achieved results and can put their own ideas and solutions into practice to realize these results. Furthermore employees can experience the sensation of being valuable for own customers. As a result, working motivation increases which improves general employee performance.

Traditional duties-oriented job description	Result-oriented job description
• Sweep, vacuum, and dust offices • Secure the building • Other tasks	Provide for a safe and healthy environment for clients and staff by: • Sweeping, vacuuming and dusting offices • Securing the building • Other tasks

Table 1: Results-orientated job descriptions for a cleaner in a branch

1.2.7 Clear reporting lines and relationships

The reporting structure defines how power and control is cascaded throughout the organization and is usually represented in a chart, showing how the lines of control reach the various functional areas. Reporting relationships must be clear so all members of the organization understand what their responsibilities are and know to whom they are accountable. These clear relationships make it easier for managers to supervise those in lower organization levels. Each employee benefits by knowing whom they can consult for direction or help. Furthermore, managers are aware of who is outside the scope of their authority, so they do not surpass their limits and interfere with another manager's responsibilities.
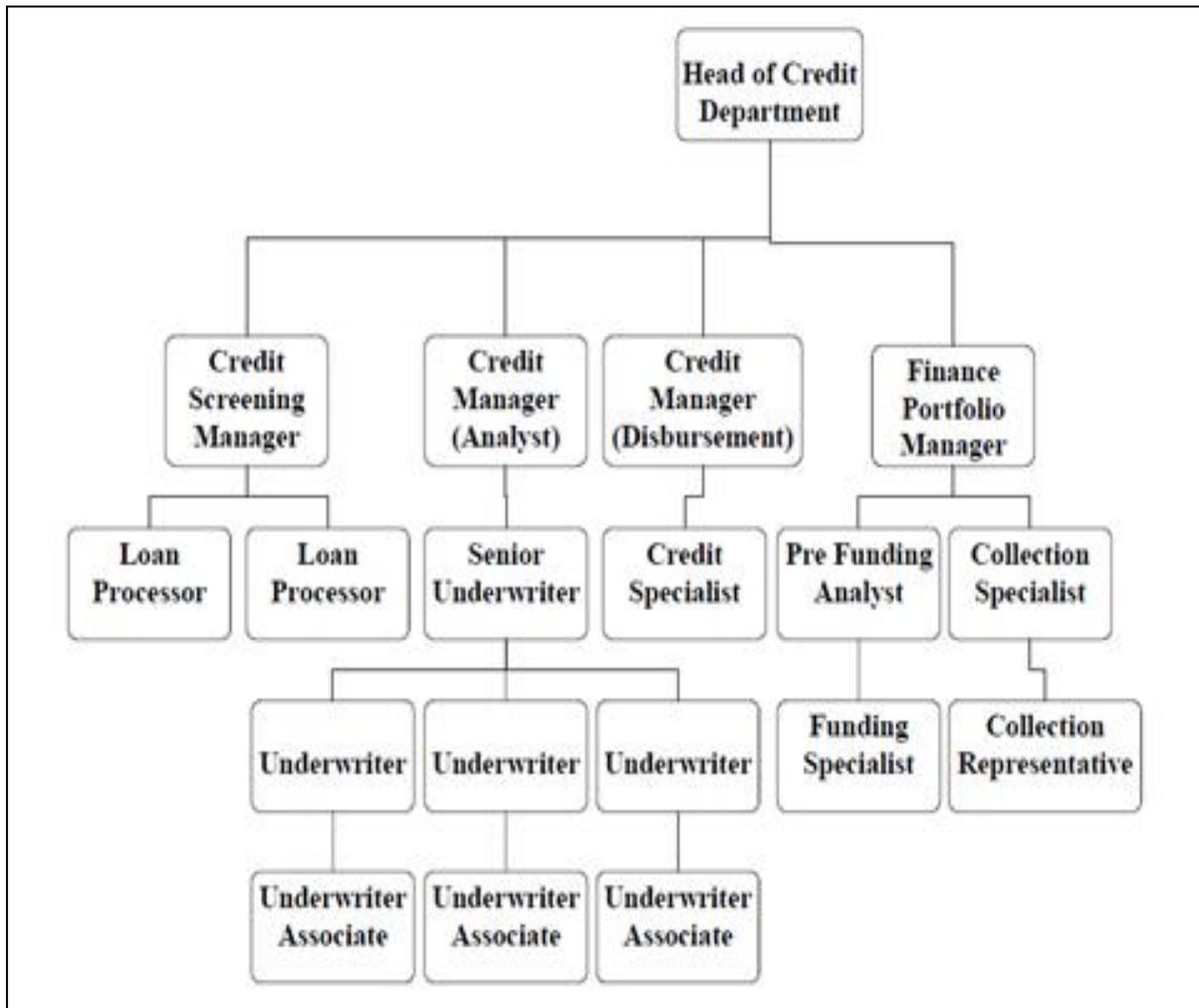
Figure 4: Organizational chart with clear reporting lines

2. How to work out an effective Performance Management System

After having all the mentioned prerequisites in place, HR-managers can start working-out the PMS for the bank. However, developing an appraisal system that accurately reflects employee`s performance is a difficult task. PMS are not generic or easily passed from one company to another. They should not be copied from another bank and their design and administration must be tailor-made to match employee and organizational characteristics and qualities. In this chapter HR-managers will receive some suggestions to be considered when designing a PMS.

Summary Chapter 2

Objective:

To explain the steps for designing a successful Performance Management System

Key Points:

1. Steps for designing a PMS (5):
   - Using a *Competency Model or Corporate Values* as starting point
   - Translating *goals into measures* for staff
   - Defining the *rating sources*
   - Designing a *well-crafted template* for measuring performance
   - Defining the *ratings* to be used
2. Advantages of a competency model: Consider all factors associated with success- technical, leadership and interpersonal. Allows feedback on: *what* was accomplished & *how* the work was performed.
3. Advantages of using a balanced score card: Align each employee's performance plans with the organizational goals.
4. Factors to consider when defining the rate sources: Should all rating sources provide input? How to collect, manage and control input?
5. Advantages of self-reviews: Profit from employees' familiarity with the work. Result in more accountability. Enable examining/clarifying employees' goals & weakness.
6. Advantages of upward reviews: Enables a two-way communication & assists the development of leadership skills.
7. *Myanmar Context:* Anonymous upward reviews and BARS are 2 forms recommended for an upward feedback process in the banks.
8. Components of a Performance Evaluation Template (6): Identifying information, Instructions, Objectives & Measures, Competencies (if applicable), Rating scales, Employee training and development plan and Sign-off section.
9. Advantages of numerical ratings: Can be averaged or summed across categories to derive scores for fair & uniform decision-making.
10. Advantages of rating narratives: Allow employees to understand why they were evaluated in a particular way.
11. All ratings should be guided by performance standards.
12. BARS combine advantages of numerical and narratives scales.
13. BARS compare individual performance against specific examples of behaviour anchored to numerical ratings.
14. Evaluations should consider the *hows* (behaviours, skills, & competencies) and the *what* (goals, objectives and results).

Keywords: Competency Model, Competency-Based Performance Management System, Balanced Scored Card, 360 Degree Assessment, Behaviourally Anchored Rating Scales (BARS).

2.1 Using a competency model or the corporate values as a basis for PMS

Using a competency model as a framework for identifying the competencies to be measured and developed within the PMS is a common idea. Competencies are defining the skill and knowledge requirements of a job. A competency model is therefore a collection of important competencies that jointly define successful job performance. Competency models are widely used in business for defining and assessing competencies within organizations in both hard and soft skills. Another advantage of competency models is that they typically include the full array of factors associated with success - technical, leadership and interpersonal. They represent a key component of recruitment and hiring, as well as talent and performance management activities of HR departments. Integrating competencies within the performance management process supports the provision of feedback to employees not only on "what" they have accomplished (i.e., performance goals), but also "how" the work was performed, using competencies for providing feedback. Assessing competencies as a part of performance management is an important means of assisting employees in understanding performance expectations and improving competencies. Competency models articulate the knowledge, skills, abilities and other characteristics that are deemed to be most instrumental for achieving positive organizational outcomes.
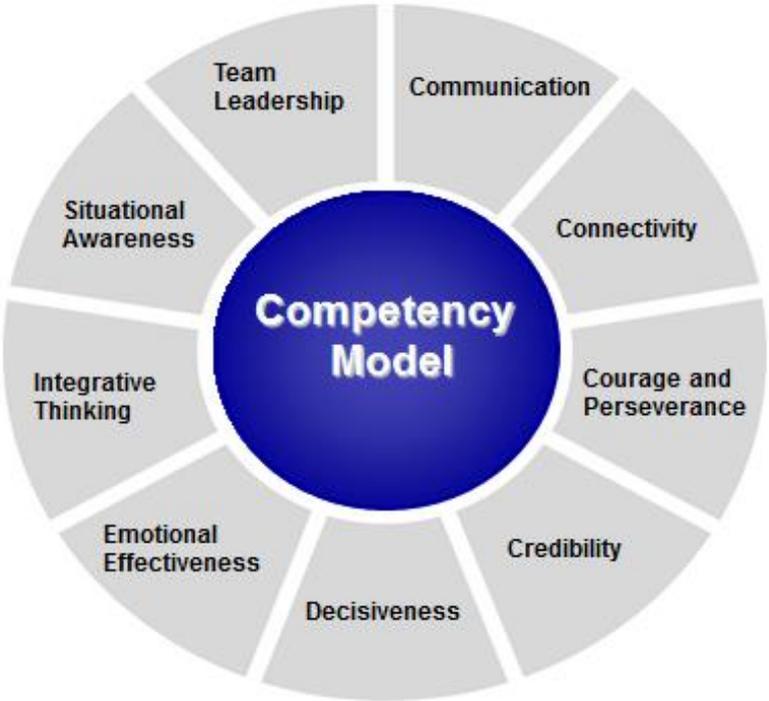
Figure 5: Example of a competency model

2.2 Defining a comprehensive picture of employees' performance

Another common basis for orientation is the "Balanced Scorecard", developed by Robert Kaplan and David Norton. Scorecards have a long pedigree of success and are a straightforward way of formalizing a comprehensive set of goals in terms of a small number of critical success factors and provide an excellent framework for defining goals and objectives and translating them into specific measures for employees. This performance measurement framework, measures over and above the financial extent, monitors also customer, business process, and learning measures in conjunction with their alignment with the organization's strategy as per next figure:
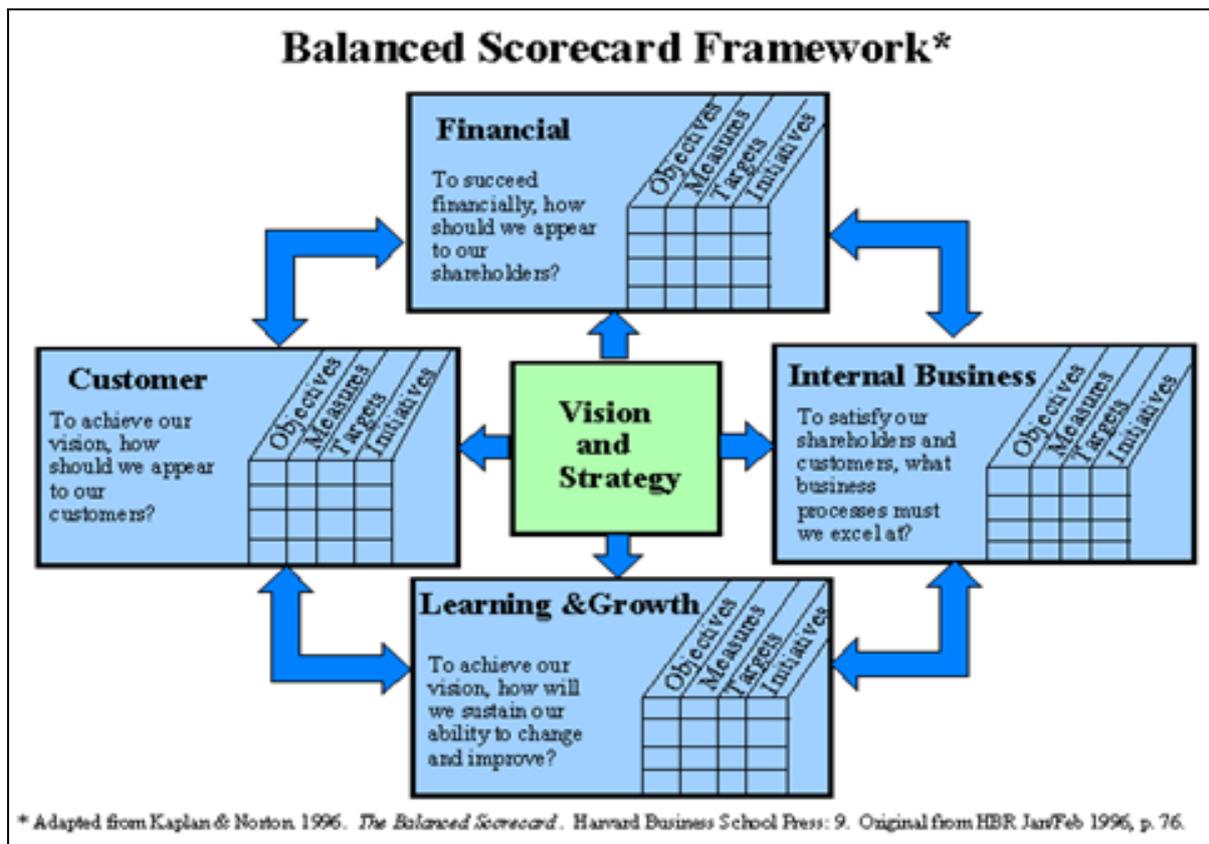
Figure 6: Translating vision and strategy

Robert S. Kaplan and David P. Norton have developed this set of measures that they refer to as "a balanced scorecard." These measures can also provide supervisors with a fast but comprehensive view of the employee´s performance and include both process and results measures. Kaplan and Norton compare the balanced scorecard to the dials and indicators in an airplane cockpit. For the complex task of flying an airplane, pilots need detailed information about fuel, air speed, altitude, bearing, and other indicators that summarize the current and predicted environment. Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization requires that managers be able to view performance in several areas simultaneously. A balanced scorecard or a balanced set of measures provides that valuable information and is an effective way of getting a complete look at an employee's work performance, not just a partial view. By using balanced measures at the organizational level, and by sharing the results with supervisors, teams, and employees,

managers are providing the information needed to align employee performance plans with organizational goals. By balancing the measures used in employee performance plans, the performance picture becomes complete.

However, to get this comprehensive view of employee´s performance, it is necessary to formulate at least one goal for every perspective of the scorecard.

2.3 Integrating various rating sources

Performance evaluation information can be obtained from managers, peers, direct reports or customers. This type of rating process is often referred to as 360-degree feedback. The 360 degree appraisal is a quite powerful approach, though it is not meant to replace the traditional appraisal. Here, the employees are asked to appraise themselves as well as (anonymously or not) they are appraised by their seniors in charge, their colleagues and their assistants. The purpose of this approach is to give the staff being appraised a better picture of their performance through the feedback of their colleagues and assistants, over their own assessment and their supervisors'. Important questions that need to be considered are whether all rating sources should provide input and how that input will be collected, managed and controlled. An advantage of using different rating sources is that they often have different views of an employee's performance and thus provide a more complete picture of effectiveness. For example, peers and customers typically would not have information to evaluate how effectively an employee develops or leads her subordinates, whereas direct reports would be an excellent source for this type of information. Although there are several advantages to collecting performance information from multiple sources, doing so adds complexity and administrative burden.

Figure 7: Using different sources of information

2.3.1 Employees' self-reviews

Standard employee performance reviews open up constructive communication between managers and employees, but sometimes this traditional form of evaluation alone isn't adequate. Employee self-reviews are a viable alternative that are becoming more and more prevalent in the workplace and should be also considered in Myanmar Banks. Self-reviews take advantage of an employee's familiarity with his or her work. They also allow the person to participate in the process, resulting in more employee accountability. Self-reviews give employees a chance to examine and clarify their goals. Further, these evaluations offer respondents a means for pinpointing areas of weakness, which can later be addressed in a conversation between an employee and his or her manager.

2.3.2 Upward feedback and supervisor's appraisal

The use of upward feedback in the performance appraisal process is based upon the assumption that the appraisal of managerial effectiveness should include input from direct reports. Basic idea of the upward feedback is that you are only as good a manager as your subordinate thinks you are. Through the mechanism of upward feedback employees in a bank can influence the behaviour of managers. The feedback is intended create two-way communication between employees and managers that can assist in developing leadership skills.

XYZ Bank

Superior Appraisal Form

This form may be used to evaluate a supervisor, team leader, manager, etc. Please help us by completing this anonymous appraisal so that we can improve the leadership-quality within XYZ Bank.

How to Evaluate: We suggest to ask the XYZ Bank's staff for an "upward appraisal" of the boss at least once a year. Please complete this form, place it in a SEALED envelope, and put it in _____'s box. HR Department will then tally the results and create an average for each question. Any written comments will be typed up separately and added to the tallies. In order to complete the anonymity of this form, please DO NOT sign it or put your name on it.

Name of supervisor to be reviewed: _____

Department/Branch: _____

	Unsatis-factory	Poor	Fair	Good	Excep-tional
	1	2	3	4	5
1. Conducts him/herself in a professional manner.					
2. Is a good listener					
3. Is good at giving feedback to others					
4. Is open to other people's ideas and opinions					
5. Is thoughtful and considerate of staff members					
6. Has good self-control under pressure					
7. Will admit it or apologize when wrong					
8. Is punctual					
9. Does not use facilities for personal reasons					
10. Gives compliments and positive feedback					
11. Provides on-the-job training and develops staff					
12. Willingly answers questions from staff members					
13. Let's me know in a fair and constructive manner when I have done something wrong					
14. Keeps his/her promises					
15. Delegates the authority I need to do my job					
16. Has good people skills					
17. supports and encourages customer-orientation					
18. supports and encourages innovation					

19. What one change or one thing should the manager do to better support you?

20. What should the manager not do or avoid?

21. Any additional feedback (positive or negative) is appreciated!

Page 1

Figure 8: Supervisor appraisal form

It is important to know that subordinates feel and respond differently to upward appraisal procedures depending on whether they are accountable or anonymous. Accountability requires subordinates to identify themselves on the upward appraisal questionnaires they complete. In an experimental field study in insurance companies, employees were randomly assigned to use one of the appraisal procedures. As a result, managers who received feedback from specific individuals in the accountability procedure viewed the upward appraisal process more positively than did managers in the anonymity procedure. However, subordinates felt more comfortable giving anonymous responses. Consequently, subordinates who used the accountability procedure rated their managers considerably higher than the subordinates who responded anonymously. Therefore, the results of this study suggest that an upward appraisal procedure in Myanmar banks, in which individuals are accountable for their responses, may produce inflated ratings of manager`s performance. Therefore it is important to install an anonymous process which guarantees confidentiality for employee`s appraisals.

HR managers in Myanmar banks can also consider making use of Behaviourally Anchored Rating Scales (BARS) for the upward feedback process. It consists of predetermined critical areas of supervisor`s job performance or sets of behavioural statements describing important job performance qualities as good or bad. See more in chapter 2.4.2)

The effectiveness of my supervisor in teaching/training me:		
My supervisor is a superb teacher. His/her clear, logical explanations and directions make it easy to learn and master complex material. S/he seems to know the best way of presenting material to me so that learning is always stimulating, rewarding and fast	My supervisor is a good teacher. S/he presents material in a logical easy-to-understand sequence. S/ he checks to make sure I understand one thing before moving on to the next. When I ask questions, s/he is always able to give me clear, comprehensive answers.	I find it very hard to learn from my supervisor. S/he often doesn't seem to know the material very well himself/herself. His/her explanations are rambling and con-fusing, and when I ask questions, s/he is often unable to answer them without needing to get back to me at a later time.

Table 2: Behaviourally anchored rating scales for assessing supervisor`s ability to train employees

The effectiveness of my supervisor in giving me feedback on my work:		
My supervisor is great in giving me feedback on my work. S/he is quick to give me credit for work well done, and is specific and constructive where I need to improve. S/he helps me aspire to continuous improvement, both in terms of work quality and volume	My supervisor gives me feedback in a way that is easy to take. S/he gives me useful guidance that helps me to improve my work, without making me feel stupid or incompetent.	What feedback? I rarely get any feedback other than at performance review time, and it is usually very strained. We both feel awkward and uncomfortable in discussing my work performance

Table 3: Behaviourally anchored rating scales for assessing supervisor`s ability to give feedback

2.4 Designing a well-crafted performance measurement template

The performance management template is a tool for guiding and documenting a discussion between the manager and employee about the employee's performance over the past year. A good performance management process can be undermined by a poorly designed appraisal form. It is therefore important that the form you use is developed carefully. Performance measurement templates vary substantially from an organization to another depending on its business, size, managerial capabilities and experience in performance measurement. There could be found a lot of different forms in practice and it is a matter of taste which outfit you choose, but the following **c**omponents or sections of a performance management form should be included:

- Identifying information;
- Instructions;
- Performance objectives and measures;
- Competencies (ONLY if your organization evaluates competencies);
- Rating scales;
- Employee training and development plan;
- Sign-off section.

Obviously the first part of a formal document needs to contain essential identifying data:
- Organization, division and department;
- Year or period covered;
- Name;
- Position;
- Location/site/based at/contact details (e.g., email);
- Months in present position.

It is then useful to include some brief instructions on what is to be done, why, and how to complete the performance management form such as:

"The performance management form is designed to guide the manager and employee in documenting the employee's results in comparison to the agreed upon objectives. Please follow the instructions for each section." "Please refer to the performance management guidebook for more information and instructions regarding the annual performance review process."

In the next section of the form, the performance objectives (work plan or Terms of References) should be identified and the measures to be used to assess achievement. Some formats include the objectives and the measures together; other forms (like the one attached) separate the objective and its measures.

As part of the performance planning process, the manager and employee may have identified areas for further training and/or development, as well as the types of activities that the employee could engage in. The expectations for training and development should be documented in the performance management form. In the attached sample it is part of the "Learning and development focus", but it is also recommended to provide a separate sector in the template to document the commitment of the needed learning activities.

The signatures should come after a statement which indicates that "by signing, both parties are acknowledging that they have read and discussed the contents of the performance review form." This allows the performance management cycle for one year to come to a close and the cycle for the next year to begin. Make sure the employee understands that, by signing, s/he does not have to agree with all the appraisals made in the assessment and that there is a possibility to add some comments.

Remember that a template is just a structure for the process and the content and the direction of the assessment review should be as flexible as your financial institution allows, or can be persuaded to allow.

XYZ-Bank   **Performance Management Scheme (PMS)**

TEAMWORK AND COOPERATION:
Cooperates with others to accomplish common goals; works with employees within and across his/her department to achieve shared goals; treats others with dignity and respect and maintains a friendly demeanor; values the contributions of others

SMART objective for teamwork and cooperation of employee:

Performance Assessment (completed at Business Year End)

Step 1 (Self Assessment of staff): Underline the most adequate phrases which describe best the performance)
Step 2 (Supervisor`s Assessment):

1 (Needs Improvement)	2 (Meets Expectations)	3 (High Performing)
• Tends to isolate oneself from others while working toward team goals and objectives • Sometimes treats other team members with hostility or indifference • Talks about commitment to teamwork but does not always demonstrate it in his/her actions • Works well with some people but not others; is not generally regarded as a "team player" • Waits for others to solve interpersonal/team conflicts and problems • Inconsistently participates in Department meetings, activities, and events • Provides inconsistent feedback with different members of the team	• Consistently works with others to accomplish goals and tasks • Treats all team members with a respectful, courteous, and professional manner; supports team despite different points of view or setbacks • Considers the views of other people (and departments, if relevant) when analyzing a situation or developing a solution • Consistently works well with a variety of different people; rarely encounters someone he/she cannot work effectively with on a task/project • Regularly initiates communication to help solve interpersonal/team conflicts and problems • Consistently attends and actively participates in Department meetings, activities, and events when asked or required	• Frequently uses opportunities to work with others as a teaching tool to impart organizational knowledge and help others succeed • Actively seeks to eliminate "cliques" and assists in problem solving so that all team members can be included in work processes • Builds loyalty among other team members (and departments, if relevant) across the State; promotes the State as a team • Provides guidance to others as they work through conflicts and disagreements so they can become better "team players" • Facilitates communication between people experiencing conflict who have previously been unable to solve problems

Begin Year Planned Objectives Sign off. Staff members keep a signed copy for their records and supervisor keeps original.	Staff Member's signature Date:	Supervisor's signature Date:

Figure 9: Example of a performance measurement template in a Myanmar bank

2.4.1 Using rating narratives and rating scales

Experienced practitioners advocate the use of performance standards for every goal because without them it is difficult to calibrate evaluations from different managers. If a scale is used, for example, that measures whether an employee "meets expectations" without articulating exactly what those expectations are, some managers will inevitably expect more than others. The result is that employees holding the same job at the same level may be held

to different standards, which is unfair. Similarly, a scale that asks managers to rate employees from "ineffective" to "highly effective" suffers the same problem. Thus, the inclusion of performance standards to guide ratings is considered best practice in developing an effective performance management system.

Performance management forms should therefore also include rating scales to help guide and simplify the assessment process. However, poorly constructed rating scales can be a source of confusion, subjectivity, ambiguity and conflict - all of which undermine the performance management process. One of the aims of a good performance management process is to produce a reliable assessment - this means that consistent ratings need to be given for the same performance over time and with different raters. To increase the reliability of rating scales:

- Avoid language that may be provocative;
- Use words that are not open to interpretation;
- For words that are open to interpretation, provide definitions and examples to clarify what is meant;
- Use simple rating scales.

If performance information is to be used for decision-making, a numerical rating on which employees can be rank-ordered or identified as top, middle and bottom performers is required. A five- to seven-point scale is typically used because it provides a sufficient number of rating points to help differentiate between employees. If a rating scale is to be used, the rating points should be defined sufficiently so that raters can apply them in a uniform and fair manner. Ratings made with numerical scales can easily be averaged or summed across rating categories to derive a summary score for decision-making.

In the sample attached you find a Five-Point Scale with defined rating points:

- Exceeds all Expectations (exceptional): Distinguished performance, consistently exceeded all standards for position;
- Exceeds Expectations: Met all standards for position and in most instances exceeded them;
- Meets all expectations (achieved): Met position standards for the position and in some instances exceeded them;
- Meets most expectations (partially achieved): Did not meet all standards for the position or met them only partially;
- Falls below expectations (unsatisfactory): Failed to meet any standard for the position.

Beside this rated assessment a highly-crafted template should also provide space for comments and rating narratives. From an employee development perspective, rating narratives tend to provide more useful information than numerical ratings. Even when performance is rated against behavioural rating standards, the ratings themselves typically do not convey what the employee did or did not do in sufficient detail to be meaningful.

Rating narratives, on the other hand, can be extremely rich, customized and useful sources of feedback because they tend to provide specific behavioural examples that can aid employees in understanding why they were evaluated in a particular way. Narrative descriptions should not be used alone as a basis for linking performance to rewards.

Instructions: Review objectives and development plan. Provide comments and record any changes as required. Supervisor and staff member keep a signed copy for their records. In depth discussion on achievements and performance to date has taken place with reference to objectives, competencies and development plan established at the beginning of the performance period.
Outcomes and Development (Managers Assessment):
Mid Year Comments by staff member:

NOTE: If changes are made as a result of discussion during the review at MidYear or anytime during the performance period, please indicate the changes in the appropriate section of this form - both staff member and supervisor initial and date all changes made so that all relevant PMS documentation is found in this form. Staff member signs and returns form to their supervisor within 48 hours.

Mid Year Sign off	Staff Member's signature	Supervisor's signature
	Date:	Date:

Figure 10: Rating narrative as part of mid-year assessment in a Myanmar bank

2.4.2 Behaviourally anchored rating scales instead of subjective ratings

Behaviourally Anchored Rating Scales (BARS) are designed to bring the benefits of both qualitative and quantitative data to the employee appraisal process. BARS compare an individual's performance against specific examples of behaviour that are anchored to numerical ratings. To counteract the perceived subjectivity in using basic ratings scales to judge performance, some banks in Myanmar use BARS. However, to the development of BARS requires an in-depth understanding of each position's key tasks, along with an understanding of the full range of behaviours displayed by individuals in carrying out such tasks. If HR-managers decide to rate these behaviours for each employee, then they have to anchor each behaviour to points on a rating scale, which indicates whether the behaviour is exceptional, excellent, fully competent, or unsatisfactory. The result is a rating scale for each task.

The BAR for "Quality Orientation" used in an Brazilian bank defines this task for example "Accomplishing tasks by considering all areas involved, no matter how small; showing concern for all aspects of the job; accurately checking processes and tasks, being watchful over a period of time" and provides the supervisors with the following rating scale:

Needs Improvement	Meets Expectations	High Performing
• Work is not thorough and is inaccurate, continues to make the same mistakes. • Does not act appropriately in situations affecting the quality of work. • Shows little regard for accountability. • Lacks attention to detail. • Does not provide feedback to management when unable to meet time or quality expectations. • Ignores small errors that occur at one's stage of the process; shows disregard for effects on other parts of the process. • Knowingly performs work with disregard for processes or procedures. • Quality of work does not follow norm of work group; work is substandard given knowledge and experience.	• Follows established procedures for completing work tasks. • Demonstrates a good balance of productivity and quality of work. • Does not rely on others to check quality of work. • Provides new ideas and input for improvements. • Makes certain that work is done as accurately as possible. • Tracks work to ensure quality. • Displays positive attitude regardless of task "level." • Quality of work is equivalent to that of team members with similar level of knowledge and experience. • Completes tasks with concern for the big picture.	• Assures all processes are thoroughly checked and makes appropriate corrections when necessary. • Follows work through entire process to ensure correct outcomes. • Develops and proposes quality improvements. • Works to eliminate barriers to quality. • Ensures accuracy before passing along to the next person. • Suggests correct or improves ways to complete tasks if given inaccurate or incorrect procedures. • Consistently makes sure all details are accurate and complete before considering a project complete. • Always looking for ways to improve. • Consistently follows work procedures accurately • Quality of work exceeds that of team members with similar level of knowledge and experience. • Knows all aspects of the process, not just their own.

Table 4: Behaviourally anchored rating scale for "quality orientation" used in an Asian Bank

The method is very useful from the managers view point as well, because it enables them to easily offer the solutions that might be daunting job performance. The method of BARS, is no doubt one of the best methods to evaluate the performance of an employee but the time it consumed to complete the procedure is too hectic.

One thing is for sure that whenever an organization change or intend to be change the behaviourally-anchored rating scales must be adjusted to reflect the new changes.

Needs Improvement	Meets Expectations	High Performing
• Tasks are often left for others to complete. • Ignores team and organizational goals. • Avoids project participation; volunteers only for "menial" project activities. • Hoards knowledge of information that may assist team in reaching goals. • Fails to volunteer skills and ability to contribute to goal attainment. • Will not assist co-workers in the learning process. • Does not support co-workers. • Does not give input in meetings; avoids sharing thoughts/input.	• Completes fair share of responsibilities. • Helps others perform tasks and reach goals. • Shares knowledge and information in order to complete activities. • Willingly acts as a back up to co-workers. • Embraces the team concept and works to achieve team goals. • Serves as an active member on project teams. • Participates and contributes in team meetings. • Fulfils individual responsibilities by meeting deadlines. • Subordinates own personal goals for the good of the team.	• Consistently uses skill and expertise to lead group initiatives and support work group efforts. • Helps other achieve without expectation of recognition. • Assists fellow team members and takes on added responsibility without being asked. Makes suggestions striving to improve team performance. • Consistently provides positive reinforcement and encouragement to fellow team members. • Consistently focuses on the team's goals. • Leads team using informal guidance; shares knowledge, experience and expertise. • Consistently demonstrates personal commitment to the team.

Table 5: BARS example for "contributing to team success" goal

2.4.3 Emphasis both on behavioural and result expectations

An ideal form puts at least as much emphasis on goals, objectives and results as it does on behaviours, skills and competencies. The ideal form assesses both the how and the what. The first part of the appraisal form should be devoted to evaluating the individual's performance against the competencies that your organization has determined as critical to success. The best rating scale to use for assessing performance against competencies is a behavioural frequency scale. Effective performance management forms provide behavioural standards that describe what is expected of employees in key competency areas or what results have to be reached.

Too often, employee performance plans with their elements and standards measure behaviours, actions, or processes without also measuring the results of employees' work. By measuring only behaviours or actions in employee performance plans, an organization might find that most of its employees are appraised as outstanding when the organization as a whole has failed to meet its objectives. A next critical issue faced by organizations is therefore how to measure and evaluate results. Some results can be evaluated by tracking various objective indicators of performance, such as Kyat volume of sales, profitability and amount of product produced. While objective indicators of performance can be useful, there are two potential problems with them. The first is that such measures can be affected by differences in opportunities that are available to different employees. For example, one employee may have more modern equipment than another and thus be able to produce a higher volume of product, irrespective of how hard either individual works. A similar example is that one employee may have sales territory in Shan State and another in Yangon City. Certainly, based on the volume and proximity of potential customers, the individual in Yangon will have more opportunities to make sales than the one in Shan State.

3. Performance-Based Staff Incentive Scheme (SIS)

If the Performance Management System was designed with the purpose of supporting decision-making, then incentive payment is related to staff's performance evaluations. The rules used to determine who is qualified to receive incentive compensation and to estimate how much s/he will receive need to be fair and reward those with higher performance evaluations. The rules should also be known and understood by everyone in the organization.

Just like designing and implementing an effective PMS requires a systematic approach that define its purpose and considers having an appropriate organizational framework , a Staff Incentive Scheme (SIS) should also be done with a clear purpose and the decisions taken on the form of incentive payment (individual or group) should take in account the organizational culture. Incentive schemes should as well be tested before they are broadly implemented.

Summary Chapter 3

Objective:

To explain the factors to consider and the steps to follow when designing a successful Performance-Based Staff Incentive Scheme (SIS)

Key Points:

1. Advantages of an effective SIS: Decreases staff turnover & absenteeism, increases productivity, encourages hard work & dedication and staff feels their efforts are recognized.
2. Conditions for linking PMS & SIS: The focus of PMS lies on decision making. Management's strong sense of their goals. Foresight and planning.
3. Requirements of a well-designed SIS: It is Fair & Transparent. Employees understand it & can achieve a higher compensation by working better and harder.
4. Reasons for recognizing and rewarding people (8): To reinforce excellence in behaviours/performance, build staff engagement, increases job satisfaction, achieve higher retention rates of key staff, reduce stress, encourage innovation, attract prospective staff & support a culture of performance excellence.
5. Conditions favouring individual incentive schemes (5): Objective standards for defining individual goals and measuring individual output. Staff's autonomy to decide how much effort to put into their job. Competition between staff is more beneficial than close cooperation among them. Organizational culture favours individual achievement. All operational circumstances impacting individual performance can be influenced by employees.
6. Conditions favouring group incentive schemes (5): Difficulty to identify individual outputs, organizational structure facilitates measuring group outputs, technology/workflows make it simple to identify groups, and importance of cooperation/teamwork, a set of common goal wants to be emphasized, free riding problems are controllable.
1. Steps for designing an SIS (8):
    - *Defining SIS objective*
    - *Defining target staff members and financial estimates*
    - *Selecting incentive mechanism (not* necessarily cash)
    - *Developing and calibrating a bonus formula*
    - *Analysing SIS costs and benefits*
    - *Running a pilot test*
    - *Selling the scheme to the staff* (understands & accepts it)
    - *Monitoring and adjusting the SIS*

Keywords: Staff Incentive Scheme.

An effective incentive scheme can decrease staff turnover and absenteeism, reduce company costs and offer a significant return on investment via the increased productivity of employees. Implementing an incentive scheme for bank staff can encourage hard work and dedication within workforce, and ensure feel their efforts have been duly recognized. However, linking performance management and compensation decisions together requires foresight, planning, and a strong sense of what bank managers want to accomplish and is only recommended if the focus of the PMS lies on decision-making. Communicating the significant differences between base pay and incentive compensation is critical to the success of an aligned system of rewards and recognition. When done well, aligning performance and pay can enhance employee understanding of expectations and improve your bottom line results. Most importantly, remember an incentive plan is not a substitute for great management. Continue asking employees how they are doing, finding ways to help them with problems, and recognizing and praising small improvements in performance even if those improvements do not result in meeting the incentive goal.

Box 2: Designing, testing and adjusting a staff incentive scheme.
Lessons from a Latin American bank

A bank in Latin America introduced a staff incentive scheme that heavily focused on loan officer productivity and the volume of loans. The bank defined minimum requirements and set benchmarks which the loan officers had to achieve in order to earn a bonus.

Bonus Model with Staged Design	
Number of outstanding loans	**Bonus in US Dollar**
300 and above	20
151 - 299	10
150 and below	0
Outstanding portfolio volume in US Dollar	**Bonus in US Dollar**
200.000 and above	20
150.000 – 199.999	10
150.000 and below	0
Portfolio at risk (PAR days)	**Bonus in US Dollar**
2% and below	10
1.9% - 4.9%	5
5% and above	0
Number of loans disbursed to new customers	**Bonus in US Dollar**
30 and above	10
15 – 29	5
< 15	0
Number of loans disbursed to repeat customers	**in US Dollar**
30 and above	10
11 – 29	5
10 and below	0

Loan officers increased the disbursement of loans significantly, but the internal audit department of the bank discovered two types of problems. Firstly, loan portfolio quality

generally suffered because lending staff had disbursed dubious loans in order to fulfil their targets. The second problem was even worse because some loan officers were found guilty in fraudulent activities by granting loans to "fictitious" clients (i.e. customers who did not exist). Again, there had been a strong temptation to do so since loan officers only received a reward if they surpassed a minimum volume of loan disbursements.

Consequently, the bank managers adapted the bonus scheme it was decided to change the trigger points. The main emphasis was now laid on the quality of the loan portfolio and the highest bonus was paid by fulfilling a minimum PAR-ratio.

Quarterly Bonus for the Number of active Clients and the Loan Portfolio Quality (in US Dollar)

Number of active clients \ Re-payment rate (PAR)	50-100	100-150	150-200	200-250
98%	30	35	37	39
98,5%	40	45	47	49
99%	50	55	57	59
99,5%	60	65	70	75
100%	80	85	90	100

The bank also considered to include "negative bonuses" for weak performers. Although it is not recommended to deduct anything from the base salaries or future bonuses, a "negative bonus earned" for a poor performance in one area (e.g. portfolio quality) could decrease the bonuses earned for outstanding achievements in other areas (e.g. portfolio volume). However, this method was rejected to make the scheme not to complex. Main advantages of presented staged incentive schemes from the Latin American bank:

• The scheme is simple and will easily be understood by the targeted staff members, and it will be easy to use in practice.
• The scheme could be improved further if more stages were included.
• In this example, management places a relatively strong emphasis on portfolio quality (PAR). The potential bonus for maintaining excellent portfolio quality increases much stronger than and creates more incentive for the loan officers than to increase the number of active clients.
• The first invented scheme of the bank suffered from the structural disadvantages of staged schemes. In this example, once a loan officer has improved portfolio quality to 2% PAR, there is absolutely no incentive to make any additional efforts. This was eliminated in the second version.
• All these techniques could be easily used to design group-based (e.g. branch-

based) staff incentive schemes as well. Only the reference values need to be readjusted accordingly. The formula would then calculate a group-bonus which could be distributed among lending staff (e.g. equally or according to their base salaries).

- In summary, this type of scheme may work quite well in Myanmar banks as well especially because lending operations are still at a relatively early stage.

3.1 General requirements for a staff incentive system

Well-designed staff incentive schemes can have positive and powerful effects on the productivity, efficiency and quality of bank`s operations, but conversely poorly developed schemes can also have serious detrimental effects, especially when connected inadequately with PMS. The two most important minimum requirements for such schemes are fairness and transparency.

Fairness

- The goals or reference standards set out for employees must be attainable. Otherwise, rather than motivating staff, the incentive scheme will have a detrimental effect on their motivation and performance.
- Staff members who perform better than others should receive higher compensation. This fact should be understood by everyone in the organization.
- When staff members work harder and produce better results, they should receive a higher compensation.
- The compensation system should reflect the hierarchical levels within the organization.

Transparency

- Staff incentive schemes should be kept simple enough that they can be understood by all who are affected by them. If a scheme resembles a "black box", where it is impossible to determine the mechanics or algorithm of arriving at individual pay-outs, employees will neither accept nor embrace the scheme.
- As much as possible, incentive schemes should be based on measurable, "objective", variables rather than subjective performance indicators. As we will see, this goal may sometimes be difficult to accomplish, but the use of subjective variables automatically reduces the system's transparency.
- It is important that the "rules of the game" be known to everyone affected by the scheme. The rules of the game are constituted by such things as performance measurements, minimum requirements, and any formulae used

for calculating individual pay-outs. They should be communicated clearly and posted on the notice board or in the computer system. In addition, the scheme should not be changed too frequently – otherwise the organization risks making the relationship between performance and compensation unpredictable for staff members.

Furthermore the system should not be overly complex and should contain as many objective factors and as few subjective variables as possible. Additionally, the "rules of the game" should be made known to everyone and should not be changed arbitrarily. Finally, everyone must be able to achieve a higher compensation by working better and harder. It is important to recognize and reward people because it:

1. Positively reinforces excellence in behaviours and performance,
2. Builds staff engagement, and therefore increases job satisfaction,
3. Leads to higher retention rates of key staff,
4. Reduces stress and builds an environment where people are encouraged to explore innovative approaches to their work,
5. Sends a message to prospective staff that staff are valued, and
6. Supports a culture of performance excellence.

3.2 Using individual-based or group based incentive schemes

Some cultures are more sensitive to monetary rewards than others, and managers need to think about this before they create or change incentives. There is some evidence that high individual monetary incentives work best on the American continent. In contrast, the fact that individual monetary incentives are rarely used in Asia may indicate that other motivational forces are more adequate in this cultural background. Individual-based incentive schemes should therefore be implemented in Myanmar banks only if:

1. There are objective standards for individual goals and the output is easy to measure with objective criteria.
2. Employees have enough autonomy that they can decide themselves how much effort they will put into their job.
3. There is no need for close cooperation among staff members, and competition between them is even beneficial for the whole organization.
4. The organizational culture of the bank favours individual achievement
5. There are no operational circumstances which have impact on individual performance and cannot be influenced by employees.

As opposed to individual incentive schemes, Myanmar banks could consider to implement group incentive schemes that look at the output of a whole team or group of employees in order to determine staff rewards. The main benefit of such schemes is to foster teamwork and cohesiveness within the group or unit and may fit better with the Myanmar culture.

Conversely, group-based incentive schemes can be very useful under the following circumstances:

1. It is difficult to identify individual outputs.
2. The organizational structure lends itself to the measurement of group outputs (e.g. a branch system).
3. Technology and workflows make it simple to identify groups (e.g. savings mobilization in a branch).
4. The bank wants to stress the importance of cooperation and teamwork.
5. The bank wants to set a common goal (goal setting can enhance performance).
6. Free riding problems are relatively small or can be controlled.

By using group-based incentive schemes, managers in Myanmar banks should make use of salary ranges to differentiate between dissimilar performing employees.

Box 3: Team bonus for branches in a Myanmar bank

A successful bank in Myanmar wanted to introduce a team bonus to stimulate sales and productivity in branches. In the first step the bank determined the amount of money that should be available to pay the bonuses. The Bonus Fund was fixed at 10% of the annual wage and salary bill and reflected the policies, needs and circumstances of the bank

To be eligible for the bonus, the branches had to achieve an Average Factor Rating (AFR) of 3.50 or better. The AFR is calculated by summing the ratings and dividing the result by seven (corresponding to seven key organizational goals).

Bonus Criteria	Average Factor Rating	Bonus Points
	3.40 to 3.99	1
	4.00 to 4.49	2
Increase of Remittance (in %)	4.50 to 5.00	3 (standard expected)
	5.00 to 5.49	4
	5.50 to 6.00	5
	7.40 to 7.99	1
	8.00 to 8.49	2
Increase of deposits (in %)	8.50 to 9.00	3 (standard expected)
	9.00 to 9.49	4
	9.50 to 10.00	5

	7.40 to 7.99	1
	8.00 to 8.49	2
Increase of loans (in %)	8.50 to 9.00	3 (standard expected)
	9.00 to 9.49	4
	9.50 to 10.00	5
	15	1
	10	2
Percentage of loan applications rejected by Credit Department	8	3 (standard expected)
	5	4
	3	5
	0,400	1
	0,500	2
Average Person Profitability Ranking (in Million Kyats)	0,600	3 (standard expected)
	0,800	4
	1,000	5
	< 80 %	1
	80 – 100 %	2
Customer satisfaction survey	100 %	3 (standard expected)
	100 – 110 %	4
	> 110 %	5
	> 10	1
	10 – 5	2
Number of complaints in the internal audit report	5	3 (standard expected)
	5 – 3	4
	< 3	5

A branch reached for example the following results: (4 + 4 + 3 + 3 + 5 + 3 + 4) / 7 = 3.71. This AFR of 3.71 would make the branch eligible for the bonus.

To disburse the bonus achieved by the branch, the bank created three Bonus Bands, B1, B2 and B3. The branch`s Bonus Band depends on their AFR. The table below shows the AFR ranges for each Bonus Band, together with the Bonus Points that apply to each:

Bonus Band	Average Factor Rating	Bonus Points
B1 (lower)	3.50 to 3.99	1
B2 (middle)	4.00 to 4.49	2
B3 (upper)	4.50 to 5.00	3

The bank grouped then the employees into 3 categories:
- S1: Junior and Non-supervisory staff
- S2: Supervisors, specialists, middle managers
- S3: Branch managers or branch deputy managers

Those in the higher bands should receive proportionately larger bonuses. This is necessary to maintain compensation relativity and provide attractive incentives to employees on higher incomes. Once the Salary Band is known for each employee, the number of Bonus Points can be determined :

Salary Band	Bonus Points
S1 (lower)	1
S2 (middle)	1,5
S3 (upper)	3

For each individual bonus is calculated by this formula:

$$\frac{\textbf{Bonus Point of Employee x Bonus Fund}}{\textbf{Total Sum of Bonus Points}} = \textbf{Bonus}$$

This formula will exactly allocate to the recipients the total amount of money available in the Bonus Fund: There are 436 employees in the Retail Department of this Myanmar bank. The total (gross) annual wage and salary bill for the employees in the branches was 2.092.800.000 Kyat. The Bonus Fund was set at 209.280.000 Kyat (10% of the total).

Among the branches, only 4 have received Average Factor Ratings of 3.50 or better (therefore they are "eligible for performance bonus") and the individual bonus for the

243 employees was calculated as follows:

Employee	Bonus Band of the branch	Salary Band	Total Bonus Points	Bonus Amount in Kyats
Nyan	B1	S1	2	555.856
Mi Mi	B1	S2	3	833.784
Wei	B2	S2	4	1.111.713
The	B3	S1	4	1.111.713
Ma Ni	B3	S2	5	1.389.641
Sue	B3	S3	6	1.667.569
…	…	…	…	…
Totals	-	-	753	209.280.000

In this example a bonus point valued at 277.928 Kyat. In Nyan`s case the annual bonus was calculated: (2 x 209.280.000) / 753= 721.655 Kyat and in Ma Ni`s case: (5 x 209.280.000)/ 753 = 1.389.641 Kyat annual bonus.

While the bonus was paid in the first year as a single lump sum, the bank installed in the following years multiple smaller payments (bonus instalments) which were paid throughout the next performance period in form of four quarterly instalments. A number of payments at intervals can do more to strengthen the link between performance and rewards than a single payment which is all but forgotten in a short time.

The bank considered that the payment will lose much of its impact if it is simply consolidated with normal pay. Therefore they organized an annual event in one of the best local restaurants to highlight the value of employee`s personal effort, and to encourage the type of behaviour that leads to superior job performance.

3.3 A step-by-step approach to design staff incentive schemes

The following chapter provides step-by-step support in the design and implementation of staff incentive schemes. It states that staff incentives are designed to motivate staff to achieve high performance levels, change behaviours and attitudes. Myanmar banks are

recommended completing the following steps to designing staff incentive schemes for their organization:

Step 1: Definition of the incentive scheme's objectives

Defining the incentive scheme's objectives is such a fundamental and important process that it requires the participation of management (and often also of the board of directors). For example, encouraging the recruitment or retention of staff, changing the organizational structure of the workplace or reducing any likely areas of conflict could be possible objectives trying to achieve with the scheme. Alternatively, a bank might want to encourage teamwork and motivation or to set specific targets for productivity, revenue or sales. Banks need to be crystal-clear about what we are trying to achieve with the scheme and the objectives of the incentive scheme must be in line both, with the strategic goals of the financial institution and its organization culture.

Step 2: Definition of staff members to target and financial estimate

Different functional levels of staff have different tasks, which have a different impact on the achievement of the staff incentive scheme's goals. The incentive scheme needs to target these employees who contribute most to the achievement of the scheme's objectives. If the main objective was e.g. to increase the loan portfolio quality, the incentive scheme should rather focus on loan officers than on savings mobilization staff. In determining whom a scheme will cover, bank manager need to have a clear understanding about how the different occupational areas of the organization are linked and depend on one another. Often, the introduction of an incentive scheme at one organizational level or function creates a demand for schemes at other levels as well. So it is necessary to think comprehensively. On the other hand, Myanmar banks should not attempt to design one scheme that will apply to everyone in the organization – such attempts are doomed to failure! From a practical point of view, it is not possible to design and implement one, single, incentive scheme to cover all levels of the organization. This would be an extraordinarily complex task that would go beyond the planning and management capacities of most financial institutions. In practice, it is probably not necessary to design incentive schemes for all organizational units at the same time. Rather, managers should concentrate on those areas that are most in need of "fixing". They can then plan and implement schemes for the other units and departments at a later time. The second point to keep in mind is that the schemes for the "non-operational" units may be kept more simple, or fundamental, than those for operational staff.

Another fundamental question is to what extent the affected staff member`s total income will be fixed rather than variable. In other words, top-management has to decide how much weight the incentive component should have in total employee remuneration. If incentive pays were too low, staff may not increase their performance and if the variable portion of total compensation becomes too large, the job might only attract those who enjoy risk. As an experience from other developing countries the range should be between 15 % (about one additional monthly salary) to 30 % (about 2, 5 additional salary) of the annual remuneration for full performing staff.

Step 3: Selection of the incentive mechanisms

Bonuses are typically based on the achievement of personal key performance indicators (KPIs) and paid in cash. Myanmar banks can also consider non-cash rewards which can include restaurant, travel or entertainment vouchers or gift cards to department or specialty stores. Also additional leave benefits can be implemented in a number of different ways. Employees can be rewarded for strong performance in the form of extra annual leave, for example 5 weeks instead of 4 per year. Alternatively, employees can be given the opportunity to take days off to volunteer to a charity of their choice.

Box 4: Non-cash incentives in a Cambodian bank

A Cambodian Bank conducts regular non-monetary tournaments among credit officers. Under that scheme, loan officers are ranked according to selected criteria among which is the number and volume of disbursed loans, the volume or growth of the outstanding loans and the portfolio at risk rate. The ranking is a continuing process and the performances of credit officer are calculated. Monthly, quarterly and annual winners are identified and their names and pictures are published at the notice board in every branch. Although there are no monetary rewards, the Cambodian bank has made very good experience with its scheme: being recognized for outstanding performance is a high motivational force in the Cambodian culture.

Step 4: Development and calibration of the bonus formula

This includes formula development and calibration, as well as spread-sheet testing. It is useful (and should be obligatory) to carry out sensitivity and scenario analyses. It helps to use a participatory process in designing the scheme.

Box 5: Bonus system for a branch's staff. A South American example

At a South American bank a simple staff reward system for loan officers in branches was designed to motivate employees to achieve high performance levels and to create competition among bank branches. The reward system was team based and focused only on the portfolio quantity and quality.

Performance indicator	Bonus for the best 3 branches in % of basis salary	Bonus for the next ranked 3 branches in % of basis salary
Increase of Remittances	5	3
Increase of deposits	5	3
Increase of loans (volume)	10	5
Average repayment rate of customers (PAR)	15	10

Box 6: Concept for designing and calibrating a bonus formula for a credit department

A Myanmar Bank wants to offer bonuses for effectively completing the duties of their job. It was decided to pilot a new SIS in Credit Department of the bank. The underlying objective to implement a new bonus scheme was to improve productivity of Credit Department and to boost company profits. Once the decision has been made to implement a new bonus scheme, the bank spend time designing the adequate structure of the bonus scheme by passing the following steps:

Step 1: Selection of the Performance Measurement Parameters
To measure the performance of loan officers in Credit Department, the bank manager decided to make use of at least three types of criteria, namely the outstanding loan portfolio, the disbursement of loans and the portfolio quality. However, it was necessary to coordinate the required criteria with the available information from the MIS (Management Information System) of the bank. The managers knew that only what could be measured objectively should be used as a criteria for the SIS:

1. **Outstanding loan portfolio**
   a. Number of outstanding clients
   b. Number of outstanding loans
   c. Outstanding loan portfolio volume
   d. Net-increase in the loan portfolio volume

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2. Disbursement
   a. Number of disbursed loans
   b. Volume of disbursed loans
   c. Number of loans disbursed to new customers
   d. Number of loans disbursed to repeat customers
   e. Volume of loans disbursed to new customers
   f. Volume of loans disbursed to repeat

3. Portfolio quality
   a. Portfolio at risk (optional: differentiated by the number of days the loans are in arrears)
   b. Repayment rates
   c. Collection rates
   d. Provision rate
   e. Number of loans in arrears
   f. Number of clients in arrears

4. Further performance measurement parameters
   a. processing speed (e.g. the number of days needed from the loan application to the disbursement)
   b. growth rates

Although all of these portfolio quality measurement parameters are widely used in practice, the bank decided to only one criterion for volume, disbursement and to measure the quality of loans they chose the portfolio at risk rate (PAR, defined by the outstanding volume of loans in arrears divided by the outstanding loan portfolio volume). Other measures, such as growth rates were rejected because the managers feared that experienced loan officers (who already maintain large portfolios) would be disadvantaged. The managers also decided not to consider loans which are less than 7 days in arrears to assure that loan officers are not overly reluctant to disburse loans at the end of the month or quarter. The alternative, to calculate the average PAR rate during the evaluation period, was regarded as too complicated, so that the composition of the bonus formula was as follows:

Number of outstanding loans
Volume of outstanding loans
Portfolio at risk
Number of loans disbursed to new customers
Number of loans disbursed to repeat customers

Step 2: Allocation of Reference Levels Including a Reference Bonus and

Reference Performance Levels

In the second step, the managers defined the reference levels and the reference bonus. Reference levels are values which refer to a reasonably high performance of loan officers. The reference bonus is the reward which the bank would pay for exactly this performance.

Criteria	Reference level
Number of outstanding loans	200
Volume of outstanding loans	20.000.000
Portfolio at risk	3%
Number of loans disbursed to new customers per month	20
Number of loans disbursed to repeat customers per month	30

Reference performance levels are the main instruments for calibrating bonus formulae and for avoiding excessive bonus payments. Instead of looking for some (actual or hypothetical) "best" possible output level, the bank looked at what they considered to be a "solid" level of performance. The reference bonus was fixed at 30.000 Kyat per month.

Step 3: Allocation of weights to each of the performance measurement parameters

The third step involves the allocation of weights to each of the performance measurement parameters. These weights should reflect the management's preferences. Weights are set in percent and must add up to 100%. The bank managers wanted to emphasise the importance of the portfolio at risk (PAR) criteria and set the weights as follows:

Criteria	Reference level	Weight in %
Number of outstanding loans	200	15
Volume of outstanding loans	20.000.000	15
Portfolio at risk	3%	40
Number of loans disbursed to new customers per month	20	10
Number of loans disbursed to repeat customers per month	30	10

Step 4: Allocation of minimum requirements to each of the performance measurement parameters

Minimum requirements are bottom benchmarks which staff has to achieve in order to become eligible for a bonus. Except for the PAR indicator, they could be set at zero to reduce the scheme's complexity.

Criteria	Reference level	Weight in %	Minimum requirement
Number of outstanding loans	200	15	120
Volume of outstanding loans	20.000.000	15	12.000.000
Portfolio at risk	3%	40	5%
Number of loans disbursed to new customers per month	20	10	5
Number of loans disbursed to repeat customers per month	30	10	0

Finally, the bank combined these parameters to a "bonus formula" which calculated the bonuses. Except for the portfolio quality parameter which refers to the PAR rate, the bank calculated "performance ratios" for each performance indicator using a simple formula:

$$\frac{(Achievement - Minimum\ Requirement)}{(Reference\ Value - Minimum\ Requirement)} * Weight$$

To include the portfolio quality, the bank used a different formula:

$$\frac{Minimum\ Requirement - Achievement}{Minimum\ Requirement - Reference\ Value} * Weight$$

Then, the bank simply summed up these ratios and multiplies to calculate the loan officer`s bonuses:

Criteria	Calculation of bonus
Number of outstanding loans	$\dfrac{Number\ of\ outstanding\ loans - 120}{200 - 120} \times 15\ \% =$
Volume of outstanding loans	$\dfrac{Volume\ of\ outstanding\ loans - 12.000.000}{20.000.000 - 12.000.000} \times 15\ \% =$
Portfolio at risk	$\dfrac{5\% - PAR\ achied}{5\% - 2\%} \times 40\ \% =$
Number of loans disbursed to new	$\dfrac{Number\ of\ loans\ disbursed\ to\ new\ cust. - 5}{20 - 5} \times 10\ \% =$

customers per month	
Number of loans disbursed to repeat customers per month	$\dfrac{\text{Number of loans disbursed to rep.cust.} - 0}{30 - 0}$ x 10 % =

Main features and advantages of this incentive scheme:
- The scheme uses formulae and linear relationships. Every (small) change in performance leads to a corresponding change in bonus entitlement.
- This scheme makes use of reference values. These reference values can be changed if and when overall performance improves.
- Theoretically there is no limit on the bonus that can be earned by excellent loan officers.
- The scheme uses minimum requirements. Thus, the bonus could become negative. Remember that we never should deduct anything from the base salaries or future bonuses.
- In this case, management has placed emphasis on portfolio quality. 40% of the total bonus entitlement is based on arrears as measured by PAR.
- The example shows how additional indicators can be integrated easily into the bonus formula. Remember that to include another indicator, we must be able to measure performance objectively
- This model is rather simple. Most loan officers should be able to grasp its main components and how they are related to each other and to the final bonus.
- The scheme also avoids the negative incentive effects of staged and capped bonus systems.

In summary, the scheme may well present a useful compromise that could be applied to lending operations in Myanmar banks.

Step 5: Analysis of costs and benefits

This is the point where we need to conduct a proper cost-benefit analysis and to estimate the impact that the planned scheme will have on operating costs and the organization's financial performance. Myanmar banks should consider that in the short run, a bonus scheme will increase total staff costs. If the system is well-designed, these costs will later be compensated by increased staff productivity and output. Only based on such an exact calculation, banks could decide how much they are willing to spend on incentives.

Step 6: Run of a pilot test

Field testing the scheme in a controlled environment is very important. With all the financial models, scenarios and estimates, the only real test for our scheme is how it will be received in the field.

Step 7: Selling of the scheme to staff

The importance of the incentive scheme's communication is frequently underestimated. Make sure that staff members understand the incentive schemes' mechanics and the reasons for the scheme. If staff does not accept the scheme, it will have no or even counterproductive impacts on their motivation. The purpose of staff incentive schemes is to improve employees' efforts in their jobs. One major "lever" for increasing individual efforts is money. Monetary staff incentive schemes have a direct impact on employees' income, regardless of the pay-out's frequency (i.e. whether the incentive "package" is paid out monthly or quarterly or at other intervals). Therefore, the staff members targeted by an incentive scheme will feel a direct impact on their own incomes, and ultimately, on their livelihoods. It is only logical that a financial institution's employees will take a keen interest in any staff incentive schemes that might be designed (or planned) for them. After all, they are the ones who are most directly affected by such schemes.

Step 8: Monitor and adjust the scheme as necessary.

Staff incentive schemes are of such critical importance in operations of financial institutions that senior management should regularly monitor and review the performance of the schemes utilized by the organization. Are the objectives of the organization still the same? And does the scheme in place still achieve the intended purpose. Depending on the answers to such questions, it may be appropriate to make changes and adjustments

4. Successful Implementation of a Performance Management Scheme

The most challenging and the most important part of developing an effective performance management system is its successful implementation.

A successful implementation requires setting, communicating and reviewing clear understandable performance standards. Feedback related to these standards should take place in a continuous form and not only at the end of the year. The final performance review should therefore provide a feedback of a performance management process. It is not a point in time when employees feel uneasy or "surprised" about the evaluations obtained. Three critical conditions for a successful performance management cycle are engaged managers, training occurring at all levels and the automation of the PMS.

Summary Chapter 4

Objective:

To explain the factors for a successful implementation of a PMS

Key Points:

1. Implementing the PMS is a process: of setting goals, providing feedback in an ongoing way, conducting the performance review and storing the information.

2. Setting Goals (both results & standards): Implies *what result is expected* from employees but also how they should carry out their jobs (*behavioural standards*).

3. Setting Goals: Implies employees *participating in setting* them*, accepting* them*, being motivated* by them & feeling *assisted* to achieve them*.

4. Characteristics of effective performance goals (4): *Clear*, *linked to organizational goals*, *motivating* (difficult but achievable) & *focused* (no more than 3 areas)

5. Guidelines for effective Feedback (6): *Timely* (close to event), *communicative* (asks employee's views), *specific*, *focus on actions* (not personal characteristics), *proactive* (plan steps to follow) and *supporting* (offers assistance and resources)

6. Factors in the storage of performance reviews: *where* to store, *who* has access, how to protect *confidentiality*, how to be *transparent* on its storage & use

7. Cornerstones of a successful PMS implementation: Management/staff's *commitment & training*, *supporting material* (handbooks), testing in *pilot phase* and *automation* reducing paper work.

8. PMS requires supervisors/team leaders to be competent in: *Communicating* effectively; *setting goals* correctly; *measuring employee performance* both in a quantitative and quantitative way; *giving feedback* that informs but also suggests improvement, *coaching/developing* and in *recognizing job* well done.

Keywords: Performance Management Cycle, Behavioural Standards,

4.1 The Performance management cycle

At the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviours employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle. Behaviours are important because they reflect how an employee goes about getting the job done. Effective performance management systems provide behavioural standards that describe what is expected of employees in key competency areas. During the performance planning process, managers should review and discuss these behavioural standards with employees. It is important for managers to make sure employees understand how the behavioural standards relate to their specific jobs.

4.1.1 Goal setting

It is interesting to note that very difficult (but attainable) goals lead to more effective performance outcomes than moderately difficult goals. Research has also shown that employee commitment to goals is critically important for goal attainment and that employees must feel that they are able to achieve their goals. It is thus important to ensure that employees participate in the goal-setting process, accept their goals and are motivated to work towards those goals. It is also important for managers to communicate their willingness to assist employees in achieving their goals by providing guidance and resources, and removing obstacles to goal attainment.

Guidelines for Establishing Effective Performance Goals
- Goals must clearly define the end results to be accomplished.
- To the extent possible, goals should have a direct and obvious link to organizational success factors or goals.
- Goals should be difficult, but achievable, to motivate performance.
- Goals should be set in no more than three areas - attempting to achieve too many different goals at once will impede success.

4.1.2 Ongoing feedback

During the performance planning process, both behavioural and results expectations should have been set. Performance in both of these areas should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is also very valuable. Unfortunately, this does not happen to the extent that it should in organizations because many managers are not skilled in providing feedback. In fact, managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will

minimize employee defensiveness. Research has shown that for feedback to have the most value, it needs to be given in close proximity to the event.

Box 7: Guidelines for providing feedback effectively

- Provide immediate positive and developmental feedback in a private location.
- Ask for the employee's view about what could have been done differently.
- Be specific about what behaviours were effective or ineffective.
- Focus on what the person did or did not do, not on personal characteristics.
- Collaboratively plan steps to address development needs.
- Offer help in addressing development needs and providing resources

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4.1.3 Conducting the performance review

Assuming that feedback has been provided on an ongoing basis, the formal performance review session should simply be a recap of what has occurred throughout the rating period. In other words, there should be no surprises in the performance review. During this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given.

While identifying developmental needs can be easy with the right performance management tools, knowing exactly what to do to address these needs effectively is not always so obvious. Many managers are quick to suggest formal classroom training or distance learning to enhance employees' skills, without realizing that the vast majority of learning occurs on the job. Even if formal training is the best option for addressing a development need, HR-managers should also work out couching on-the-job panels for line managers.

4.1.4 Storage of information

Privacy and confidentiality of results is very important and organizations need to set policy with regard to:

- Where results are to be stored?
- Who has access and for what purpose?
- How to protect privacy and confidentiality, especially using automated systems?

All this information should be communicated clearly to every staff member.

4.2 Cornerstones of a successful implementation

Experienced practitioners uniformly agree that having effective tools and processes is a necessary but certainly not sufficient condition for having an effective performance system.

This is because what really matters in any performance management system is how effectively it is used and how seriously managers and employees take it. This is why both the most challenging and the most important part of developing an effective performance management system is successful implementation.

4.2.1 Involvement of key individuals in the design and implementation process

Because a performance management system's success relies so much on the effectiveness with which managers and employees use the system, it is also essential to get organizational members committed to the new system. A strategy for accomplishing this is to involve key individuals in the design and implementation process.

4.2.2 Sufficient training of employees and managers

Frequently, managers are reluctant to provide sincere feedback and have honest discussions with employees for fear of reprisal or damaging relationships with the very individuals they count on to get work done. Often employees feel that their managers are unskilled at discussing their performance and ineffective at coaching them on how to develop their skills. Hence, developing skills in performance management is an important investment. Practicing good performance management requires proficiency in certain competencies. Performance management competencies that all supervisors (and team leaders) should develop and demonstrate include:

- **Communicating:** Establishing and maintaining effective communications with each employee not only requires good oral and written communication skills, but it also includes the ability to establish good working relationships. To communicate effectively with employees, supervisors must establish an environment that promotes an open door atmosphere, the sharing of ideas, and employee involvement in decision making processes.
- **Setting Goals:** Setting long- and short-term goals with employees gives focus to employee efforts. When goal setting is done correctly, employees strive to accomplish those goals and feel confident in achieving them. When goal setting is done poorly, work does not progress as desired. Knowing how to set goals effectively is an important part of performance management. To do this well, supervisors need to be able to clarify expectations and to set realistic standards and targets.
- **Measuring Employee Performance:** Credible measures of performance that employees understand and accept are critical for achieving high level performance. Measuring employee accomplishments, using both qualitative and quantitative measures, provides the information that supervisors and employees need in order to monitor performance.
- **Giving Feedback:** Feedback should inform, enlighten, and suggest improvements to employees regarding their performance. Supervisors should describe specific work

related behaviour or results they have observed as close to the event as possible. It is helpful to elaborate a handbook or guide to assure that managers maintain their skills (see example attached.

- **Coaching and Developing:** Using their coaching skills, supervisors evaluate and address the developmental needs of their employees and help them select diverse experiences to gain necessary skills. Supervisors and employees create development plans that might include training, new assignments, job enrichment, self-study, or work details.

- **Recognizing:** Effectively recognizing employees is another performance management competency. Being able to genuinely acknowledge a job well done is critical for strengthening employees' commitment to do their best. Supervisors should be skilled at using formal awards programs as well as using informal recognition techniques, including personal thanks and voicing verbal appreciation in staff meetings.

Supervisors have to develop continually their performance management competencies and should not delay gaining and improving competencies because of lack of funds available for formal training. There are a number of training formats that can be used for performance management. When employees and managers are required to attend a structured performance management briefing or classroom training session, this sends a message that performance management is important.

Competencies can also be improved and mastered through opportunities in the workplace. Supervisors can volunteer to take part in special projects, add responsibility to their current job, mentor subordinates, and be mentored by experts in different disciplines.

4.2.3 Designing a handbook (guide) to support line managers

It is highly recommended to elaborate a written guide or handbook that aims to support line managers through the preliminary process and to provide a general framework on which to base planning, implementation and evaluation. It contains both good practices as well as sample templates that can be used or adapted for use at all managerial level of the bank. It should be designed to give line managers a framework on which to base their activities by highlighting best practice in this important area and to lend support to the most effective way of completing the yearly performance management circle. **There can be no "one size fits all" to design a good handbook. A handbook should be tailored to the requirements of the specific development needs of each bank.**

4.2.4 Pilot testing prior to organization-wide implementation

Another important factor in ensuring a successful implementation is to pilot test the new process in a couple of units prior to large-scale implementation. Pilot testing will show if the system functions smoothly and efficiently. It will also show if managers and employees

understand and support the process, or if further change-management efforts are needed. Importantly, a pilot test provides an opportunity to gauge reactions to the system and make adjustments that will facilitate organization wide implementation.

4.2.5 Automation

Performance management systems involve a considerable amount of paperwork, writing and exchange of documents. When the administrative demands are great, both employees and managers end up spending their performance management time pushing paper rather than discussing performance issues and development. Automation is therefore absolutely necessary to facilitate the performance management workflow and substantially reduce the paperwork associated with this process.

Glossary of Key Terms

Balanced Scored Card: Performance measurement framework developed by Robert Kaplan and David Norton for defining goals and objectives and translating them into specific measures for employees. It uses a mixture of financial and non-financial measures (like: customer, business and learning) each compared to a "target" value. It is particularly useful for the alignment of individual goals with the organization's strategy.

Behaviourally Anchored Rating Scales (BARS): Method to evaluate the performance of an employee by comparing an individual's performance against specific examples of behaviour that are anchored to numerical ratings. The rating scale indicates how these behaviours are judged (Example: as good or bad or as exceptional, excellent, fully competent, or unsatisfactory).

Behavioural standards: Description of what is expected of employees in key competency areas. It describes how an employee should carry out her/his job.

Competencies-Based Performance Management: Using a competency model as a framework for identifying the competencies to be measured and developed within the PMS.

Competency Model: Competencies are the definitions of the skill and knowledge requirements of a job. A competency model is a collection of important competencies that jointly define successful job performance.

Organizational Culture: In the case of financial institutions an organizational culture, include, among others: commonly shared values; traditions, history, experience; policies and guidelines; strategies; formal and informal agreements; tools, processes and techniques; clientele, products and staff incentives.

Performance Management Cycle: Continuous process of managing and developing the performance of the staff in an organization. It starts by setting organizational goals and translating them into unit and individual staff members' goals. Feedback on the performance toward achieving these goals is continuously provided. Systematic performance reviews are done and recorded.

Performance Management System (PMS): Tool for managing, measuring, recognizing and developing the performance of staff in an organization. It enables employees to set and focus on achieving individual and team goals that support the organization's overall goals. It allows managers to monitor performance and to provide ongoing feedback to employees. It is the basis for planning the steps of staff's development and can be the basis for HR-decisions like promotions and payment of bonuses.

PMS Pilot: Pilot test of the PMS done in a couple of units prior to large-scale implementation. Pilot testing shows if the system functions smoothly and efficiently. It will also show if managers and employees understand and support the process, or if further change-management efforts and adjustments to the system are needed.

Results-Oriented Job Description: A job description should be a comprehensive statement of all that the job includes. A results-oriented job description does more than describe what a person does (the tasks); it also describes what a person accomplishes (the results).

Staff Incentive Scheme: Scheme used to manage staff's incentive payment (which is different and additional to the base payment). Ideally, it consists of fair, known and understandable rules followed to determine who is qualified to receive incentive compensation and to calculate how much s/he will receive. If the focus of the PMS lies on decision-making SIS can be aligned with the PMS.

Value-Based Performance Management: A PMS built upon the company's core value as a framework. The company's values are used for identifying the issues to be measured and developed within the PMS. It is important to have a common value framework underlying all the HR processes.

360 degree appraisal: Performance evaluation done using information obtained from managers, peers, direct reports or customers. Here, the employees are asked to appraise themselves as well as (anonymously or not) they are appraised by their seniors in charge, their colleagues and their assistants.

Attachments

1. Example of a result-orientated job description form

XYZ - BANK LTD.

Job Description	
Name :	Department :
Location of the position :	Report to :
Work Group Code :	Last Revision Date :

Overall responsibility (Job Summary) :

Key areas of responsibility and expected results:

.

Qualifications requirements (Skills and Experience) :

Measurement:

Staff's Signature :		Supervisor's Signature :
Name :		Name :
Position :		Position :

2. Supervisor`s guide to set goals[1]

Please check all the goals that you want to set with the following questionnaire and revise your goals if necessary:

Goal:	
Specific: What will the goal accomplish? How and why will it be accomplished?	
Measurable: How will you measure whether or not the goal has been reached (list at least two indicators)?	
Achievable: Is it possible? Have others done it successfully? Do you have the necessary knowledge, skills, abilities, and resources to accomplish the goal?	
Relevant and Results-focused: What is the reason, purpose, or benefit of accomplishing the goal? What is the result (not activities leading up to the result) of the goal?	
Time-bound: What is the established completion date and does that completion date create a practical sense of urgency?	
Revised Goal:	

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[1] The following two sections are part of a handbook the author of this work developed as a guideline for supervisors at a Myanmar bank. Some of the parts have been modify to exclude internal information from the bank.

3. Step by step use of the appraisal forms

1. **Step One:** During the first 30 days of each business year (= performance management period), supervisors are required to meet individually with each subordinate employee to identify, define, and describe performance expectations and standards to improve the practice of our corporate values focus. The purpose of this meeting is to ensure that the employee understands and is committed to established performance expectations for his or her job. For every section the managers have to define at least one main SMART- objective and are encouraged to add more terms of references if necessary the planned objectives have to be signed off by supervisor and employee. Staff members keep a signed copy for their records and supervisor keeps original.

XYZ-Bank	Performance Management Scheme (PMS)
Employee Name:	**Office/Branch:**
Title of Post:	**Department:**
PMS start date:	
PMS End date:	**Probationary: Yes ☐ No ☐**

Instructions: Before attempting to complete please update the job description of your employee first

Commitment on WORK OBJECTIVES: Referring to your unit and department work plans and your job description, identify a minimum of 1 **SMART** objective each (completed at Business Year Begin)

QUALITY ORIENTATION:
Accomplishing tasks by considering all areas involved, no matter how small; showing concern for all aspects of the job; accurately checking processes and tasks, being watchful over a period of time.

SMART objective for quality orientation of employee:

Figure 11: SMART objectives in the appraisal form

XYZ-Bank	Performance Management Scheme (PMS)

TEAMWORK AND COOPERATION:
Cooperates with others to accomplish common goals; works with employees within and across his/her department to achieve shared goals; treats others with dignity and respect and maintains a friendly demeanor; values the contributions of others

SMART objective for teamwork and cooperation of employee:

Performance Assessment (completed at Business Year End)

Step 1 (Self Assessment of staff): Underline the most adequate phrases which describe best the performance)
Step 2 (Supervisor`s Assessment):

1 (Needs Improvement)	2 (Meets Expectations)	3 (High Performing)
• Tends to isolate oneself from others while working toward team goals and objectives • Sometimes treats other team members with hostility or indifference • Talks about commitment to teamwork but does not always demonstrate it in his/her actions • Works well with some people but not others; is not generally regarded as a "team player" • Waits for others to solve interpersonal/team conflicts and problems • Inconsistently participates in Department meetings, activities, and events • Provides inconsistent feedback with different members of the team	• Consistently works with others to accomplish goals and tasks • Treats all team members with a respectful, courteous, and professional manner; supports team despite different points of view or setbacks • Considers the views of other people (and departments, if relevant) when analyzing a situation or developing a solution • Consistently works well with a variety of different people; rarely encounters someone he/she cannot work effectively with on a task/project • Regularly initiates communication to help solve interpersonal/team conflicts and problems • Consistently attends and actively participates in Department meetings, activities, and events when asked or required	• Frequently uses opportunities to work with others as a teaching tool to impart organizational knowledge and help others succeed • Actively seeks to eliminate "cliques" and assists in problem solving so that all team members can be included in work processes • Builds loyalty among other team members (and departments, if relevant) across the State; promotes the State as a team • Provides guidance to others as they work through conflicts and disagreements so they can become better "team players" • Facilitates communication between people experiencing conflict who have previously been unable to solve problems

Begin Year Planned Objectives Sign off. Staff members keep a signed copy for their records and supervisor keeps original.	Staff Member's signature Date:	Supervisor's signature Date:

Figure 12: Sign off the committed objectives in the appraisal form

2. **Step II:** In the mid-year-review, which should be conducted near the middle of the performance period (toward the end of the first six months of performance), managers are required to meet individually with each subordinate employee to conduct a formal review of the employee's performance. During this meeting, the supervisor must provide feedback to the employee concerning the employee's strengths, weaknesses (if any), and performance during the primary performance period. If appropriate, the supervisor may develop a performance improvement plan which describes the action(s) the employee must take to improve his or her performance to the "meets expectations" level.

Supervisor and employee should provide comments if necessary and record any changes as required. Supervisor and staff member keep a signed copy for their records. In depth discussion on achievements and performance to date has taken place with reference to objectives, competencies and development plan established at the beginning of the performance period.

XYZ-Bank

Performance Management Scheme (PMS)

Employee Name:		Bank Office/Branch:
Title of Post:		Department:
PMS start date:		
PMS End date:		Probationary: Yes ☐ No ☐

> **Instructions:** Before attempting to complete please update the job description of your employee first.

Mid Year Review

Instructions: Review objectives and development plan. Provide comments and record any changes as required. Supervisor and staff member keep a signed copy for their records. In depth discussion on achievements and performance to date has taken place with reference to objectives, competencies and development plan established at the beginning of the performance period.

Outcomes and Development (Managers Assessment):

Mid Year Comments by staff member:

NOTE: If changes are made as a result of discussion during the review at MidYear or anytime during the performance period, please indicate the changes in the appropriate section of this form - both staff member and supervisor initial and date all changes made so that all relevant PMS documentation is found in this form. Staff member signs and returns form to their supervisor within 48 hours.

Mid Year Sign off	Staff Member's signature	Supervisor's signature
	Date:	Date:

Figure 13: Mid-year-review appraisal form

3. **Step III:** Within 30 days following the end of the performance rating period, supervisors are required to meet individually with each of their subordinate employees to review and rate the performance of each employee during the entire performance rating period. Prior to the final review session, the completed but unsigned Performance Assessment Form shall be sent to employee to mark the self-assessment. Self-Appraisals offer numerous benefits to the appraisal process including greater perceived accuracy, fairness and improved understanding of the demands and expectations of the organization. We recommend that the Self-Appraisal be completed and submitted to your manager approximately 2 weeks prior to your Performance Appraisal discussion.

XYZ-Bank   **Performance Management Scheme (PMS)**

TEAMWORK AND COOPERATION:
Cooperates with others to accomplish common goals; works with employees within and across his/her department to achieve shared goals; treats others with dignity and respect and maintains a friendly demeanor; values the contributions of others

SMART objective for teamwork and cooperation of employee:

Performance Assessment (completed at Business Year End)

Step 1 (Self Assessment of staff): Underline the most adequate phrases which describe best the performance
Step 2 (Supervisor`s Assessment):

1 (Needs Improvement)	2 (Meets Expectations)	3 (High Performing)
• Tends to isolate oneself from others while working toward team goals and objectives • Sometimes treats other team members with hostility or indifference • Talks about commitment to teamwork but does not always demonstrate it in his/her actions • Works well with some people but not others; is not generally regarded as a "team player" • Waits for others to solve interpersonal/team conflicts and problems • Inconsistently participates in Department meetings, activities, and events • Provides inconsistent feedback with different members of the team	• Consistently works with others to accomplish goals and tasks • Treats all team members with a respectful, courteous, and professional manner; supports team despite different points of view or setbacks • Considers the views of other people (and departments, if relevant) when analyzing a situation or developing a solution • Consistently works well with a variety of different people; rarely encounters someone he/she cannot work effectively with on a task/project • Regularly initiates communication to help solve interpersonal/team conflicts and problems • Consistently attends and actively participates in Department meetings, activities, and events when asked or required	• Frequently uses opportunities to work with others as a teaching tool to impart organizational knowledge and help others succeed • Actively seeks to eliminate "cliques" and assists in problem solving so that all team members can be included in work processes • Builds loyalty among other team members (and departments, if relevant) across the State; promotes the State as a team • Provides guidance to others as they work through conflicts and disagreements so they can become better "team players" • Facilitates communication between people experiencing conflict who have previously been unable to solve problems

Figure 14: Self-assessment of employee

Then the performance Management Scheme should be returned to the reviewing manager for the supervisor`s review and approval for use in the final review session. The purpose of the final review session is to provide employees with a formal rating of their overall job performance throughout the entire rating period and to generate information to be used as the basis for future performance planning.

4. **Step IV:** The fact that all three steps have been taken does not mean the supervisor's work is finished. There are still tasks to be done to finalize the annual appraisal cycle so that another appraisal cycle can begin. The supervisor must complete the appraisal with a brief summary and meet record-keeping requirements before planning for the future. When the appropriate form has been completed and all signatures and dates have been affixed, the rating supervisor:

- o Retains a copy together with any supporting documents used in the evaluation process;
- o Provides a copy of the form to the employee; and
- o Forwards the original form to the Human Resource Department in head office. The HR department shall maintain the form in the employee's official personnel file.

XYZ-Bank | **Performance Management Scheme (PMS)**

Overall Performance Assessment:

☐ **Exceeds all Expectations (exceptional): Distinguished performance, consistently exceeded all standards for position**

☐ **Exceeds some Expectations: Met all standards for position and in most instances exceeded them**

☐ **Meets all expectations (achieved): Met position standards for the position and in some instances exceeded them**

☐ **Meets most expectations (partially achieved): Did not meet all standards for the position or met them only partially.**

☐ **Falls below expectations (unsatisfactory): Failed to meet any standard for the position**

Year End: Staff Member Comments (This section may be left blank or it may be used to comment in support of or in disagreement with appraisals and observations recorded on this form.

"I have seen and discussed the evaluation with my supervisor and, … :
☐ I have no comments to add"
☐ I have the following comment to add…" (additional pages may be attached):

Year End: Supervisor comments (Comments on the staff member`s strengths and weaknesses. Also comment on any other factors of performance that were not included in step 3)

Performance assessment and review sign off. Supervisor and staff member keep a signed copy for their records and send form within 48 hours to HR department.	Staff Member's signature Date:	Supervisor's signature Date:

Figure 15: Overall assessment and final comments in the appraisal form

4. Example of an appraisal form

XYZ-Bank

Employee Name:	**Bank Office/Branch:**
Title of Post:	**Department:**
PMS start date:	
PMS End date:	**Probationary: Yes ☐ No ☐**

Instructions: Before attempting to complete please update the job description of your employee first.

Commitment on WORK OBJECTIVES: Referring to your unit and department work plans and your job description, identify a minimum of 1 **SMART** objective each (completed at Business Year Begin)

QUALITY ORIENTATION:
Accomplishing tasks by considering all areas involved, no matter how small; showing concern for all aspects of the job; accurately checking processes and tasks, being watchful over a period of time.

SMART objective for quality orientation of employee:

Performance Assessment (completed at Business Year End)

Step 1 (Self-Assessment of staff): Underline the most adequate phrases which describe best the performance)

Step 2 (Supervisor`s Assessment):

(Needs Improvement)	1	(Meets Expectations)	2	(High Performing)	3
• Work is not thorough and is inaccurate, continues to make the same mistakes. • Does not act appropriately in situations affecting the quality of work. • Shows little regard for accountability. • Lacks attention to detail. • Does not provide feedback to management when unable to meet time or quality expectations. • Ignores small errors that occur at one's stage of the process; shows disregard for effects on other parts of the process. • Knowingly performs work with disregard for processes or procedures. • Quality of work does not follow norm of work group; work is substandard given knowledge and experience.		• Follows established procedures for completing work tasks. • Demonstrates a good balance of productivity and quality of work. • Does not rely on others to check quality of work. • Provides new ideas and input for improvements. • Makes certain that work is done as accurately as possible. • Tracks work to ensure quality. • Displays positive attitude regardless of task "level." • Quality of work is equivalent to that of team members with similar level of knowledge and experience. • Completes tasks with concern for the big picture.		• Assures all processes and tasks are thoroughly checked and makes appropriate corrections when necessary. • Follows work through entire process to ensure correct outcomes. • Ensures accuracy before passing along to the next person. • Suggests correct or better ways to complete tasks if given inaccurate or incorrect procedures. • Consistently makes sure all details are accurate and complete before considering a project complete. • Always looking for ways to improve. • Consistently follows work procedures accurately and carefully. • Quality of work exceeds that of team members with similar level of knowledge and experience. • Knows all aspects of the process, not just their own.	

TEAMWORK AND COOPERATION:

Cooperates with others to accomplish common goals; works with employees within and across his/her department to achieve shared goals; treats others with dignity and respect and maintains a friendly demeanor; values the contributions of others

SMART objective for teamwork and cooperation of employee:

Performance Assessment (completed at Business Year End)

Step 1 (Self-Assessment of staff): Underline the most adequate phrases which describe best the performance)

Step 2 (Supervisor`s Assessment)

1 (Needs Improvement)	2 (Meets Expectations)	3 (High Performing)
• Tends to isolate oneself from others while working toward team goals and objectives • Sometimes treats other team members with hostility or indifference • Talks about commitment to teamwork but does not always demonstrate it in his/her actions • Works well with some people but not others; is not generally regarded as a "team player" • Waits for others to solve interpersonal/team conflicts and problems • Inconsistently participates in Department meetings, activities, and events • Provides inconsistent feedback with different members of the team	• Consistently works with others to accomplish goals and tasks • Treats all team members with a respectful, courteous, and professional manner; supports team despite different points of view or setbacks • Considers the views of other people (and departments, if relevant) when analyzing a situation or developing a solution • Consistently works well with a variety of different people; rarely encounters someone he/she cannot work effectively with on a task/project • Regularly initiates communication to help solve interpersonal/team conflicts and problems • Consistently attends and actively participates in Department meetings, activities, and events when asked or required	• Frequently uses opportunities to work with others as a teaching tool to impart organizational knowledge and help others succeed • Actively seeks to eliminate "cliques" and assists in problem solving so that all team members can be included in work processes • Builds loyalty among other team members (and departments, if relevant) across the State; promotes the State as a team • Provides guidance to others as they work through conflicts and disagreements so they can become better "team players" • Facilitates communication between people experiencing conflict who have previously been unable to solve problems

Begin Year Planned Objectives Sign off. Staff members keep a signed copy for their records and supervisor keeps original.	Staff Member's signature Date:	Supervisor's signature Date:

Overall Performance Assessment:

☐**Exceeds all Expectations (exceptional): Distinguished performance, consistently exceeded all standards for position**

☐**Exceeds some Expectations: Met all standards for position and in most instances exceeded them**

☐**Meets all expectations (achieved): Met position standards for the position and in some instances exceeded them**

☐**Meets most expectations (partially achieved): Did not meet all standards for the position or met them only partially.**

☐**Falls below expectations (unsatisfactory): Failed to meet any standard for the position**

XYZ-Bank

Year End: Staff Member Comments (This section may be left blank or it may be used to comment in support of or in disagreement with appraisals and observations recorded on this form.

"I have seen and discussed the evaluation with my supervisor and, … :

☐ I have no comments to add"

☐ I have the following comment to add…" (additional pages may be attached):

Year End: Supervisor comments (Comments on the staff member`s strengths and weaknesses. Also comment on any other factors of performance that were not included in step 3)

Performance assessment and review sign off. Supervisor and staff member keep a signed copy for their records and send form within 48 hours to HR department.	Staff Member's signature Date:	Supervisor's signature Date:

5. Checklist for preparing and conducting performance reviews

Preparation of the interview

More harm than good can result if the appraisal interview is improperly conducted. Therefore, careful planning is necessary prior to conducting the interview. The Supervisor should:

1. Schedule an appointment time sufficient for both the supervisor and employee.
2. Arrange for the interview a private environment, free of interruptions and 'neutral', that is not in either person's office.
3. Collect objective and relevant information about employee performance. Examples include records of work quantity and quality, customer feedback, financial information, accident/incident reports, attendance records, warnings/disciplinary notices, and previous performance management documents. To these, add the employee's job description and previously-agreed performance goals/objectives.
4. Include some evidence based on personal observations of the employee's performance and behavior over a period of time.
5. Review pertinent employee information, including personnel records, performance and or project status reports, and position descriptions.
6. Have the necessary forms or information ready to present at the proper time; searching for such information during an interview is distracting. Preparedness: Have information ready to present to avoid distractions (i.e., searching for information, etc.)
7. Decide what is to be accomplished in the interview. Avoid ambiguity to: (1) clarify the chosen performance criteria, (2) carefully measure the reasons for giving specific ratings, and (3) determine which areas of improvement are needed.
8. Consider the employee's point of view. Anticipate what his or her reaction to the discussion might be, remembering that each employee is different and each may react differently in an interview.
9. To begin the discussion satisfactorily, have an opening statement carefully prepared (e.g. We are here to discuss your performance for the 2014-15 rating period)
10. Advise the employee to prepare for the interview. Provide him/her with a copy of any assessment tools (not yet completed by either party) and an outline of the proposed structure and content of the interview.

Checklist for preparing and conducting performance reviews

11. Allow sufficient time for the interview (a minimum of 20 minutes is recommended for unskilled/semi-skilled employees and 30–60 minutes for more senior positions).
12. Prior interview training of both managers/supervisors and employees is highly recommended. Skills-based training methods, such as role plays and simulated exercises watched by observers appear to be the most effective.

Beginning the interview

The supervisor's introductory remarks often set the tone of the entire interview. For that reason, it would be advantageous for the supervisor to create a friendly, constructive atmosphere at the outset. The supervisor should:

- Be natural. The approach should be friendly, courteous, and professional.
- Put the employee at ease and establish a rapport. This can be done with a pleasant greeting and a friendly statement that is of interest to the employee which would prompt a reply.
- Explain to the employee the purpose of the interview and how he or she will be appraised. The employee should have a clear understanding of the criteria used in determining the rating.

Discussion of the appraisal

This is the crux of the process - the supervisor should be prepared to face various reactions from the employee. Most employees are doing a satisfactory job and are happy to know where they stand and how they can improve job performance. However, dealing with employees who are poorly performing or who are skeptical of the ratings is more difficult. The following guidelines may be useful in dealing with either situation. The supervisorsshould:

1. Emphasize that the interview is part of an ongoing and two-way feedback process.
2. Discuss the job in general to begin with, and ensure there is agreement over its key tasks, content and responsibilities. Then focus on the core-values and begin with areas of agreement and strengths initially, moving gradually into areas of disagreement and performance weaknesses.
3. Use specific actual examples, discuss instances of good performance, but avoid creating the situation where the employee expects criticism of other performance to immediately follow.
4. Again use specific actual examples, discuss any aspects where performance needs to improve. Be specific and direct — vagueness and talking around the problem are common faults.

Checklist for preparing and conducting performance reviews

5. Use constructive criticism. If pointing out a weakness, offer the employee a constructive means to correct it.

6. Clarify the reasons why the rating was given. Cite specific examples of performance - deal with facts and avoid generalities.

7. Focus on actual job behavior can help to control the emotional level of an interview. Employees may react unpredictably and strongly. While it is helpful to 'get things out into the open' in a constructive way, avoid linking behavior to issues such as the employee's personality — otherwise the interview may go out of control.

8. Be sure the employee understands what is expected of him or her.

9. If the employee appears to be quiet, and maybe nervous, ask him/her to comment on the way particular parts of the job are performed, or how specific incidents were handled. Provide plenty of opportunities for employees to raise their own issues and questions, and to suggest improvements to the job.

10. Ask questions and listen. Allow the employee to express reactions to the evaluation; this can result in discovering the underlying causes for marginal performance. This process should not be a one way dialogue, but a meaningful conversation.

11. Do not interrupt – but make sure the discussion is not sidetracked by irrelevant topics.

12. Ask the employee for suggestions on how job performance can be improved. Use this opportunity to guide employees towards improvement.

13. Maintain objectivity. Do not display anger or hostility, regardless of any hostile remarks the employee may make - remain calm and professional.

14. Address all relevant matters during the interview. Nothing should be "left hanging".

15. If the employee gets angry, listen. Do not expect to convince the employee of anything while he or she is angry. Where disagreement occurs, typical reactions are *fight* (to defend or argue back) or *flight* (tries to avoid the issue or pretend to agree). Both reactions must be resolved at the time if possible. In the case of *fight*, hear the employee out first, then acknowledge what was said and make notes of it, but then state or repeat that other issues were considered when making the assessment and provide evidence to support them. For *flight*, you may have to persist with more direct questions, to get to the bottom of the issue. Do not move on until you have.

16. Where there are performance problems, explore the specific gap between current and required performance and discuss ways of closing it. Explain any potential consequences if this gap is not closed.

17. Where a disagreement over ratings cannot be resolved in the interview, note that it occurred, but do not take the *flight* approach by issuing an *average* or *not applicable* rating. Note down all points of disagreement and consider/discuss forms of follow-up action.

Checklist for preparing and conducting performance reviews

18. Consider whether anything raised in the employee's self-appraisal sheds new light on your assessment, and be prepared to modify your appraisal if appropriate.
19. If changes will be made to the appraisal, discuss those changes, and agree upon a date by which the final draft of the appraisal will be prepared and the appraisal will be signed.
20. Allow the employee their self-respect. Nothing is gained by "proving" the employee wrong, being sarcastic, overbearing, or unduly stern.
21. Develop and cultivate the employee's commitment on specific steps for improvement and any follow-up activity. This commitment should be documented.

Closing the interview

1. Summarize the discussion and the employee's plan(s) for improvement.
2. Schedule a follow-up interview, if necessary.
3. Ask the employee to also sign this form once it is finalized, but if he/she does not; note that the invitation was made.
4. Inform the employee that he or she can add or attach comments to the form. If the employee wants to do so, allow time to write them, and attach them to the original, signed file copy.
5. Provide the employee with a copy of the completed form.
6. End the interview on a positive, constructive note.
7. Keep copies of appraisals on file and send original to HR department

After the interview

The supervisor should consider the following questions. If "yes" has been answered to each question, the appraisal interview has been successful.

1. Does the employee clearly understand the goals and objectives of his or her position?
2. Does the employee clearly understand the reason for any unsatisfactory ratings?
3. Does the employee have a clear understanding of what and how performance improvements can be made?
4. Is the employee motivated to improve?
5. Does the employee understand the repercussion of what will happen if his or her performance does improve?
6. Were plans for performance follow-up made clear to the employee?

Checklist for preparing and conducting performance reviews

7. As a result of the interview, did a better relationship occur between the supervisor and employee?

8. The supervisor should record the essential points of the interview and note anything that could have been done differently to make the next interview more effective. It should be remembered that the interview is part of a continuing process of communication between the supervisor and employee. The nextstepis follow-up.

PITFALLS	**SUGGESTIONS**
1. The isolated incident A rating should not be based on a few isolated incidents. When this is done, the rating is unfairly influenced by non-typical instances of favorable or unfavorable performances.	1. Consider the entire appraisal period. Enumerate high points and low points in performance, and then assign a rating that typifies the individual's normal performance. Do not attempt to assign a rating to an element of performance and then create justification to support it. Be able to explain the reason for each rating.
2. The "HALO" Effect Examples: An employee's work is of good quality; therefore other ratings (such as those on promptness or quantity) are higher than normal. Another employee is frequently absent, with the result that the ratings on other factors are unusually low.	2. Rate each factor independently. When rating more than one person simultaneously, it may be helpful to rate all employees' performance on one factor rather than one employee's performance on all factors. Use the overall rating to give weight to individual factors.
3. The "CLUSTER" Tendency The tendency to consider everyone in the work group is above average, average, or below average. Some raters are considered "tough" because they normally "cluster" their people at	3. In a group of people in similar jobs, performance is likely to be spread over most performance categories. Review your own record as a rater. Check the tendency to be either "too tough" or "too

Checklist for preparing and conducting performance reviews

a low level. Others are too lenient. "Clustering" overall ratings usually indicates that the rater has not sufficiently discriminated between high and low levels of performance.

lenient" in your appraisals.

4. Rating the Job and Not the Individual
Individuals in higher-rated jobs are often considered superior performers to those in lower-rated jobs. This normally means that confusion exists between the performance appraisal and how the job is evaluated.

4. Consider how an individual is performing in relation to what is expected. Rate the person's performance, not the job.

5. Length of Service Bias
There is a tendency to allow the period of an individual's employment to influence the rating. Normally, performance levels should be higher as an individual gains training and experience, but this is not always the case.

5. Recognize the some people may never achieve top ratings, regardless of length of service. Watch closely the progress of newcomers and be ready to recognize superior performance if it is achieved.

6. Guidelines for designing an incentive scheme for credit departments

Recalling the importance of the bonus's weight within the total pay package and the importance of the timing of bonus payments, we might decide that:

- The bonus should equal up to 50% of the loan officers' base salaries, and
- Bonuses will be paid on a quarterly or yearly basis.
- There are no definite rules for setting these types of parameters. For instance, we might alternatively opt for quarterly bonus payments and fix the bonus at up to 50% of base salary. Maybe we opt for a team-based staff incentive scheme which fits better into the organization culture and credit technology.

What Is The "Right" Measure of Performance of Credit Departments?

The right measure is the one that meets organizational needs. To determine if a measure meets organizational needs, logic dictates that managers must first understand those needs. Once needs are understood, a bank must then identify the most appropriate measure to meet them. This requires a thorough understanding of what the measure expresses. The right measure will express a value that complements and supports the objectives of the bank; Managers need to play a role in establishing goals and objectives for the department if for no other reason than to clearly communicate the goals with the department staff. Employees need to know what is expected of them. Goal setting encourages sustained and substantial effort by every member of the credit department team. Goal setting provides direction as well as a sense of purpose. Managers should establish both long-term and short-term goals for their subordinates as well as for the department as a whole. In addition to goal setting, managers must measure performance. There are numerous Key Performance Indicators currently in use to measure the performance of the credit and collection function.

Some of the most common KPIs include:

Collection Effectiveness Index (CEI)

Definition: This percentage expresses the effectiveness of collection efforts over time. The closer to 100 percent, the more effective the collection effort. It is a measure of the quality of collection of receivables, not of time.

Formula:

$$\frac{\text{Beginning Receivables} + (\text{Credit Sales}/N^*) - \text{Ending Total Receivables}}{\text{Beginning Receivables} + (\text{Credit Sales}/N^*) - \text{Ending Current Receivables}} \times 100$$

N = Number of Months or Days

Guidelines for incentive scheme design for credit departments

Days Sales Outstanding (DSO)

Definition: This figure expresses the (aggregate) average time, in days, that receivables are outstanding. It helps determine if a change in receivables is due to a change in sales, or to another factor such as a change in selling terms. An analyst might compare the days' sales outstanding with the company's credit terms as an indication of how efficiently the company manages its receivables.

Formula:

$$\frac{\text{Ending Total Receivables x Number of Days in Period Analyzed}}{\text{Credit Sales for Period Analyzed}}$$

Best Possible Days Sales Outstanding or Average Terms Based on Customer Payment Patterns

Definition: This figure expresses the best possible level of receivables.

This measure should be used together with DSO. The closer the overall DSO is to the Average Terms Based on Customer Payment Patterns (Best Possible DSO), the closer the receivables are to the optimal level.

Formula:

$$\frac{\text{Current Receivables x Number of Days in Period Analyzed}}{\text{Credit Sales for Period Analyzed}}$$

Sales Weighted DSO

Definition: This figure expresses the (aggregate) average time, in days, that receivables are outstanding.

Formula:

((Current Age Category / Credit Sales of Current Period) + (1 to 30 Day Age Category / Credit Sales of Prior Period) + (31 to 60 Day Age Category / Credit Sales of 2nd Prior Period) + (61 to 90 Day Age Category / Credit Sales of 3rd Prior Period) + (91 to 120 Day Age Category / Credit Sales of 4th Prior Period) + (etc.)) **x** 30

Note: There are several formulas to calculate Sales Weighted DSO. This is a simple expression of those formulas. Other formulas or expressions yield the same results.

Guidelines for incentive scheme design for credit departments

True DSO

Definition: *The accurate and actual numbers of days credit sales are unpaid.*

Formula:

Number of days from invoice date to reporting date **x** (invoice amount/net credit sales for the month in which the sale occurred) **=** True DSO per invoice.

The sum of True DSO for all open invoices = True DSO per total accounts receivable.

Delinquent DSO or Average Days Delinquent

Definition: *This figure expresses, in days, the average time from the invoice due date to the paid date, or the average days invoices are past due.*

Formula:

DSO minus Average Terms Based on Customer Payment Patterns (Best Possible DSO)

Days Average Collection Rate

Definition: *This figure expresses, in days, the average time from the invoice date to the date paid.*

Formula:

$$\frac{\text{Total Flow of Funds}}{\text{Total Funds Applied}}$$

Prior Month's Past Due Collected

Definition: *This percentage expresses the amount that has been collected in the current month of the prior month's past due amount.*

Formula:

$$1 - \frac{\text{Current Months Past Due Age Categories}}{\text{Beginning Receivables of Prior Month}}$$

Guidelines for incentive scheme design for credit departments

Percent Over 61 Days - or Percent of Any Age Category

Definition: *This figure expresses the percentage of Total Receivables that is 61 Days or more past due.*

Formula:

$$\frac{\text{Sum of the 61 Days and Older Categories}}{\text{Total Receivables}}$$

Bad Debt to Sales

Definition: *This expresses the percentage of credit sales that were written off to bad debt. A lower percentage signifies that effective credit policies and procedures are employed.*

Formula:

$$\frac{\text{Bad Debt Net of Recoveries}}{\text{Credit Sales}}$$

Active Customer Accounts per Credit and Collection Employee (Total Department)

Definition: *This figure represents the total number of active accounts per department employee. Generally, the higher the number of accounts per employee, the more efficient the use of technology and people. (This is a departmental measure.)*

Formula:

$$\frac{\text{Number of Active Customer Accounts}}{\text{Number of Total Department Employees}}$$

Active Customer Accounts per Credit Representative or Collector

Definition: *This figure represents the total number of active accounts for an individual credit representative or collector. Generally the higher the number of accounts per employee, the more efficient the use of technology and people. (This is an individual measure.)*

Formula:

$$\frac{\text{Number of Active Customer Accounts}}{\text{Number of Total Credit Representatives or Collectors}}$$

Guidelines for incentive scheme design for credit departments

Operating Cost per Employee

Definition: *This figure represents the total dollars spent per employee. The lower the cost, the more effective use of technology and people. Operating Cost per Employee is listed here in the Credit and Collections section, but is just as valuable and applicable under Accounts Receivable. The formula is the same for each department.*

Formula:

$$\frac{\text{Departmental Operating Costs}}{\text{Number of Department Employees}}$$

Cost per Sales Dollar

Definition: *This calculation relates dollars spent in the credit and collection effort to credit sales generated, or how much it cost the company to process each dollar in credit sales. A higher percentage signifies that a more effective operation is employed:*

Formula:

$$\frac{\text{Departmental Operating Costs}}{\text{Credit Sales}}$$

Is the cost per credit sales dollar good? This question is relative. It could be answered by benchmarking with other organizations or measuring itself against its own past performance.

Cost of Collections

Definition: *This percentage represents the cost of collecting the collectable amount of Bad Debt. The lower the percentage, the more effective the attorney(s) or agency(s) employed.*

Formula:

$$\frac{\text{Amount Paid to Attorneys and Agencies}}{\text{Collected Amount}}$$

Guidelines for incentive scheme design for credit departments

High-Funds Accounts

Definition: *This measure identifies accounts where significant funds could be collected in a relative short time.*

You must set the criteria for your business. Example: by identifying accounts that have at least $2,000 over 60 Days and a total due of $5,000 or more that are not paying according to terms because of improper billing or processing problems. The closer to zero the more effective the collection effort, the better the working relationship with the customer and the more credit, collections, and accounts receivable policies and procedures are being followed.

Formula:

The Number of High-Funds Generating Accounts

High-Risk Accounts

Definition: *This measure identifies significant potential bad debt accounts so they can be collected, thereby maximizing profits by minimizing losses.*

You must set the criteria for your business. Example: these accounts have at least $2,000 over 60 Days and a total due of $5,000 and the customer is not paying because of its lack of ability to pay or some unknown reason for not paying according to terms. The closer to zero the more effective the collection effort, the better the working relationship with the customer and the more credit, collections, and accounts receivable policies and procedures are being followed.

Formula:

Number of High-Risk Accounts

Accounts Receivable Measures

Check Turnover per Cash Applicator

Definition: *This figure indicates the number of checks processed per person responsible for actually applying checks. A higher turnover rate implies that an efficient system is employed.*

This measure could include automated remittance processing "auto-cash". (Whether automated processing is included or not is a matter of choice, or in benchmarking comparability, sense consistency is the key.) Once the parameters are set, they should not change in like comparisons.

Formula:

$$\frac{\text{Number of Checks Processed}}{\text{Number of Cash Applicators}}$$

Guidelines for incentive scheme design for credit departments

Transaction Turnover per Cash Applicator

Definition: *This figure indicates the number of transactions processed per cash applicator. A transaction includes all invoices, credits, deductions, and payments. A higher turnover rate implies that a more efficient system is employed.*

This measure could include automated remittance processing "auto-cash". (Whether automated processing is included or not is a matter of choice, or in benchmarking comparability, sense consistency is the key.) Once the parameters are set, they should not change in like comparisons.

Formula:

$$\frac{\text{Number of Transactions Processed}}{\text{Number of Cash Applicators}}$$

Transaction Turnover per Accounts Receivable Employee

Definition: *This figure indicates the number of transactions processed per individual employee. All employees involved in accounts receivable are included because their combined duties are directed in some fashion to processing transactions of all types. This includes secretaries, administrators, supervisors, and managers. A transaction includes all invoices, credits, deductions, and payments. A higher turnover rate implies that a more efficient system is employed.*

This measure could include automated remittance processing "auto-cash". (Whether automated processing is included or not is a matter of choice, or in benchmarking comparability, sense consistency is the key.) Once the parameters are set, they should not change in like comparisons.

Formula:

$$\frac{\text{Number of Transactions Processed}}{\text{Number of Accounts Receivable Employees}}$$

Guidelines for incentive scheme design for credit departments

Deduction Turnover per Cash Applicator and A/R Deduction Specialist

Definition: This figure indicates the total number of deductions processed by cash application and deduction specialists. The higher the turnover, the greater the efficiency per employee. (However, the lower the number of deductions, the more efficient the organization's billing process.)

Formula:

$$\frac{\text{Deductions Processed}}{\text{Cash Applicators \& Deductions Specialist}}$$

Operating Cost per Transaction

Definition: This figure indicates the cost of an individual transaction. The lower cost per transaction implies a more efficient use of technology and people.

Formula:

$$\frac{\text{Departmental Operating Costs}}{\text{Number of Transactions Processed}}$$

7. Guidelines for giving a constructive feedback

Performance feedback can be given in two ways: through constructive feedback of through praise and criticism. Don't fall into the trap of giving praise and criticism on employee performance.

- **Constructive feedback is information-specific, issue focused, and based on observations.** Two common mistakes in given feedback: Praise and criticism. They are both personal judgements about a performance effort or outcome, with praise being a favorable judgement and criticism, an unfavorable judgement. Information given is general and vague, focused on the person, and based on opinions or feelings.

- **Be direct when delivering your message.** Get to the point and avoid beating around the bush. Both negative and positive feedback should be given in a straightforward manner.

- **Avoid "need to" phrases, which send implied message that something didn't go well.** For example, **"**Jane you need to get your reports turned in on time, and you need to spell check them." This message is not really performance feedback. It implies that Jane did not do something well with her reports, but it doesn't report exactly what happened. Providing clarity on what ocurred is the aim of the feedback.

- **Be sincere and avoid mixed messages.** Sincerity says that you mean what you say with care and respect. Mixed messages are referred to as "yes,but" messages. For example "John, you have worked hard on this project, but..." what follows is something the person is not doing well and is the real point of the message. The word "but", along with its cousins "however" and "although", when said in the middle of a thought, create contradictions or mixed messages. In essence putting but in the middle tells the other person, "Don't believe a thing I said before."

- **In positive feedback situations, express appreciation.** Appreciation alone is praise. Yet when you add specifics of constructive feedback, your message carries an extra oomph of sincerity. For example: "Sue, your handling of all the processing work while John did the callbacks made for an efficient effort and showed good team work. Everything you did was accurate as well. Thanks so much for helping out. Such initiative is a real value to the team."

- **In negative feedbacks, express concern.** A tone of concern communicates a sense of importance and care and provides the appropiate level of sincerity to the message. Tones such as anger, frustration, disappointment, and the ever-popular sarcasm tend to color the language of the message and turn attempts at negative feedback to criticism. The content of the message gets lost in the noise and harshness. The purpose of negative feedback is to create awareness that can lead to correction or improvement in performance. If you can't give negative feedback in a helpful manner, in the language of concern, you defeat its purpose.

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- **Give feedback person-to-person, not through messengers of technology.** The nature of constructive feedback is verbal and informal. That can be done only by talking live to the employee, either face-to-face or by the phone when you physically can't be together.

- **State observations, not interpretations.** Observations are what you see occur; interpretations are your analysis or opinion on what you see occur. Tell what you've noticed, not what you think of it, and report the behaviour you notice at a concrete level, instead of a characterization of the behaviour. Observations have a far more factual and nonjudgmental aspect than do interpretations.

- **Positive feedback is news or input to an employee about an effort well done.**

- **Negative feedback is news to an employee about an effort that needs improvement**. Negative feedback doesn't mean a terrible performance, but rather a performance in which the outcomes delivered should be better. So negative is not a negative word in this case.

The guidelines for giving constructive feedback fall into four categories: content, manner, timing, and frequency.

Content

Content is what you say in the constructive feedback.

1. In your first sentence, identify the topic or issue that the feedback will be about.

2. Provide the specifics of what ocurred.

Without specifics, you only have praise or criticism. Start each key point with an "I" message, such as, " I have noticed", "I have observed", "I have seen", or when the need exists to pass feedback from others, "I have had reported to me". "I"messages help you be issue-focused and get into specifics.

Manner

Manner is how you say the constructive feedback. As you may know, how you say something often carries more weight than what you have to say- manner is an important element when you give feedback.

Timing

Timing answers this question: When do you give an employee feedback for a performance effort worth acknowledging?

The answer is ASAP (As Soon As Possible). Feedback is meant to be given real-time, as close as possible to when the performance incident occurs so that the events are fresh in everyone's minds. When feedback is given well after the fact, the value of the constructive feedback is lessened.

TIP: *When giving negative feedback, you may want to apply a different timeline: ASAR (As Soon As Reasonable/ready- that is when you are ready). Sometimes*

Guidelines for giving a constructive feedback

when an incident happens, you aren't feeling too good about it, and you need time to cool off and get your thoughts in order before you give negative feedback (so that your manner displays a tone of concern). Doing that may mean giving the feedback tomorrow rather than right now, but tomorrow is still timely, and your feedback will come across as far more constructive.

Frequency

Frequency answers the question, "How often should your employees receive constructive feedback on their performance?"

This last point of the guideline is the most important because it makes all the other points work. Use constructive feedback regularly to acknowledge real performance. Try to catch and respond to employees doing the job right just as much as you can and respond to them doing something not quite right – and don't acknowledge how they are performing only once or twice a year.

TIP: *Be sure to keep notes on the performance feedback you give. It helps you track what is happening in people's performance rather than relying on your memory.:*

We wish all supervisors good luck when carrying out this responsible and important task!

Guidelines for giving a constructive feedback