

Performance Appraisal & Promotion Practices on Private Commercial Bank in Bangladesh: A Case Study from Pubali Bank Ltd.

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ABSTRACT

This paper has been prepared on performance appraisal & promotion practice of Pubali Bank Ltd. Performance appraisal being a critical part of human resource management carries huge significance to run an organization smoothly. As the name implies management does not have to face obstacles regarding employees if such appraisal is done appropriately with proper implication on promotion. This process of performance appraisal has been presented here the way it is followed by Pubali Bank Ltd. The objective of the paper has also been to present the performance appraisal of employees of this bank. After discussion there is findings section which shows various appraisal problems approaching by the employees and organization as well. To avoid any sudden setback in future, well defined steps have been recommended at the end of this paper.

Keywords: Performance appraisal; Employee evaluation; Promotion; Annual confidential report; Banking diploma.

JEL Classification Code: M120

1 INTRODUCTION

PERFORMANCE Appraisal information is used to find out whether an employee requires additional training and development. Deficiencies in performance may be due to inadequate knowledge or skills. Performance appraisal helps a manager to find out whether he needs additional training for improving his current job performance. Similarly, if the performance appraisal results show that he can perform well in a higher position, then he is given training for the higher level position. Most employees are very interested in knowing how well they are doing at present and how they can do better in a future. They want this information to improve their performance in order to get promotions and merit pay. Proper performance feedback can improve the employee's future performance. It also gives him satisfaction and motivation [1].

It is important to reward employees who meet or exceed performance standards. By acknowledging their contributions, their value to the team, department and company are shown, but managers need some acceptable established basis for this reward. An effective recognition system is simple, appears fair and equitable to all involved, and encourages continued, similar behavior from that person and other employees. On the other hand, no one sets out to be a bad employee—deep down, everyone wants to do a good job, learn how to improve if they have missed the mark, and earn a reward the next time around. So, an employee performance evaluation gives employees who aren't meeting expectations a baseline to learn how to improve in order to be viewed as successful

in the future. Generally speaking, employees want to do well and be appreciated for their hard work. The employee performance evaluation is the tool that provides the measurement for creating a pay-for-performance culture within an organization. This practice will go far in creating a workforce that is engaged, productive and loyal [2].

The aim of this paper is to examine the performance appraisal & its relation with promotion practice of Pubali Bank Ltd. The examination will ascertain the procedure, problems and some probable suggestions of these policies of the company. This paper is divided into four parts: the first part contains a literature review on performance appraisal and promotion, the second part presents the research methodology used in this work, the third part comprises of the discussion and analysis of employee appraisal and promotion system. The final part consists of findings and recommendations of the research.

2 ORGANIZATION OVERVIEW

The Bank was initially emerged in the Banking scenario of the then East Pakistan as Eastern Mercantile Bank Limited at the initiative of some Bangalee entrepreneurs in the year 1959 under Bank Companies Act 1913 for providing credit to the Bangalee entrepreneurs who had limited access to the credit in those days from other financial institutions. After independence of Bangladesh in 1972 this Bank was nationalized as per policy of the

Government and renamed as Pubali Bank. Subsequently due to changed circumstances this Bank was denationalized in the year 1983 as a private bank and renamed as Pubali Bank Limited. At Present, Pubali Bank is the largest private commercial bank having 410 branches and it has the largest real time centralized online banking network. [3].

3 PERFORMANCE APPRAISAL AND PROMOTION: A LITERATURE REVIEW

Promotion is one of the sensitive issues in every employee's life. Through promotion an employee get recognition of his or her performance and is motivated to continue in this way. According to Pigors and Myers [4], promotion is an advancement of an employee to better job, better in terms of greater responsibilities, more prestige or status, greater skill and specially increased rate of salary.

From another viewpoint, promotion is a movement to a position in which responsibility and prestige are increased. Promotion involves an increase in rank ordinarily. Again promotion is regarded as a change that results in higher earnings; but increased earnings are essential in a promotion [5]. A promotion can be both horizontal and vertical. In horizontal promotion, an employee is promoted from lower level to higher level whereas on the other hand, in vertical promotion an employee is promoted from lower level to higher level or sustain at the same level with more responsibilities only by changing his or her department. Yoder talks about both vertical and horizontal promotion whereas Pigors and Myers [4] said about only vertical promotion in their definition. Whatever the promotion is, from organizational perspective, promotion provides an employee higher position and salary, respect, facilities etc. From psychological point of view promotion satisfies the demand both for job security and career development of an employee. According to some HR experts sometimes dry promotion is taken place without increasing employees' salary which cannot reduce the attractiveness of promotion to an employee [6] because these promotions give satisfaction to the promoted employees in the form of feeling of pride and wellbeing or bring greater esteem and higher status [7].

Another term, which is deeply related with promotion, is 'performance appraisal'. Employees cannot think of being promoted without performance appraisal. The first notable initiative in systematic performance appraisal was introduced by Robert Owen in his Lanark textile mills during the 1800s. As part of the Owen's appraisal, a piece of wood was placed before each employee's machine each day marked with a different color, which conveyed the supervisor's opinion of that worker's performance the previous day [8]. In outlining performance appraisal, Noe. et al [9] said it is the process through which an organization gets information on how well an employee is doing his or her job. Indeed the effective management of performance may be the difference between success and failure [10]. Dessler [11] defined it as a

comparison between one's standard performance and actual performance and recognized four reasons behind it: first, appraisals provide information upon which one makes promotion and salary decisions. Secondly, promotion provides an opportunity for managers and subordinates to review his or her work related behavior. Third, the appraisal is the part of the firm's career planning process, because it provides an opportunity to review the person's career plans in light of his or her strength and weaknesses. Finally, appraisal helps managers better manage and improve the firm's performance. From McKirchy's [12] point of view appraisal is one of the most important requirements to the business organization because it is crucial to identify rewarding and promoting employees and identify the ineffective ones for the purpose of developing them. Flippo [13] stressed on three important factors of performance appraisal-systematic, periodic and an impartial rating. Jabeen [14] said performance judgment is commonly conducted per annum for each and every workforce in the organization. But Mathis & Jackson [15] differ with this; there is no hard and fast rule for appraisal-appraisal can be undertaken based on age or experience or the sector of employment; according to him, new employees receive an appraisal 60-90 days after employment, again at six months and annually thereafter. 'Probationary employees' who are new and in a trial period should be informally evaluated often-perhaps weekly for the first month and monthly thereafter, until the end of the introductory period. After that annual review is sufficient. For high-tech employees this appraisal can be twice in a year. Performance appraisal is a method by which job performance is evaluated generally in terms of quality, quantity, cost and time [16]. An organization can undertake performance appraisal into 2 ways—formally and informally. Systematic appraisal is undertaken after a specific time period, i.e.; once a year or twice a year. On the other hand, day-to-day working relationship between a manager and an employee offers an opportunity to informal performance appraisal; i.e; through conversation on the job, over coffee or by on-the-spot exam of a particular piece of work [15].

The principle of promotion can be merit, ability and potential or it may be seniority or experience. Instead of using these two types separately a combination of both of them may be regarded as an effective basis of promotion. Until 1834, in this continent, the principle of promotion in career was wholly based on seniority which was determined by the date of entry in the service. This principle was departed from by an order of the Governor General in Council passed on 28 January 1834. In consideration of competence and qualifications a junior might supersede a senior. This order laid the foundation for annual confidential reports previously known as character rolls. In the beginning it was an open official record, but later it was made secret and finally made confidential [17]. In Bangladesh, ACR is the most important tool to evaluate both gazette and non-gazette officers. At banking sector, banking diploma is one of the important factors in ACR

to promote an employee. By Jane [18], though the promotion indicates that the employee is ready for more responsibility in the company and is mature enough to play a larger role in the business; a promotion may not be the result of any positive employee performance review, as the employer may not have that option each time.

4 RESEARCH METHODOLOGY

The article is a case study based qualitative research. Both primary and secondary data are used for data collection. Various academic contexts, books, journals, investigative reports and HR departmental manuals are used as secondary data of the research. Personal discussion and interview with employees are the sources of primary data collection. To interview the respondents a structured questionnaire is used based on employee promotional criteria. 20 employees of Pubali bank from different hierarchies are used as respondents. From each hierarchy 4 employees are selected to take responds; the hierarchies are: senior officer, principal officer, senior principal officer, assistant general manager and deputy general manager.

5 PROMOTION POLICY OF PUBALI BANK

Promotion is a very critical subject in case of human resource management. It should be handled very carefully. It may prove to be a source of satisfaction, if handled well or it may attract lot of criticism from employees in case of mishandling. It's a duty of a HR manager to design a sound promotion policy in organization and also ensures its full implementation. A sound promotion policy means a policy, which is fair, impartial and enjoy consistency [5]. Pubali Bank also follows a guideline for their promotion policy which is already considered as a sound policy of promotion by the employees. Some of the policies include:

No employee can claim for promotion only the basis of seniority and until their performance is not satisfactory.

Pubali bank considers promotion based on some factors like, educational qualification, merits, seniority and availability of vacant positions.

In case of extra-ordinary performance of an employee the criteria of promotion will be relaxed and considered for accelerated promotion.

Promotion must be merit based and different exams, like, Annual Confidential Report (ACR), length of service, educational qualification and interview determine ones merit. The total mark of the exam is 100.

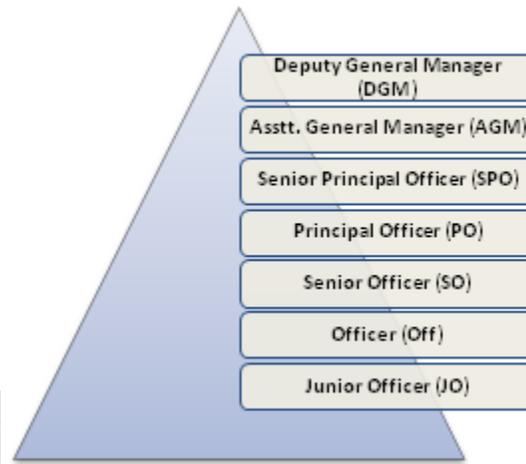


Fig. 1. Hierarchy for promotion of Pubali bank

Here is the marks distribution of ACR and other subjects for promotion, grade of AGM to DGM and SPO to AGM.

TABLE 1. Marks distribution for promotion

No	Grade	Marks distribution	Marks
	AGM to DGM	ACR (5 years)	45
		Length of job	15
		Educational qualification	15
	And	Banking diploma Part-1 & Part-2	5 (part-1=2 & part-2=3)
		Interview taken by promotion committee	20
	SPO to AGM	Total	100

A short discussion is provided here about different subject matters of promotion:

Annual Confidential Report (ACR)

It is an old and traditional method of appraising employees. It is generally used in the government organizations. A confidential report is a report on the subordinate's performance by his immediate superior. As the superior keep their judgments and reports confidentially, they are called confidential reports. Generally, a confidential report covers a limited range of aspects such as the employee's strengths and weakness, his major failures and achievements; information about his personal traits and qualities, behavioral aspects, attitude of work etc. In real sense a confidential report is nothing but the impression of the superior about his subordinates. ACR rating (TABLE 2) practiced in Pubali bank for the grade of SPO to AGM and AGM to DGM are mentioned here:

TABLE 2. Rating of ACR and marks distribution

Grade	Total marks	Rating of ACR [(45/5)/23]	Marks distribution
SPO to AGM		a. Highly satisfied	0.39

And AGM to DGM	45	b. Satisfied	0.30
		c. Average	0.20
		d. Poor	0.10
		e. Very poor	0.00

To evaluate an employee by the branch manager or regional manager there are 7 sections including deposit, advances, recovery, profit, export and import (Appendix A.). Beside these, branch manager completes other periodical statements regarding the employee (Appendix B.). Not only regional managers or branch managers evaluate an employee through ACR, but also non-managers evaluate the employee. In Part 2 of the ACR there is an option for such type of grading (Appendix C.).

The form of ACR was introduced in 1982 the grading categories consisted of outstanding with scores between 91-100, good 81-90, high average 65-80, average 45-64, below average 31-44 and unsatisfactory 20-30. In the form, which is in use since 1990, grading categories and the score were changed. Under this system outstanding has scores of 95-100, very good 85-94, good 61-84, average 41-60 and below average 40 and below [17].

Banking Diploma

Banking diploma entails 5 marks within one’s ACR. As in banking profession employees come from different educational background including non-business area; top management considers banking diploma as a precondition to work in banking sector as well as getting promotion here. Generally it contains 2 parts (banking diploma part-1 & banking diploma part-2) with 1200 marks and an employee needs 600 marks to pass. Alike others, Pubali bank uses 3 years based promotion planning. A survey said that more than 80% of employees get promotion each year as an indicator of their good performance. Rest of the employees has to wait 6 months or more to get the recognition.

Performance Appraisal and Promotion In Pubali Bank

Performance appraisals play a key role in several administrative areas such as promotions, job transfers, and legal protection. With the data generated from employee appraisals, an organization can better able to make good decisions about a wide range of matters that directly affect employees, department, and the company at large [19]. Linguistically though we know there are several methods in appraising employee performance like ranking method, critical incident methods, behaviorally anchoring rating scale, 360 degree feedback, forced distribution method and so on [11], [15], [20] and [21]; most of the organizations in Bangladesh specially banking sector do not use such type of methods for employee appraisal rather they use ACR for promotional decision. Alike other organizations, Pubali bank also undertakes 4 steps including setting performance standard, pertaining actual performance, comparing the actual performance with the standard and the last is feedback stage includes taking corrective action if there

is any variances between actual and standard performance to complete employee ratings. Promotional decision usually a time and money consuming matter. Each and every year on December the ACR reports are collected and sent to the top management. Management and other experts verify the report and call for interview of the prospected candidates. Pubali bank develops a panel of candidates who are the most suitable for promotion. Number of candidates are determined by the past retirement rate, or exit rate or a sudden expire. Generally the panel identifies more than half candidates in case of 20% vacancy rate. Duration of each panel is six month to one year based on company policy. After that period the previous panel as well as the candidates of that panel (who are not served promotion) loss their validity and for the new year new panel is developed. Fig. 2. shows six steps of promotion starting from ACR submission to selecting best candidates for promotion. The time period of the whole process is maximum one year.

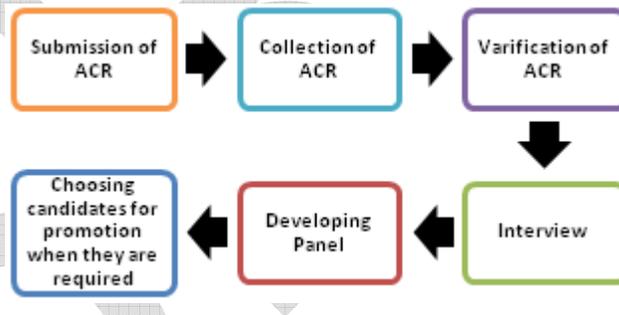


Fig. 2: Steps of Promotion in Pubali Bank through ACR

The Appendix D shows both behavioral and working performance measures undertaken by organization through ACR. After completing all the judgments an employee becomes fit for promotion. The following part of ACR indicates how a superior indicates subordinate’s eligibility for promotion.

Comments for reporting officer	
(a) Fit for promotion	
(b) Not yet fit for promotion but likely to become fit in course of time	

Evaluation- Fitness for promotion

6. FINDINGS AND RECOMMENDATION

Performance appraisal is the most important functions of HR management engaging in gauging employee performance and based on which employees become eligible for promotion. Though literally performance appraisal includes a large no of methods, but in reality appraisal procedures of most of the organizations are limited to ACR. Research found that the organization is practicing a feeble appraisal system and most of the time it losses to achieve employees’ trust. This research found a large number of shortcomings in performance appraisal system. First of all, in ACR the superior or the branch manager has the only right to evaluate an employee, which can be one of the

subjects of biasness. Though ACR is the most common approach used in public sector organizations to evaluate employees but they are considered inefficient, corrupt and manipulating [22]. Many bosses do not wish to spoil their relations with subordinates and sometimes they may end up giving higher grades which are not required. Second, no major change in ACR system was introduced prior to 1982 when the old form of appraisal was revised [23]. Though private and foreign banks are using electronic performance appraisal system, public organizations like Pubali bank are still using manual appraisal system--Government should focus on it. Third, in different grades (for example, the promotion committee uses two types of marks distribution for ACR to evaluate an employee for promotion. In the grade, SPO to AGM and AGM to DGM the committee uses ACR of 45 marks; whereas to promote Officer to SO, SO to PO and PO to SPO the committee uses ACR of 55 marks.) Pubali bank should recover the differences. Fourth, there are a few examples that supervisor communicates to his subordinates the reasons of adverse ratings. This situation must be diminished, because employees have the principal right to know their weakness. Instead of yearly performance appraisal Pubali bank can establish semi-yearly appraisal plan within its time and budget constraints. Again, Government should introduce non-pecuniary rewards such as foreign scholarship, letter of congratulation and preferential posting on basis of appraisal. Explanation for poor performance should be sought from those whose performance was rated in the lowest [23]. 360 degree feedback may be another option of performance appraisal where employees will get a chance to rate themselves. "Succession planning" and "accelerated promotion" through performance appraisal are another ways to motivate or retain the most talent employees in the organization. Again, ACR should not be the only index to appraise one's performance; organization can undertake various informal appraisal programs. Working on challenging projects based on one's job specification and job description can be a criterion to evaluate an employee. A biasfree raters' panel should be introduced while making appraisals. Though, most of the organizations use ACR in performance appraisal there is no uniform format of such paper which may be difficult to assess the performance of all employees working in the same sector. In formal evaluating system there is a chance to be judged positively or negatively by the boss depending upon the past performance--to some employees although they may have improved performance, they may still not get the benefit. While conducting performance appraisals for promotion purposes subjectivity (leniency, contrast, and central tendency) should be avoided so that any outcome of the appraisals will be perceived as fair by all employees who will be expecting promotion [16]. Proper training for the evaluators can help them observe employee behavior accurately and reduce rating scale errors. While evaluating employees, evaluator must cover the entire evaluation period and not just the events that have occurred immediately. Another criterion to reduce performance appraisal's weakness would be 'post performance evaluation inter-

view' which will be helpful to gather feedback of evaluated employees about the whole process.

If done correctly performance appraisal can give greater benefits both to employees and organizations, otherwise it will be only valuable for very good or very poor employees. However, as we know performance appraisal is the combination of both human and organizational activities; to get the effectiveness from this performance activities should be aligned with organizational culture, process and procedure [24].

7. CONCLUSION

Though there are a large number of studies on performance appraisals, but there is a limited research on performance appraisals of employees in the banking sector. Basically, it is a case study type research and completed on a Bangladeshi private bank named 'Pubali Bank'. The study has highlighted the methods using by the bank to evaluate employees' performance as well as to promote them. According to the study Pubali bank uses two methods, Annual Confidential Report (ACR) and Banking diploma to evaluate an employee for their three yearly promotions. Besides these advantages the study is not totally free from limits. Lack of support by the managers in providing information because of sensitivity of the topic and lack of time are some of the constraints of the study. Moreover, some of information following company's policy could not be disclosed. However, this limitation may open a door for other investigators who are interested in this field. Promotional biasness, effectiveness of ACR, satisfaction level of employees with the existing promotion policy etc. may be possible applications of the paper.

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APPENDIX A

Evaluation of deposit, advances, recovery, profit, export and import

Deposit (for the last three years including the reporting year)				
Year	Deposit on 1st January	Deposit target for the year...	Deposit as on 31st December	% of target achieved
Advances (for the last three years including the reporting year)				
Total outstanding advances as on 31st December	New advances made during the year			% of target achieved
	Target	Target achieved		
Recovery (for the last three years including the reporting year)				
Year	Target for the year	Target achieved	% of target achieved	
Profit (for the last three years including the reporting year)				
Year	Target for the year	Profit/loss	% of target achieved	
Import (for the last three years including the reporting year)				
Year	Target for the year	Target achieved	% of target achieved	
Export (for the last three years including the reporting year)				
Year	Target of the year	Target achieved	% of target achieved	

APPENDIX B

Evaluation of other periodical statements

Credit Division	(h) Credit Admin. Monitoring & Recovery Division	
General Services & Development Division	Consumers Credit Division	
International Division	(j) Lease Financing Division	
Information Technology Division	(k) Establishment Division	
Audit Division	(l) Have all the accounts been reconciled?	
Human Resources Division	(m) Have the books been balanced?	
Central Accounts Division	(n) Have the audit report disposed of?	

APPENDIX C

Evaluation part other than managers

This part is particularly applicable to other than Managers/Regional managers.						
SL	Particulars	Nature of A/C(s) with A/C(s) No.	Amount with date(s) of Deposit/Business	Name of the Branch where Deposit/Business secured	Position of A/C(s) as on 31-12-...	Remarks
01	Deposit					
02	Business					

APPENDIX D

Performance & Behavioral judgment

Particulars	A1	A	B	C	D	Remarks
	Very good	Good	Average	Below average	Poor	
Intelligence & mental alertness						
Judgment & sense of proportion						
Initiative, drive & perseverance & devotion to duty						
Ability to plan & supervise works						
Knowledge of rules, regulation						
Integrity, reliability, dependability & responsibility						
Cooperation & relation with colleagues & subordinates						