

Internship Report

On

Performance Appraisal System

Of



AB Bank

INTERNSHIP REPORT

On

“Performance Appraisal System of AB Bank Limited, ABBL”

of



AB Bank

HR Division, Head Office.

(This report on internship in AB Bank Limited is submitted as a requirement of the partial fulfilment of BBA Program)

Report prepared for

Probal Dutta (1st),
Senior Lecturer,
BBS, BRAC University

Shantu Kumar Ghosh(2nd)
Senior Lecturer
BBS, BRAC University.

Report prepared by

MD. ULLAH AL MAMUN
Student ID: 06104007.
BBS Department,
BRAC University.

Date Of Submission

13th May, 2010.



BRAC University

Students Assertion

I hereby announced that the extensive study entitled

**“Performance Appraisal System of AB Bank Limited,
ABBL”**

(Conducted on behalf of AB Bank Limited, Head Office,
HR Division)

Prepared in partial accomplishment of the requirements
for the award of the degree in
Bachelor of Business Administration (BBA)

From



BRAC University
BBS Department.

Is my original work and not put forward
For the award of the any other degree/fellowship
Or other similar designation or accolade.

.....

MD. ULLAH AL MAMUN
Student ID: 06104007.

Certificate of Approval

The internship report of

MD. ULLAH AL MAMUN

Student id: 06104007.

BBS Department,



BRAC University

Titled

**“Performance Appraisal System of AB Bank Limited,
ABBL”**

(Conducted on behalf of AB Bank Limited, Head Office,
HR Division)

Is approved and is suitable in eminence and figure

Academic supervisor

.....
(Signature)

Probal Dutta.

Senior Lecturer. BBS Department,
BRAC University.

Certificate of Approval

The internship report of

MD. ULLAH AL MAMUN

Student id: 06104007.

BBS Department,



BRAC University

Titled

**“Performance Appraisal System of AB Bank Limited,
ABBL”**

(Conducted on behalf of AB Bank Limited, Head Office,
HR Division)

Is approved and is suitable in eminence and figure

.....

(supervisor Signature)

Mr. Mehedi Hasan

*Assistant Vice President, HR Division,
Head Office, AB Bank Limited.*

Certificate of Approval

The internship report of

MD. ULLAH AL MAMUN

Student id: 06104007.

BBS Department,



BRAC University

Titled

**“Performance Appraisal System of AB Bank Limited,
ABBL”**

(Conducted on behalf of AB Bank Limited, Head Office,
HR Division)

Is approved and is suitable in eminence and figure

Academic supervisor

.....
(Signature)

Shantu Kumar Ghosh.

Senior Lecturer. BBS Department,
BRAC University.

Certificate of the project Guide

This is to certify that the extensive study entitled

**“Performance Appraisal System of AB Bank Limited,
ABBL”**

(Conducted on behalf of AB Bank Limited, Head Office, HR
Division)

Prepared in partial accomplishment of the requirements for
the award of the degree in
Bachelor of Business Administration (BBA)
From



BRAC University

Is a record of extensive research work carried out
By

MD. ULLAH AL MAMUN

Student ID: 06104007.

BBS Department,

Under my supervision and guidance, no part of this report has
been submitted for the award of any other degree fellowship
Or other similar designation or accolade

.....
(Signature)

Probal Dutta

Lecturer. BBS Department,
BRAC University.

Preface

Internship program is one of the most significant topics of our BBA program. Now the world is competitive. So we have to earn the knowledge about the critical environment of business. This type of program helps the student to acquire practical knowledge about the contemporary business organization. It will also help the student to be an effective executive in future. Different organizations take different kind of policies to operate their business. A reputed private bank like AB Bank Limited, takes different kind of modern banking system to satisfy their customers.

As a student of BBA, BRAC University, I have been assigned to prepare the internship report on “**Performance Appraisal System of AB Bank Limited, ABBL**” from the practical exposure I have undergone at AB Bank Limited, Head Office, HR Division. As a model I have tried my best with all my aptitude to complete this report with aptness.

LETTER OF TRANSMITTAL

April 21, 2010
Mr. Probal Dutta
Lecturer,
BRAC Business School (BBS),
BRAC University.

Subject: **Submission of the internship working report.**

Dear Sir,

With due respect, I would like to inform you that, I am **MD. ULLAH AL MAMUN** bearing student ID: 06104007, a student of BRAC Business School department. My major was on Human Resource Management and Finance. It is my great pleasure to inform you that I have the opportunity to submit an internship working report on "**Performance Appraisal System of AB Bank Limited, ABBL**", as a requirement for BBA program. While conducting the working report, I have gathered extensive knowledge on overall banking activities from all the relevant departments and branches of AB Bank Limited.

I believe this genuine and honest analysis will help you to have a positive viewpoint upon me. I will be pleased to deliver you with added explanations or clarifications that you may feel necessary in this regard. I shall be thankful if you kindly approve this effort.

Sincerely yours

.....

MD. ULLAH AL MAMUN

Student ID: 06104007.

BBS Department, BRAC University.

ACKNOWLEDGEMENT

First of all, I would like to thank almighty Allah for his grace in accomplishing my internship report timely.

I would like to express my gratitude to my academic supervisor **Mr. Probal Dutta** from the core of my heart for her kind support, guidance, constructive, supervision, instructions and advice and for motivating me to do this report.

I am also thankful to Head of HR Division of AB Bank Limited for giving me the opportunity to conduct the internship in AB Bank Limited. I would like to thank **Mr. Mehedi Hasan**, AVP of HR Division for supervising me, **Mr. M. Hasan Mottalib Chowdhury**, principle officer and **M. Mahmudur Rahman**, Officer also help me by providing various key information and giving me the path to write a fruitful report.

I am also grateful to the employees of HR Division for their cordial acceptance. **Mr. Sazzad Hossain** was too helpful. He helped me a lot to collect the information correctly. **Ms. Jesmin Sultana** and **Mr. Anup Kumar Roy** also extended their helpful hand to me. They have been very helpful in showing me the work process and provided relevant information for my report whenever I approached. It was a great opportunity to do internship in such an organization. The experience I have gathered will be a privilege for my future career planning.

Table of Contents

Chapter 1	Introduction 1.0 Introduction 1.1 Origin of the report 1.2 Purpose of the study 1.3 Objective of the study 1.3.1 Broad Objective 1.3.2 Specific Objective 1.4 Methodology of data collection 1.4.1 Primary Sources 1.4.2 Secondary Sources 1.5 Limitations of the study	<u>Page No</u> 2 3 3 4 4 4 4 5 5 5-6
Chapter 2	The Organization 2.1 Background of AB Bank Limited 2.2 Mission Statement 2.3 Vision Statement 2.4 Change of Name 2.5 Corporate Information 2.6 Values 2.7 Objectives of AB Bank 2.8 Historical Review of AB Bank 2.9 Current Profile 2.10 Board of Directors 2.11 Management Aspects 2.11.1 Executive Committee 2.11.2 Audit Committee 2.11.3 Management Committee 2.12 management Hierarchy 2.13 Branch Locations 2.14 Financial Performance Indicator 2.15 Operating Performance 2.16 Portfolio Management Service 2.17 Departments & Divisions of AB Bank 2.18 Products & Services of AB Bank 2.19 CSR of AB Bank	7-43 8 9 9 9 9 10 10 11 14 16 17-19 17 18 18 20 21 21 23 28 30-35 36-42 43
Chapter 3	Job Description 3.0 Job Description 3.1 General Responsibilities 3.2 Essential Duties 3.3 Ancillary Duties 3.4 Critical Observations	45-48 45 45 45 47 47

<p>Chapter 4</p>	<p>Literature Review 4.0 Performance Appraisal 50 4.1 Criticism 52 4.2 Basic Purposes 54 4.3 Appraisal Methods 56 4.4 Benefits of Performance Appraisal 64 4.5 Reward Issues 67 4.6 Conflict & Confrontation 71 4.7 Common Mistakes 73 4.8 Bias Effects 77</p>	<p>49-80</p>
<p>Chapter 5</p>	<p>Project 5.0 PAS of AB Bank 82 5.1 Performance Appraisal Policy 84 5.2 Objectives & Modus Operandi 84 5.3 Defination of Different Performance Grades 86 5.4 Annual Performance Appraisal & SPD 86 5.5 Types of Performance Appraisal Form 87 5.6 The Complition Process of Appraisal Form 88 5.7 The Input Process of PAF in Database 99</p>	<p>81-103</p>
<p>Chapter 6</p>	<p>Conclusions & Recommendation 6.0 Conclusions. 105 6.1 Ending Remarks. 106</p>	<p>104-108</p>
	<p>Annexure</p>	<p>109-117</p>
	<p>References</p>	<p>118-123</p>



AB Bank



**AB Bank Limited
HR Division,
Head Office,
Dhaka.**

Executive Summary

As a student of business administration analyzing today's business world is very crucial to observe in this complex situation. It is necessary to go through all fields of knowledge, both theoretical and practical. After passing four years BBA program, I was sent out to have practical knowledge in business life as a part of my academic program. An internship program is organized to give me an opportunity for enhancing my capabilities. [n this report I had tried to focus my both theoretical and practical knowledge regarding HRM practices. My internship topic is 'HRM practice in ABBL". I have tried to flash out about HRM practices of this bank and how it is working in progress of the bank.

In the report HRM practice of AB Bank Limited. has been highlighted providing the basic concept of Human Resource Management side by side. The intention is to understand the activities of human resource management by practical survey. The fact revealed from this survey is that all most all the banking organizations are involved in the same type of HR practice.

For example, organ gram of the company, recruitment and selection procedures, training institute, increment and bonus facilities etc are typical in the banks which are operated in the private sector. The more modern is their approaches the more they can resolve their problems regarding handling employees in the organizations.

I have tried to follow the right methodology for preparing this report, which is very important to find out the truth, which is hidden behind the curtain. In the case study of AB Bank Limited. Effort has been given to disclose about organizations system and procedure step by step. Finally, conclusion and findings are also included in the report.

Chapter – 1



Introduction

1.0 Introduction

Internship is a partial requirement of graduation. It offers a great opportunity for any student to get some tremendous and brilliant ideas about the practical field. It is also a challenging experience to prepare Internship Report which increases intellectual abilities as an efficient graduate. As Banking sector have emerged as the most important player of our economy and they also offer a passionate environment for career development so it was my premier objective since the very beginning of BBA program to accomplish internship in this type of financial institution.

A develop banking sector plays a vital role for financial stability of a country. AB Bank Limited (ABBL) is a Commercial bank and financial institution. This is the first commercial bank in Bangladesh. It is now providing their banking service with 77 branches. I am very glad for getting the opportunity to accomplish my practical training in the HR Division of AB Bank Limited (ABBL) in Head Office. The internship program was carried on the Human Resource Division. The internship report has been based on the performance appraisal system of AB Bank Limited. During the three month long internship period spanning form January 03 to April 03 in AB Bank Limited the writer of this report gained practical knowledge about the performance appraisal system of the employees of ABBL and worked on a project titled **“Performance Appraisal System of AB Bank Limited, HR Division, Head Office”**. Here the analysis has been made on the whole performance appraisal system of ABBL, As well as a case study of an employee of AB Bank has been conducted to understand the whole process more effectively.

1.1 Origin of the report

The report has been prepared as a fulfillment of the partial requirement of the internship program as authorized by BRAC Business School (BBS), BRAC University. The primary goal of the internship prospectus is to provide on the job coverage to the student and an opportunity for translation of theoretical conceptions in real life situation. Students are placed in enterprises, organizations, research institutions as well as development projects. The program covers an overall period of approximate 12 weeks of organizational attachment, with report finalization work.

1.2 Purpose of the study

As an institution, bank has been contributing towards the development of any economy for a long time and at the moment it is treated as an important service industry in modern world. Nowadays, the function of a bank is not limited within the same geographical limit of any country. Due to globalization and free market economy, this industry is facing severe competition. Most of the banks fail due to lack of proper strategic planning and goals. One of the major reasons of their poor performance is adaptation of traditional banking system. They are very much slow in adopting new product line, less concerned about attracting and satisfying customers and being reluctant to implement information technology. That's why it is very necessary for each and every bank to evaluate its performance over the periods. But the most important thing is that nearly all of the banks are more focusing on sale rather than the service, even they do not know how to evaluate their performance.

Basically, this study is conducted to expose the way to find out the employee's satisfaction level and know how to provide them better service. Different evaluating procedures and techniques have been followed to measure the employee's satisfaction.

1.3 Objective of the Study

1.3.1 Broad Objective:

- ❖ To complete my BBA degree it is a must.
- ❖ To match my academic knowledge with the real corporate business set up.
- ❖ To enlarge my experienced from a real corporate exposure.
- ❖ To enhance my adaptive quality with the real life situation.

1.3.2 Specific Objective:

- ❖ Introduce myself to the ABBL Group
- ❖ To know the inner side of the ABBL banking culture.
- ❖ Provide information on AB Bank Limited.
- ❖ To find out the corporate social responsibility of AB Bank Limited.
- ❖ To describe the HR function, structure and its procedures, rules and regulation.
- ❖ To analyze the performance of ABBL.
- ❖ To understand the internal and external environment of the organization.
- ❖ To provide recommendation for improvement of AB Bank Limited.

1.4 Methodology of Data Collection

For achieving the specific objectives of this study, data were gathered from both primary and secondary sources.

1.4.1 Primary Sources

- Direct conversation with the respective officers of the Departments.
- Face to face conversation with the employees.
- Employee's opinion collected through Questions.
- Observation of the HR activities.

1.4.2 Secondary Sources:

- Various records of the bank.
- Different Types of brochures.
- Website of AB Bank Limited.
- Different newsletters of ABBL.
- Annual Performance Appraisal Forms of AB Bank Limited.
- Personal files of the employees.

1.5 Limitations of the study

Banking is, in fact, a huge operation and it is quite impossible to cope up all the activities during internship period. And for that reason, limitations prevail while conducting the study. The basic limitations faced in preparing the report were:

- ❖ The bank's policy of not disclosing some data and information for obvious reasons, which would have been very much useful for the report.

- ❖ As the bank is continuously changing its system is also changing time to time, it will be difficult to ascertain the true performance of the employees each time.
- ❖ Few officers sometime felt disturbed, as they were busy in their job. Sometime they didn't want to supervise us out of their official work.
- ❖ Sometimes it was difficult to collect data from their files, because important files are kept in vault for safety.
- ❖ Performance appraisal is a very sensitive issue. So many informations are not been disclosed as sack of secrecy.
- ❖ It is difficult to make information based a rich report in a short time period.
- ❖ For the security of the organization many information couldn't provide me.
- ❖ This report is prepared within a short time.

Chapter – 2



The Organization

2.1 Background of AB Bank Limited:

AB Bank Limited, the first private sector bank under Joint Venture with Dubai Bank Limited, UAE incorporated in Bangladesh on 31st December 1981 and started its operation with effect from April 12, 1982.

Dubai Bank Limited (name subsequently changed to Union Bank of the Middle East Limited) decided to off-load their investment in AB Bank Limited with a view to concentrate their activities in the UAE in early part of 1987 and in terms of Articles 23A and 23B of the Articles of Association of the Company and with the necessary approval of the relevant authorities, the shares held by them in the Bank were sold and transferred to Group "A" Shareholders, i.e. Bangladeshi Sponsor Shareholders (ABBL 2010).

As of December 31, 2007; the Authorized Capital and the Equity (Paid up Capital and Reserve) of the Bank are BDT 2000 million and BDT 4511.59 million respectively. Authorized Capital of the Bank has been increased to BDT 3000 million in the Extra Ordinary General Meeting held on July 16, 2008.

Since beginning, the bank acquired confidence and trust of the public and business houses by rendering high quality services in different areas of banking operations, professional competence and employment of the state of art technology.

During the last 28 years, AB Bank Limited has opened 77 Branches in different Business Centers of the country, one foreign Branch in Mumbai, India and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited (ABBL 2010). To facilitate cross border trade and payment related services, the Bank has correspondent relationship with over 220 international banks of repute across 58 countries of the World.

AB Bank Limited, the premier sector bank of the country is making headway with a mark of sustainable growth. The overall performance indicates mark of improvement with Deposit reaching BDT 53375.35 million, which is precisely 26.85% higher than the preceding year. On the Advance side, the Bank has been able to achieve 30.76% increase, thereby raising a total portfolio to BDT 40915.35 million, which places the Bank in the top tier of private sector commercial banks of the country.

On account of Foreign Trade, the Bank made a significant headway in respect of import, export and inflow of foreign exchange remittances from abroad.

2.2 Mission Statement:

"To be the best performing bank in the country"

2.3 Vision Statement:

"To be the trendsetter for innovative banking with excellence & perfection"

2.4 Change of Name:

Arab Bangladesh Bank Limited changed its name to AB Bank Limited (ABBL) with effect from 14 November 2007 Vide Bangladesh Bank MRPD Circular Letter No- 10 dated 22 November 2007. Prior to those Shareholders of the Bank approved the change of name in the Extra Ordinary General Meeting held on 04 September 2007 (ABBL 2010).

New Logo of ABBL

Effective 01 January 2008, ABBL changed its Logo as well.

2.5 Corporate Information of AB Bank Limited:

Name of the Company

AB Bank Ltd

Legal Form: A public limited company incorporated on 31st December, 1981 under the Companies Act, 1913 and listed in the Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd.

Commencement of Business

27th February 1982

Registered Office

BCIC Bhaban, 30-31, Dilkusha C/A

Dhaka 1000, Bangladesh.

Tel: +88-02-9560312

Fax: +88-02-9564122, 23

SWIFT: ABBLBDDH

E-mail: info@abbank.com.bd

Web: www.abbank.com.bd

2.6 Values:

- ✓ Service Excellence
- ✓ Openness
- ✓ Trust
- ✓ Commitment
- ✓ Integrity
- ✓ Responsible corporate citizen

AB Bank Limited see their customers trust as the lifeline of their business, control and compliance as license to operate, dynamic and motivated people as their strength to multiply and technology as their weapon to service excellence.

2.7 Objectives of AB Bank Limited:

Maximization of profit along with the benefits of employees is the main objective of the bank. In addition, the other objectives are:

- ✓ Bringing modern Banking facility to the doorstep of general public through diversification of banking services, thereby arousing saving propensity among the people.
- ✓ Foreign a cordial, deep-rooted and firm banker-customer relationship by dispensing prompt and improved client's service.
- ✓ Taking part in the development if the national economy through productive deployment of the Bank's resources as well as patronizing different social activities.
- ✓ Connecting clients to modern banking practice by the best application of improved information technology, so that they get encouraged to continue and feel proud of banking with ABBL.
- ✓ Ensuring highest use of the professional workforce through enhancement of their aptitude and competency.
- ✓ Responding to the need of the time by participating in syndicated large loan financing with likeminded Bank's of the country, thereby expanding the area of investment of the Bank.
- ✓ Elevating the image of the Bank at home and abroad by sustained expansion of its activities.
- ✓ Ensuring maintenance of capital adequacy, comfortable liquidity, asset quality and highest through successful implementation of the management core risk program (ABBL 2010).

2.8 Historical Review of AB Bank Limited:

AB Bank Limited (ABBL) a joint collaboration bank with Dubai Bank Limited. It was formed in Dhaka on 31 December 1981. It started banking operations on 12 April 1982 as a scheduled private sector commercial bank. Initially the authorized capital of the bank was Tk 200 million divided into 2 million shares of Tk 100 each. The issued and paid up capital was Tk 80 million. The authorized capital of the bank has later been enhanced to Tk 800 million. The paid up capital was also enhanced at different times of its operation and stood at Tk 409.94 million in December 2000. ABBL is the first Arabian-

Bangladeshi joint venture private commercial bank in Bangladesh and was formed with the assistance and support of the Dubai-based Galadari family, a group active in international trade, finance and industry (ABBL 2010).

Nine members of boards of directors including the chairman governs the overall affairs of the bank. The chief executive of the bank is its managing director. In all, 1,472 employees, including the executives and officers, work in the bank in various capacities. The bank has 62 branches (urban-46, rural-15 and overseas-1). The Head Office of the bank is located at Dilkusha, Dhaka.

ABBL was set up to conduct all types of traditional commercial banking functions including foreign exchange business and other financial services. It has been able to achieve satisfactory progress in all areas of its planned activities including deposit mobilization, credit expansion, servicing imports and exports, remittance services, investment, and product innovation.

At the end of 1982, the first year of the banking business, the total deposits of ABBL amounted to Tk 136.71 million. This stood at Tk 16,217.5 million on 31 December 2000. The deposit-mix of the bank in 2000 was composed of fixed deposits (56.6%), savings deposits (21.84%), and current and other deposits (21.56%). The amount of total reserve funds of ABBL was Tk 354.81 million in 2000 as against Tk 202.48 million in 1995.

Total loans and advances of ABBL increased from Tk 116.96 million in 1982 to Tk 12,548.4 million in 2000. Responding to the needs of the market, ABBL introduced three new schemes: Student Loan, Personal Computer Loan for Educational Institutions (for their laboratories), and Monthly Interest Payment Facility to term deposit holders. The broad economic areas in which the bank lends (and the total outstanding amount of advances to those areas in million Taka) up to 31 March 2000 were: agriculture and fisheries (278), industry (2,811), retail/wholesale trade and hotels and restaurants (3,769), transport/communication and storage (180), insurance, real estate and trade

service (1,384), special credit programmers, including poverty alleviation and income generating activity (520), and others (1,874). Up to 31 March 2000, ABBL provided financial support in the form of loans and advances to 88 large and medium scale and 145 small and cottage industrial projects amounting to Tk 2,300 million. It has also extended project financing in syndication with other banks. The ratio of advances and deposits during the year 1999 and 2000 were 80.66% and 77.38% respectively (ABBL 2010).

In 2000, the bank's total classified loans were 23.45% of its total loans and advances. It maintained a provision of Tk 1,435.4 million for them, which affected the bank's performance and degraded the quality of its lending assets. The quantum of investment of the bank rose to Tk 2,429.66 million in 2000 from Tk 23 million in 1982. Of the total investment in 2000, 93% was in government treasury bills. The rest was invested in other sectors including debentures of ICB, ordinary shares of companies and prize bonds. In that year, the bank earned an income of Tk 170.21 million from its investments.

In the financial year ending on 30 June 2000, total foreign exchange business of the bank was Tk 11,600 million, which included imports (34.48%), exports (58.19%) and remittances (7.33%). ABBL has foreign correspondent relationships with 221 banks/bank offices and other financial institutions at different international financial centers. The overseas operations of the bank are conducted through its Mumbai branch in India and its subsidiary company, the AB International Finance Limited in Hong Kong. The bank has two foreign representative offices - one in London and the other in Yangon.

As of December 31, 2006; the Authorized Capital and the Equity (Paid up Capital and Reserve) of the Bank are BDT 2000 million and BDT 2582.76 million respectively. The Sponsor-Shareholders hold 50% of the Share Capital; the General Public Shareholders hold 49.43% and the rest 0.57% Shares are held by the Government of the People's Republic of Bangladesh (Annual Report

2008). However, no individual sponsor share holder of AB Bank holds more than 10% of its total shares.

During the last 27 years, AB Bank Limited has opened 74 Branches in different Business Centers of the country, one foreign Branch in Mumbai, India, two Representative Offices in London and Yangon, Myanmar respectively and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited. To facilitate cross border trade and payment related services, the Bank has correspondent relationship with over 220 international banks of repute across 58 countries of the world.

2.9 Current Profile of AB Bank Limited:

Since beginning, the bank acquired confidence and trust of the public and business houses by rendering high quality services in different areas of banking operations, professional competence and employment of the state of art technology (Annual report 2008).

At present, the bank has 74 branches throughout the country with about 18000 employees. The existing Board of director is 14. M. Wahidul Haque is the chairman of board and Kaiser A. Chowdhury is the President and Managing Director. The bank has been restructured their five main business which are responsible for earning the revenues of the bank. These are:

- ✓ Corporate Banking
- ✓ Consumer Banking
- ✓ SME Banking
- ✓ Treasury and
- ✓ Cards

All other department of the bank acts as support for these units and helps them in every possible way. Under this arrangement, the responsibilities and functions of those branches have been reduced dramatically. Many of the activities like credit evaluation and approval, monitoring of loans, trade services activities etc. are now centralized in the Head Office. The branches of the bank are now termed as the “sales and service Centers” which are solely concentrated on delivering services to the corporate and consumer clients and maintain relationship with them.

AB Bank Limited, the premier sector bank of the country is making headway with a mark of sustainable growth. The overall performance indicates mark of improvement with Deposit reaching BDT 42076.99 million, which is precisely 53.78% higher than the preceding year. On the Advance side, the Bank has been able to achieve 46.32% increase, thereby raising a total portfolio to BDT 31289.25 million, which places the Bank in the top tier of private sector commercial banks of the country (Annual report 2008).

On account of Foreign Trade, the Bank made a significant headway in respect of import, export and inflow of foreign exchange remittances from abroad.

2.10 Board of Directors of AB Bank Limited:



M. Wahidul Haque
Chairman



Salim Ahmed
Vice Chairman



Feroz Ahmed
Director



M. A. Awal
Director



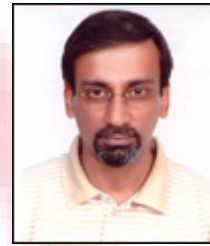
Shishir Ranjan Bose FCA
Director



Faheem Huq
Director



Syed Afzal Hasan Uddin
Director



Mishaal Kabir
Director



Md Salah Uddin
Director



Md Mesbahul Hoque
Director



Md. Anwar Jamil Siddiqui
Director



Dr. M. Imtiaz Hossain
Director



Runa Zakia Shahrood Khan
Director



Kaiser A. Chowdhury
President & Managing
Director

2.11 Management Aspects:

The AB Bank Limited Management Team comprises of a group of people and each them comes with an international working background and is committed in leveraging their experience to take ABBL to greater heights by ensuring top line revenues with dynamic capabilities. This Management Team is unique in being able to envision the need of the business by bringing in admixture of advanced technology solutions know-how and revamping the organizational make-up for maximum profitability. Other than the President and Managing Director, the remaining Management Team Members each lead a functional Department.

This mix of people is persistent to provide unparalleled services to its customers, come up with timely and innovative products and services and to enhance the capabilities of its people of its people while emphasizing on the latest technology. This they believe will take the bank to a foremost position in the country by the turn of the year 2008. This team is to drive the business to maximize the operational excellence and efficiency through acquisition of talent, developing systems, processes and people and through blending of these to let customers revel in with fulfillment and permanency (Annual report 2008).

Like any other business organization, all the major decisions in ABBL are made by the top management committee. The board mainly establishes the objectives and policies of the bank. There are three committees of the board for different purpose:

2.11.1 Executive Committee:

This committee is comprised of Chairman, four members of the bank and one member secretary. The functional and responsibilities of this committee is to establish and periodically review the bank's overall credit and lending

policies and procedures, development and implement uniform and minimum acceptable credit standards for the bank, new credit proposal assessment and approval etc.

2.11.2 Audit Committee:

The main objective of this committee is to assist Board of Directors with regard to the audit of financial reports, management reports by the external auditors, internal controls and internal audits. ABBL have four members in audit committee.

2.11.3 Management Committee:

The main objective of this committee is to ensure business operations are in line with the Bank's policies, strategies and objectives, the bank has set up. This committee consists of the Managing Director, Deputy Managing Director and different business unit heads (ABBL 2010). The honorable members are:



Management Committee



Kaiser A. Chowdhury
President & Managing Director



Niaz Habib
Deputy Managing Director, Corporate



Faruq M Ahmed
DMD, Credit



Shamim Ahmed Chaudhury
DMD, Operations



Fazlur Rahman
DMD



Badrul H. Khan
Senior Executive Vice President,
Chief Finance Officer



Abu Hena Mustafa Kamal
Executive Vice President,
Head of Financial Institution and Treasury



Akhtar Hamid Khan
Executive Vice President,
Head of Risk Asset Management



Md. Azad Hossain
Executive Vice President,
Head of Regional Relationship Management

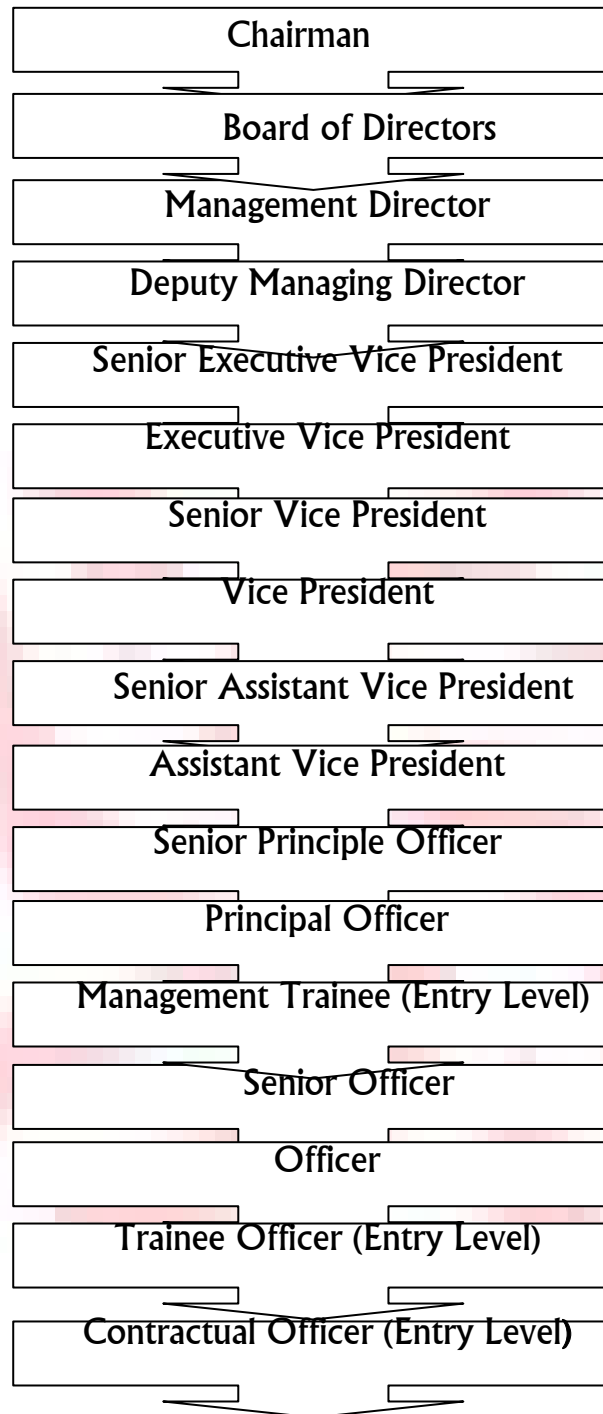


Reazul Islam
Senior Vice President,
Head of Information Technology



Amzad Hossain
Senior Vice President,
Head of Internal Control & Compliance

2.12 Management Hierarchy of AB Bank Limited:



2.13 Branch Locations:

Branch: Dhaka Division

Branch: Chittagong Division

Branch: Khulna Division

Branch: Rajshahi Division

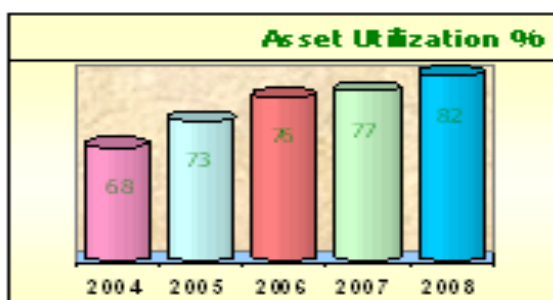
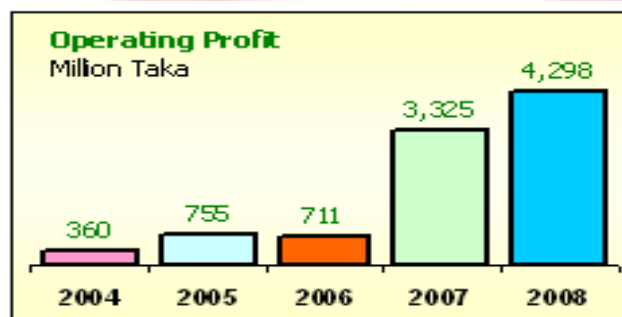
Branch: Sylhet Division

Branch: Barisal Division

2.14 Financial Performance Indicators:

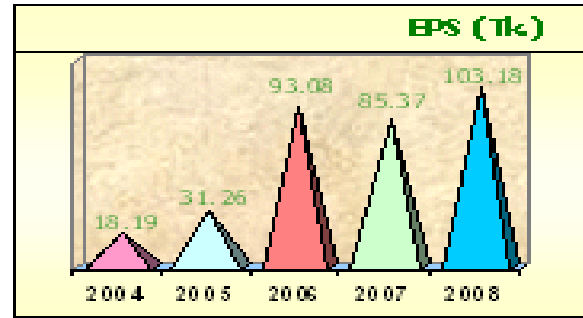
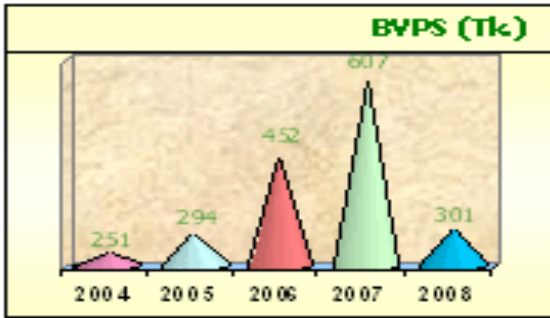
ABBL at a Glance Year: Year 2008

<i>Million Taka</i>			
December 31	2008	2007	% Changes
Gross Interest Income	7,366.85	5,269.90	39.79
Net Interest Income	2,030.69	1,439.28	41.09
Operating Profit (PBP & T)	4,298.39	3,325.29	29.26
Net Operating Profit (PBT)	3,600.62	2,817.99	27.77
Profit after Tax (PAT)	2,300.62	1,903.49	20.86
Deposits	68,560.47	53,375.35	28.45
Loans & Advances	56,708.77	40,915.35	38.6
Total assets	84,053.61	63,549.86	32.26
Shareholders' Equity	6,722.51	4,511.59	49.01
NIM%	2.75	2.58	
Non Interest Income to Operating Income (%)	66.98	69.09	
Cost Income Ratio	62.57	28.59	
Return on Equity - ROE (%)	40.96	42.19	
Return on Assets - ROA (%)	3.12	3.41	
Advance Deposit Ratio (%)	82.71	76.66	
Capital Adequacy Ratio	12.84	10.75	
NPL as % of Advances	2.99	4.31	
Earnings per Share (Tk.)	103.18	85.37	



Bank L

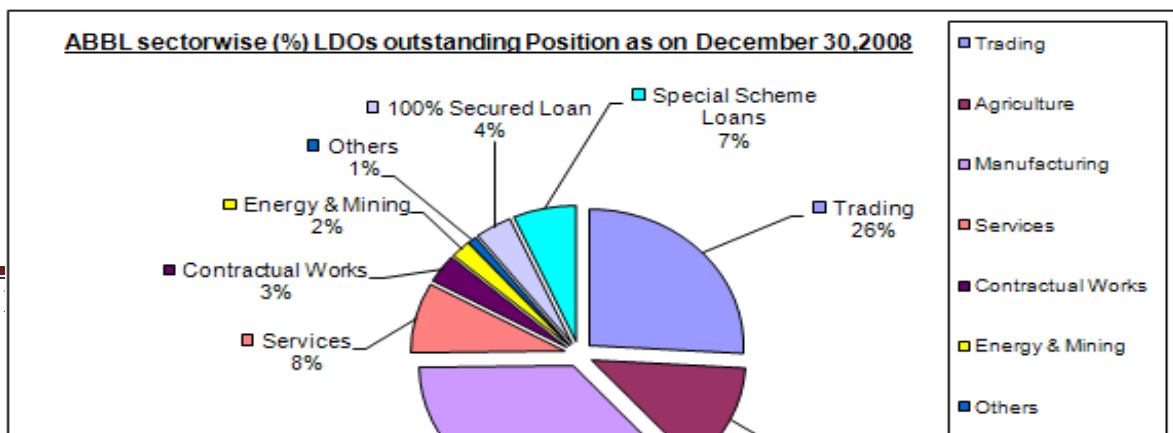
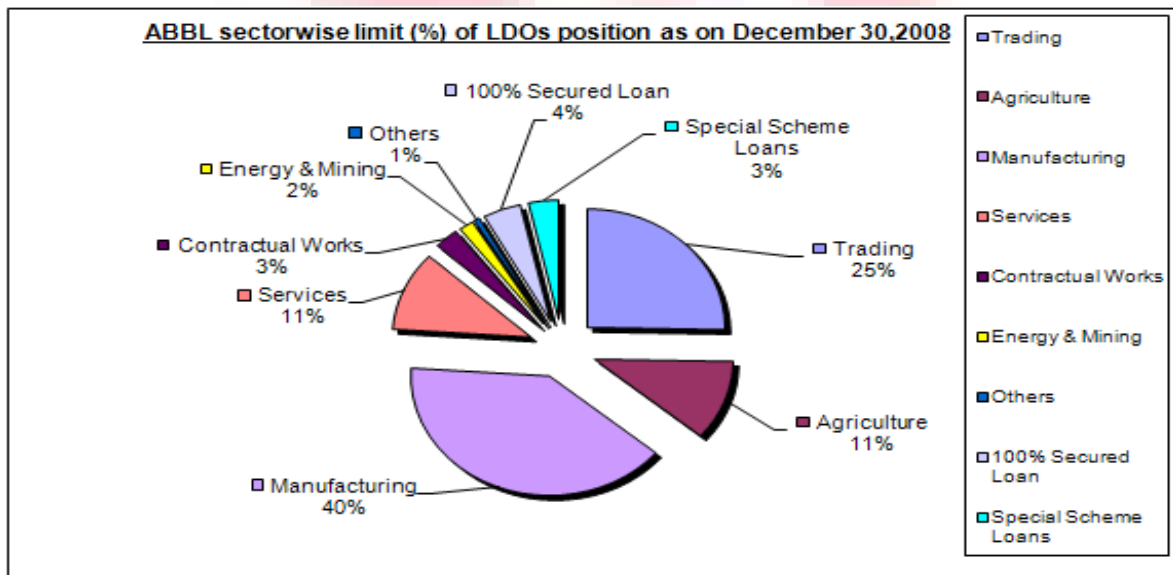




Sector Wise LDOs position as on December 30, 2008

Figure in '000'

Industrial sector	SIC Code	Limit	%	Outstanding	%	A/C
Trading	1000	15,064,919	25%	12,130,869	25%	3323
Agriculture	2000	6,444,920	11%	5,477,990	11%	393
Manufacturing	3000	23,816,061	40%	18,695,354	38%	1491
Services	4000	6,427,150	11%	5,376,696	11%	235
Contractual Works	5000	1,693,475	3%	1,108,986	2%	227
Energy & Mining	6000	1,016,647	2%	945,776	2%	51
Others	7000	393,408	1%	350,843	1%	42
100% Secured Loan	8000	2,633,006	4%	2,098,487	4%	1118
Special Scheme Loans	9000	2,095,618	4%	2,730,863	6%	174
		59,585,204	100%	48,915,864	100%	7054



** Sector wise LDO's Position as on December 30, 2008 - Including CCS, Staff Loan, MSS, PF & Excluding Card Division.*

2.15 Operating Performance

Board of Directors of AB Bank Limited (ABBL) takes immense pleasure in presenting the 25th Annual Report of the Bank to you. It is also the privilege of the Board to present the audited accounts of the Bank for the year ended 31st December, 2006 and the Auditors' Report thereon.

Your Bank reached a milestone on 12th of April, 2007 when AB reached 27 years of its journey which started with a single Branch operation at Karwan Bazar, Dhaka way back in 1982. AB being the pioneer in private sector banking in Bangladesh will be the first to achieve this milestone. Over the years, your Bank has contributed in many ways towards development of the private sector banking in the country. Many of the big industries in different fields of the economy has AB's name attached and your Bank remains a proud development partner of these industrial houses over the years. AB thrived on customer service and relationship banking which brought new dimensions to this particular service sector and many more new entrants to banking sector followed AB (Annual report 2008).

AB's Sponsors set a vision for the Bank which reads: "To be the Trendsetter for innovative banking with excellence and perfection". Throughout these 27 years your Bank raised the bar for itself through services, initiatives, products, customer support and performance towards that visionary path.

At the beginning of the year 2005, Board took the mission for the year as "a year of consolidation and growth". In line with that, year 2006 was identified to be the year of "financial re-structuring and growth". Sponsors of the Bank remain committed to take AB into next higher level of banking on a strong financial footing and with appropriate systems and processes in place.

Being a financial institution, your Bank is exposed to the entire gamut of economic developments and activities both within and outside the country. Hence to start with, we will throw some brief insights in to the economic scenario of the year 2006.

Global Economy:

World economic growth strengthened in the year 2006 as the global gross domestic product (GDP) registered a growth of 3.9 percent compared to 3.5 percent in 2005. Despite rising oil prices (that topped \$75 a barrel during the course of the year), rising short-term interest rates, and a bout of volatility of financial market, the global growth accelerated in the overall. This strong global performance was driven by very rapid expansion in developing economies, which grew by 7 percent - more than twice as fast as high income countries (3.1 percent). In the overall, 38 percent of the increase in global output originated in developing countries which far exceeded these economies 22 percent share in world GDP.

South Asian Economy:

South Asian region experienced 8.2 percent growth during the year 2006. This marked the fourth year of consecutive GDP growth of over 7.5 percent for the region. Private sector - led growth backed-up by improved macro

management and greater integration in the economy were the contributing factors. Loose monetary and fiscal policies and strong remittance inflows also played a role, providing a boost to domestic demand.

Bangladesh Economy:

Bangladesh economy continued on the growth path in 2006 and achieved a higher growth compared to the year 2005 mainly driven by a strong post-flood agriculture recovery. Growth was also fuelled by notable expansion of the manufacturing sector. Economic growth was also aided by strong growth of exports and remittances from abroad. This is a noteworthy performance in the face of rising oil price, rise in import costs and also the phase out of the Multi-Fiber Arrangement (MFA). GDP growth was registered at 6.7 percent in the year 2006.

Overall Banking Sector:

Financial sector reforms to strengthen the regulatory and supervisory framework for banks made headway in 2006 although at a slower than expected pace. Overall health of the banking system showed improvement since 2002 as the gross Non-performing Loans (NPL) declined from 28 percent to 14 percent while net NPL (less Provision) reduced to 8 percent from 21 percent. This led significant improvement in the profitability ratios. Although the Private Commercial Banks (PCB) NPL ratio registered a record low of 6 percent, the four Nationalized Commercial Banks (NCB) position are still weak and showed very high NPL at 25 percent. The NCBs have large capital shortfalls with a risk-weighted capital asset ratio of just 0.5 percent (June 2006) as against the required 9 percent. For the PCBs risk-weighted capital asset ratio stood at 10 percent.

Bangladesh Bank issued a good number of prudential guidelines during the year 2006 and the first quarter of 2007 which among others relate to (i) rationalization of prudential norms for loan classification and provisioning, (ii) policy for rescheduling of loans, (iii) designing and enforcing an "integrated

credit risk grading manual", (iv) credit rating of the banks, and (v) revisions to the make-up of Tier-2 capital (Annual report 2008).

Besides, recent decision of the Government to corporatize the remaining three NCBs along with the initiative to sale the Rupali Bank are bound to usher in changes in the banking sector competitiveness aspect. Bangladesh Bank has also taken up the task of implementing the Basel II capital accord. Further, the recent enactment of the Micro-credit Regulatory Authority Act (MRAA) for the regulation of the Micro Finance Institutions (MFI) has been a major development in the year 2006.

Since 1998 CAMEL rating of banks gradually improved and in 2006 Bangladesh Bank updated this rating model by incorporating the market risk and the new model is known as CAMELS.

Capital Market:

Bangladesh capital market is still quite small in terms of size compared to countries like India or Pakistan. Present market capitalization accounts for roughly 6 percent of the GDP. During the first half of the year 2006, liquidity crises had its affect in the market and towards the end of the year, the market had to weather unstable and volatile political situation. Besides, relatively higher rates on Government and bank saving instruments were challenging factors towards expansion of investment in the capital market. Yet, the market showed remarkable stability in the face of the above. Market capitalization registered a rapid growth of over 38 percent which was fuelled by entry of 13 new companies and flow of stock dividends, rights shares among others (ABBL 2010).

At the end of the year DSE general price index stood at 1609.51 and the all shares price index closed at 1321.39 while CSE general price index stood at 2432.51 and the all shares price index closed at 3724.39.

Future for the capital market looks bright as government is planning to off-load profitable state owned enterprises. Moreover, enlistment of telecommunication and inclusion of various companies under oil and gas sector will contribute towards increasing the size of the market.

Economic outlook:

The 6 percent plus growth of GDP over the past four years has been underpinned by more market-oriented economic policies, a dynamic garment sector, and substantial inflow of overseas workers' remittances. The lead-up to the parliamentary election was generally expected to be rough ride for the country as a whole and the economy in particular. However, deepening political deadlock culminated with the declaration of state of emergency in January. The new caretaker Government continued with the established economic policies and expedited structure and sector reforms. It has taken a broad agenda of activity, including an extensive anti-corruption drive that it sees necessary to establish better foundations for the future besides establishing the atmosphere for a truly democratic system to unfurl in the future.

Economic forecasts for the fiscal year 2007-8 are based on several policy assumptions towards preserving the macroeconomic stability and ensuring GDP growth of around 7 percent. However, some of the significant challenges include increased competition, high interest rate environment, rising inflationary pressure, sustained high global oil price, power shortage etc.

The economy has started to come back on track after months of political instability which at times had the risk of irretrievable consequences. With the economic course outlined in the budget for 2007-8, Bangladesh should be able to drive full steam towards the desired growth.

2.16 Portfolio Management Service:

Since inception, it has achieved an unparalleled reputation as a leading Merchant Banker through providing portfolio management services by maintaining a high level of professional expertise and integrity in client relationships. Keeping customer preferences as an investor in mind, AB Bank has designed Investors' Discretionary Account (IDA) and Bank's Discretionary Account (BDA). In these accounts the customers may enjoy loan facilities at a ratio 1:1 for investments in private placement, IPO, and secondary market operations (Annual report 2008).

Types of Accounts:

Investors' Discretionary Account (IDA): This leveraged account is managed by the account holder through us. By this the investor bears the risk of investment and also its gain or loss.

Banks' Discretionary Account (BDA): With this account the Bank, on behalf of the account holder, uses its discretion in managing the account. The investor lays down his/her investment objectives and the Bank designs a portfolio aligning the investors' risk-return profile.

Operational Procedure:

Opening of the Account: Any two Bangladeshi nationals and NRB of sound mind having a minimum age of 18 years may open three IDA/BDA's-one each in their single name and the other in their joint names.

Building of Portfolio: A diversified portfolio through investment in IPO, Private Placement and Secondary Market.

Appointment of an Operator: Account holder may appoint any existing account holder of MBW as an operator of his/her Account.

Services:

Application, Transfer and Collection of Shares and/ or Dividends: Arranged by AB Bank on behalf of the clients.

Safe Custody of Securities: Securities are kept in the AB Bank vault.

IPO and Private Placement: AB Bank furnishes the account holders, information about forthcoming IPO's and Private Placement through FAX, e-mail and letters upon request (Intranet).

Statement of Accounts: MBW of AB Bank sends portfolio information to the account holders every 6 months. Besides, the account holders may also obtain information on their portfolios any time upon request. Investors can access their portfolio any time from any part of the country through SMS and Phone Service.

Fees and Charges:

Criteria	IDA	BDA
Minimum deposit	BDT 10,00,000	BDT 10,00,000
Loan Facility (optional)	Max BDT 5.00 crore	Max BDT 5.00 crore
Documentation charge	BDT 500.00	BDT 500.00
Brokerage Commission*	0.35% on transaction value	0.35% on transaction value
Portfolio Management Fee*	1.50% p.a., on Portfolio value, charged quarterly	2.00% p.a., on Portfolio value, charged quarterly
Service Charge on Portfolio Certificate*	Tk. 200.00 per year	Tk.300.00 per year
Rate of Interest	Interest is charged on the loan utilized amount as per the decision of the management	
SMS Charge	Tk. 3.00 per SMS	
Phone Service	Tk. 10.00 for printed portfolio (on request)	

****Bank reserves the right to change the rate at any time***

Additional Services: Interest on Client's Credit Balance: MBW pays interest @ 6.5% on client's credit balance, if minimum Tk. 25,000 is kept with the account from the beginning to the end of a month.

Portfolio Reporting Through SMS and Phone Service:

SMS Service: The portfolio clients of the MBW may obtain their portfolio positions through SMS service in the following manner (Intranet):

Send a message to 01713045777 mentioning the IDA Account Number and Password (to be obtained from MBW) to get the information regarding accounts (i) Purchase Power (PP), (ii) Current Balance (CB) and (iii) last buy & sell detailing the Company Code, Quantity and Total Cost of each trade.

Phone Service: The Portfolio Clients may dial directly to 9560312 Ext 258 / 9566688 to get the portfolio positions through Phone Service.

Please follow the steps as under: For obtaining connection to the MBW's Instant Portfolio Service enter 13 digit Account Number and then Password (to be obtained from MBW) to get the information of (i) Purchase Power (ii) Current Balance (iii) Portfolio Position (iv) Financial Statement and (v) Last Trade Report. Clients also have an option to request for the printed Portfolio Position through mail (Intranet).

2.17 Departments and Divisions of AB Bank Limited:

These are the main divisions the structures and functions of each of these divisions are described below (Intranet):

2.17.1 Internal Control and Compliance

The main function of this division is to provide legal assistance to the branches and implement recovery strategy for stuck-up loan and to ensure strict adherence of rules and policies by all connected of the bank through routine and surprise inspection and audit. The functions of this division are as follows:

- ✓ Implement rescheduling process of stuck-up loan to the branches for obtaining repayment schedule through persuasion and serve final notice etc. as the condition required.
- ✓ Monitor the individual cases with respect to their securities, value of securities and finally review of possibility of recovery of banks stuck-up classified loan.
- ✓ Investigate suspicious or irregular matters being directed by higher management.
- ✓ Time to time follow-up of advance to keep the branch under constant pressure.
- ✓ Carryout instant audit as felt necessary.

2.17.2 Financial Institutions and Treasury

Treasury unit is a core banking unit with its leading-edge technology and steadily growing volume of activity in the markets, ABBL's treasury unit and currency dealing desks have consolidated its position as a well-known and well establish counterpart in the newly transformed Free Floating rate, dealing daily with a wide circle of both bank and non-bank customers all over Bangladesh. Their everyday business evolves around participation in Money Market and Foreign Exchange Market in a substantial volume (Intranet).

2.17.3 Human Resources Division

The employees of AB Bank Limited are the most valuable asset for the bank. Having competent and professional employees is becoming increasingly important in today's competitive world, and ABBL has a significant competitive advantage in this respect. Many of its employees have worked here from the beginning of the bank and therefore have vast experience in their respective field. Also the new employees are recruited with high academic background and given proper training after recruitment to groom up for their responsibilities. At present around 18000 people are employed with ABBL. All aspects of the employees looked after by the Human Resource

Division. HR division is responsible mainly for recruitment, Development, Rewarding and Benefits of the staffs. The mission statement of HR division is “we will ensure the skilled employments where we will work with fun and pride” (Intranet).

2.17.4 Board Division

In Board Division works the company secretary. They take decision and run the organization properly.

2.17.5 Share Division

The Customer authorizes AB Bank Limited to exchange, share, part with all information related to the details and transaction history of the Customers to its Affiliates / banks / financial institutions / credit bureaus / agencies/participation in any telecommunication or electronic clearing network as may be required by law, customary practice, credit reporting, statistical analysis and credit scoring, verification or risk management and shall not hold AB Bank Limited liable for use or disclosure of this information (Intranet).

2.17.6 Finance Division

Finance division is very significant division for any Bank, the main objectives of Finance Division are:

- ✓ Maintain daily liquidity positions, treasury bills, call money, debentures, placement of fund etc.
- ✓ Monthly-accrued interest assessment of all interest bearing accounts, inter-branch assessment, and amortization of all fixed and other assets.
- ✓ Preparation of statement of accounts and profit and loss account for the Bank.
- ✓ Cost of fund analysis.

- ✓ Fulfilling reporting requirements of Bangladesh Bank.
- ✓ Maintenance of accounts, income and expenditure posting, salaries, Provident Fund etc.

2.17.7 Operations

The Operations Division consists of Service Delivery, Trade services and Treasury support unit and IT Division. These subunits provide support to the front office functionalities.

2.17.8 Credits

The Credit Risk Management Department is assisted by the Credit Division which is mainly concern with the post-approval functions of the division. Duties and responsibilities of Credit Division are too focused on documentation, sitting the limit of system, monitoring and disbursement of credit products. Credit Division censures that no transactions are booked under expired limits or lines of credit accounts where security documentation or collateral have not been perfected.

2.17.9 Retail Banking

Under retail banking ABBL provide two types of loan, these are:

- ✓ Unsecured Loan
- ✓ Secured Loan

The Unsecured loans are:

- Personal Loan
- Auto Loan
- Easy Loan (For Executives)
- Gold Grace - Jewellery Loan
- House/Office Furnishing/Renovation Loan
- Staff Loan
- Education Loan

The Secured Loans are:

- Personal Loan
- Personal Overdraft

2.17.10 Business Banking Division

Alongside providing the best service to the client, patronizing and taking part in social development activities as well as making due contribution to growth of the national economy.

2.17.11 Corporate Affairs

At AB Bank provides complete range of solutions to meet Corporate Customers requirement. ABBL Corporate Banking solutions include a board spectrum of products and services backed by proven, modern technologies. ABBL specialist terms offer a comprehensive service providing finance to large and medium-sized businesses based in Bangladesh (Intranet).

2.17.12 MISYS Core Team

The strategy at Misys is to provide innovative, integrated solutions and services that set us apart as the leading application software and services provider to the financial services and healthcare industries. In financial services they serve over 1,200 customers, including all of the world's top 50 banks. In healthcare, all scripts Misys, the company in which they own a controlling interest, serves more than 150,000 physicians, 700 hospitals and nearly 7,000 post-acute and homecare organizations. AB Bank uses the Misys Banking application software (Intranet).

2.17.13 Investment Banking Division

AB Bank generally does four types of Investment Banking Services. They are:

- ✓ Merchant Banking Wing
- ✓ Custodial Service
- ✓ Brokerage Service
- ✓ Future Products.

2.17.14 AB Bank Foundation

AB Bank Foundation (ABBF) is a subsidiary company of AB Bank Limited having holding 99.60% shares of the ABBF. The company was first established under the trust deed constituted and registered on the 14th day of May 2002. Subsequently the trust by a resolution of its Board of trustee in its 3rd meeting held on 29.12.2002 resolved to cancel the Trust Deed and utilize the trust fund for the foundation of a company limited by guarantee primarily for charitable purpose. Then the company was incorporated on 3rd day of November 2003 under section 28 of Companies Act 1994, a company limited by guarantee. The certificate of incorporation is C-558(10)/2003. (Intranet)

2.17.15 Merchant Bank Wing

AB Bank launched its Merchant Banking Wing (MBW) operations in the year 2003. Financial statements of Merchant Banking Wing have been audited by a separately appointed independent auditor. Assets-liabilities and income-expenditures of that Wing are incorporated in similar heads of account of the Bank's financial statements. As a fully fledged merchant banker, ABBL provide the following services:

- ✓ Portfolio Management
- ✓ Issue Management
- ✓ Underwriting
- ✓ Corporate Advisory
- ✓ Bankers to the Issue
- ✓ Private Placement

2.18 Products and Services of AB Bank Limited

- ✓ Retail Banking

- ✓ Corporate Banking
- ✓ SME Banking
- ✓ Project Finance
- ✓ Loan Syndication
- ✓ Lending Rates
- ✓ Deposit Rates
- ✓ Exchange Rates
- ✓ NRB Banking
- ✓ Money Transfer
- ✓ Islami Banking
- ✓ Investment Banking
- ✓ Cards

Here points are discussed about:

- ✓ Corporate Banking
- ✓ SME Banking
- ✓ Project Finance
- ✓ Loan Syndication
- ✓ Islami Banking
- ✓ Cards

2.18.1 Corporate Banking

At AB Bank we provide complete range of solutions to meet Corporate Customers' requirement. Their Corporate Banking solutions include a broad spectrum of products and services backed by proven, modern technologies.

Corporate Lending

Its specialist teams offer a comprehensive service providing finance to large and medium-sized businesses based in Bangladesh. For more information as to how they might best meet your corporate debt needs, please contact them at their Corporate Head Office.

Structured Finance

They have a specialist Structured Finance Team who arrange and underwrite finance solutions including Debt and Equity Syndication for financial sponsors, management teams and corporate. Also they provide corporate advisory services.

They aim to provide tailored financing solutions with a dedicated team who can rapidly respond to client needs.

Following are some of the products and financial tools of Corporate Banking:

- ✓ Project Finance
- ✓ Working Capital Finance
- ✓ Trade Finance
- ✓ Cash Management
- ✓ Syndicated Finance, both onshore & off-shore
- ✓ Equity Finance, both onshore & off-shore
- ✓ Corporate Advisory Services

2.18.2 SME Banking

Considering the volume, role and contribution of the SMEs, in the last two decades AB Bank has been patronizing this sector by extending credit facilities of different types and tenor. As of now 54% of the bank's total loan portfolio is segmented to the SMEs which deserve all out attention in our plans, projections and forecasting.

As such the bank has emphasized on the following issues:

- ✓ To provide the best services to the SME sector
- ✓ To increase the SME portfolio of ABBL significantly
- ✓ To improve the quality of ABBL's portfolio

SME Sectors in which AB Bank has participated so far:

- ✓ Agro machinery
- ✓ Poultry
- ✓ Animal Feed

- ✓ Dairy Product
- ✓ Fruit Preservation
- ✓ Hotel & Restaurants
- ✓ Garments Accessories
- ✓ Leather products
- ✓ Plastic product
- ✓ Furniture : Wooden & Metal
- ✓ Ink
- ✓ Paint
- ✓ Printing & Packaging
- ✓ Wire & Cable
- ✓ Aluminum
- ✓ Cement and Lime Plaster
- ✓ Clinics and Hospitals
- ✓ Engineering & Scientific Instruments

2.18.3 Large Loan & Project Finance

- ✓ In order to cater the demand of client AB Bank has segmented its portfolio in terms of loan size. As per this segmentation any loan over Tk. 10.00 Crore falls under the purview of Large Loan Unit.
- ✓ In AB Bank, there is also a separate Project Finance unit who evaluate the business. The unit is entrusted to handle the portfolio in a focused manner. AB Bank is always in fore front to support establishment of new projects of diverse nature which will help to broaden the manufacturing arena vis-à-vis to generate to employment.
- ✓ At the moment AB Bank 's exposure in Large Loan & Project Finance portfolio is distributed in the following sectors:

SL	Sector	ABBL Exposure (Limit) (Fig. in Lac Tk.)
1	Agro- Business	12,717.56
2	Cement Power, Glass	38,691.92

3	Consumer Products	21,855.00
4	Edible Oil	36,057.53
5	Engineering & Construction	18,106.42
6	Financial Institution	1,414.70
7	Food & Beverage	27,044.24
8	Hotel	2,505.26
9	Health Care	3,928.62
10	Printing & Packaging	11,867.61
11	Real Estate	10,451.49
12	Micro-finance	5,763.15
13	Export	9,441.63
14	RMG & Backward Linkage	94,826.13
15	Ship Breaking	18,029.20
16	Steel	42,824.97
17	Telecom & Computer Accessories	11,479.89
18	Trading	77,579.89
	Total (including syndicated exposure)	444,585.21
	Less Syndicated Exposure	51,560.29
	Total Large Loan & Project Finance portfolio without syndicated exposure	3930,24.92

2.18.4 Loan Syndication

- ✓ Syndication or club financing is a growing concept in Banking Arena of Bangladesh. Syndicated finance diversifies the risk of one bank on a single borrower and increases the quality of loan through consensus or cumulative judgment and monitoring of different banks / financial institutions.
- ✓ AB Bank, the first bank in the private sector also took initiative to adapt to this growing concept.
- ✓ In 1997, AB Bank for the first time arranged a club financing with Dhaka Bank Ltd to raise Tk. 6700 lac - out of which ABBL financed Tk. 5700 Lac and Dhaka bank financed Tk. 1000 Lac.
- ✓ In 1999, AB Bank arranged its second syndicated credit facility with IPDC to raise Tk 3563 Lac.

- ✓ Since then AB Bank did not look back.
- ✓ Since 1997 to 2007 (till date), AB Bank has raised total Tk. 25989.56 Lac as Lead Arranger. The following banks from time to time have been our partners in these syndications: Dhaka Bank, IPDC, EXIM Bank, Bank Asia, Oriental Bank, NCC Bank, The City Bank, Trust Bank, and Bank Asia.
- ✓ AB Bank has also participated in different syndications arranged by other Banks, out of which till date 6 (six) syndication has successfully been completed. AB Bank exposure in these completed syndications was Tk. 4700 Lac.
- ✓ At the moment AB has participation in 19 (nineteen) syndicated facilities. AB Bank's exposure in the ongoing syndication is Tk. 51560.29 Lac which is diversified in the following ten sectors:

SL	Sector	ABBL Participation (Fig. in Lac Tk.)
1	Textile	9,533.57
2	Micro-finance	3,000.00
3	Cement	7,990.00
4	Energy & Power	11,997.00
5	Telephone (PSTN)	5,500.00
6	Glass	900.00
7	Sugar	900.00
8	Steel Mills	9081.72
9	Paper	1158.00
10	Chemical	1,500.00
	Total	51,560.29

2.18.5 Islami Banking

To provide the Islamic banking services in accordance with the principles of Islamic Shariah, AB Bank has established Islamic Banking Wing and started it's functioning by opening full-fledged Islamic banking branch on 23.12.2004. The branch is known as AB Bank Islami Banking Branch, Kakrail, and is situated at 82, Kakrail, Ramna, and Dhaka. Prominent Islami Banker Mr. M. Azizul Huq has joined the Bank as its Islamic Banking Consultant. A dedicated team of experienced Islamic bankers is working under his active guidance both at head office and branch level. A competent Shariah Council consisting of Islamic scholars, Ulema, Fukaha and Islamic bankers headed by Mr. Shah Abdul Hannan, a prominent Islamic scholar and former Secretary, Government of Bangladesh has also been formed to guide the Islamic banking affairs. Board of directors as well as management of the bank are very much interested to promote Islamic banking system in the bank aiming at opening more Islamic branches in the near future. AB Bank has already obtained membership of Islamic Banks Consultative Forum (IBCF) and Central Shariah Board for Islamic Banks of Bangladesh (ABBL 2010).

The goals and objectives of Islamic Banking Wing are as under:

- ✓ To facilitate the Islamic banking system in the country
- ✓ To create new entrepreneurs and to arrange required finance for them
- ✓ To play effective role for socio economic development of the country
- ✓ To give assistance in launching welfare oriented economic system under Islamic values

Under this wing AB Bank extends the following Islamic banking services:

- ✓ Deposit services
- ✓ Investment services

2.18.6 Cards

In the present context of banking business in the world, Card is the future of any bank. Electronic payment system is now ruling the world and some days from now cash transactions system will turn into a history found only in the text book.

AB Bank Limited is one of the leading first generation private sector commercial banks with Branch Network all over the country. The Bank started issuing VISA Credit Cards from the end of year 2004 as a principal member of VISA International (Intranet).

Brief descriptions of different features are given below:

Card Conversion & Balance Transfer Plan

'Card Conversion & Balance Transfer Plan' to AB Bank VISA Credit Card will be extended towards all local Credit Cardholders of the market, provided that their 'other banks' credit card is in 'regular' state, not in 'overdue' state. Cardholders will repay the approved transferred amounts to AB Bank Credit Card Account in monthly installments stated in their monthly statements. Other bank credit cardholders having regular payment history will also be allowed to apply for this facility along with their new AB Bank Credit Card application form. You can convert your other bank card to AB Bank Card and get interest facility @ 19.95% on your outstanding.

Easy Buy

'Easy Buy' Installment Plan to AB Bank VISA Credit Card will be extended towards all AB Bank Visa Credit Cardholders. Cardholders can convert any retail purchase done using AB Bank credit card into an installment scheme where they can pay back the amount at rate of interest of 19.95% per annum over a tenor ranging from 6 months to 48 months.

2.19 Corporate Social Responsibilities of the AB Bank Limited

In this 21st century, the social responsibility of an organization is unavoidable. The societal marketing concept holds that the organization should the needs wants and interest of the target markets. It should then deliver superior to customers in a way that maintains or improves the consumer's and the society's well-being.

The bank realizes the importance of contributing to the public, community and society as a whole as well as participating in environmental protection and conservation for a sustainable future.

In every year ABBL contribute their in various types of social activities. These are; awarding the talent student, monetary contribution in the disable fund, contribute increasing public awareness and they also invest for beatification. ABBL contribute for the Sidor affected people. No one in society can avoid the due responsibilities, ABBL position is positive in this regard and they wish to find a suitable segment to work with the future to meet the corporate social responsibility.

Chapter – 3



Job Description

3.0 Job Description

3.1 General Responsibilities

Responsible for performing a variety of duties to support the Human Resource Division function of Head office; coordinating work within the departments, as well as with other departments; reporting pertinent information to the immediate supervisor; responding to inquiries or requests for information.

3.2 Essential Duties

Performs a variety of duties to support the HR Division functions of head office of which the following are illustrative:

- ✓ Completes the documentation and file works of employees personal & duplicate files.
- ✓ Complete the salary updates and analyze the papers of the branch salary sheets.
- ✓ Input the salary sheets in the database.
- ✓ Engaged in distributing the salaries of the casual stuffs of head office.
- ✓ Enter the newly recruited employee's information in the database.
- ✓ Manages and sorts the CV and applications for jobs received by the HR Division.
- ✓ Maintains the input of the performance appraisal of employee's in database.
- ✓ Update the existing employee's profile in the database.
- ✓ Assist in arranging training programs for the employees.
- ✓ Performs as a training and development team member and work to prepare a budget for training.

- ✓ Engaged in collecting maintaining and distributing certificates of different training programs.
 - ✓ Provides support to office personnel engaged in establishing quantitative service.
 - ✓ Maintains the leave application copies and give input of these tracks.
 - ✓ Serves as a member of the HR team.
 - ✓ Interview employees to analyze their financial needs who applied for loans.
 - ✓ Assists with job training, including mentoring and coaching HR service staff as needed.
 - ✓ Created the organogram of all the branches of AB Bank.
 - ✓ Performs other related duties as assigned by my on-site supervisor.
- 1) Coordinates specific work tasks with other personnel within the department as well as with other departments in order to ensure the smooth and efficient flow of information.
 - 2) Abides by the current laws and organizational policies and procedures designed and implemented to promote an environment which is free of harassment and other forms of illegal discriminatory behavior in the work place.
 - 3) Cooperates with, participates in, and supports the adherence to all internal policies, procedures, and practices in support of risk management and overall safety and soundness and the Bank's compliance with all regulatory requirements, etc.

- 4) Reports pertinent information to the immediate supervisor as requested, or according to an established schedule; compiles information as necessary or as directed and provides data to appropriate bank personnel.
- 5) Responds to inquiries relating to his/her particular area, or to requests from customers, other bank personnel, etc., within given time frames and within established policy.
- 6) Performs duties as Human Resource Representative as needed

3.3 Ancillary Duties

Performs tasks which are supportive in nature to the essential functions of the job, but which may be altered or re-designed depending upon individual circumstances.

3.4 Critical Observations

During my intern period, I found some problem. Firstly, in HR Division, there are few employees so one employee has to do huge volume of works. The working space of HR Division is not enough. Because they have to maintain a huge amount of papers documents and files which needs a huge space. The training academy of AB Bank is in Dhanmondi. But the head of training department and the other employees of training departments have to sit in the head office which is in Motijheel. So it creates a huge problem when have to arrange a training program urgently. The allocated vehicles for the

departments are not sufficient. The telecom system of AB Bank is very poor. They should have more operators to make it more efficient. The instruments and the office equipments of the department is not so modernized specially the computers, printers, air conditioning system etc. but the most prior problem is the short of employees and their supporting stuffs.



Chapter – 4



Literature Review

4.0 Performance Appraisal

The history of performance appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern human resources management. As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the Second World War - not more than 60 years ago. Yet in a broader sense, the practice of appraisal is a very ancient art. In the scale of things historical, it might well lay claim to being the world's second oldest profession!

Appraisal system has been defined by Dulewicz (1989) as "a basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

The eminent management expert, McGregor defined the performance appraisal system as "the formal performance appraisal plans are designed primarily to meet the organizational needs and to provide systematic judgments to back-up salary increases, transfers, demotions or terminations. Appraisal also tells the employees as to how they are doing and about the required changes in their behavior, attitudes, skills or job knowledge, in other words, making the employees aware as to where they stand in the eyes of superiors. These form the basis for the coaching and counseling of employees by their bosses."

The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there is little chance of ensuring that the judgments' made will be lawful, fair, defensible and accurate. Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide

whether or not the salary or wage of an individual employee was justified. The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order. Little consideration, if any, was given to the developmental possibilities of appraisal. If it was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well. Sometimes this basic system succeeded in getting the results that were intended; but more often than not, it failed.

For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance. These observations were confirmed in empirical studies. Pay rates were important, yes; but they were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence (Dewakar, 2008).

As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time.

In modern times Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

In many organizations - but not all - appraisal results are used, either directly or indirectly, to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the

majority of available merit pay increases, bonuses, and promotions (Goel, 2008).

By the same token, appraisal results are used to identify the poorer performers who may require some form of counseling, or in extreme cases, demotion, dismissal or decreases in pay. (Organizations need to be aware of laws in their country that might restrict their capacity to dismiss employees or decrease pay.)

Whether this is an appropriate use of performance appraisal - the assignment and justification of rewards and penalties - is a very uncertain and contentious matter.

4.1 Criticism

Performance appraisals are an instrument for social control. They are annual discussions, avoided more often than held, in which one adult identifies for another adult the improvement areas to work on over the next twelve months.

There are many reputable sources - researchers, management commentators, psychometricians - who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it. At the other extreme, there are many strong advocates of performance appraisal. Some view it as potentially the most crucial aspect of organizational life. Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal, there are many different opinions on how and when to apply it (Dewakar, 2008).

There are some people who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes - such as pay rises and promotions.

This group believes that the linkage to reward outcomes reduces or eliminates the developmental value of appraisals. Rather than an opportunity for constructive review and encouragement, the reward-linked process is perceived as judgmental, punitive and harrowing.

For example, how many people would gladly admit their work problems if, at the same time, they knew that their next pay rise or a much-wanted promotion was riding on an appraisal result? Very likely, in that situation, many people would deny or downplay their weaknesses (Dewakar, 2008).

Nor is the desire to distort or deny the truth confined to the person being appraised. Many appraisers feel uncomfortable with the combined role of judge and executioner. Such reluctance is not difficult to understand. Appraisers often know their appraisees well, and are typically in a direct subordinate-supervisor relationship. They work together on a daily basis and may, at times, mix socially. Suggesting that a subordinate needs to brush up on certain work skills is one thing; giving an appraisal result that has the direct effect of negating a promotion is another. The result can be resentment and serious morale damage, leading to workplace disruption, soured relationships and productivity declines.

On the other hand, there is a strong rival argument which claims that performance appraisal must unequivocally be linked to reward outcomes.

The advocates of this approach say that organizations must have a process by which rewards - which are not an unlimited resource - may be openly and fairly distributed to those most deserving on the basis of merit, effort and results (Goel, 2008).

There is a critical need for remunerative justice in organizations. Performance appraisal - whatever its practical flaws - is the only process available to help achieve fair, decent and consistent reward outcomes. It has also been claimed that appraise themselves are inclined to believe that appraisal results should be linked directly to reward outcomes - and are suspicious and disappointed when told this is not the case. Rather than feeling relieved, appraise may suspect that they are not being told the whole truth, or that the appraisal process is a sham and waste of time.

4.2 Basic Purposes

Effective performance appraisal systems contain two basic systems operating in conjunction: an *evaluation system* and a *feedback system*.

The main aim of the evaluation system is to identify the *performance gap* (if any). This gap is the shortfall that occurs when performance does not meet the standard set by the organization as acceptable. The main aim of the feedback system is to inform the employee about the quality of his or her performance. (However, the information flow is not exclusively one way. The appraisers also receive feedback from the employee about job problems, etc. One of the best ways to appreciate the purposes of performance appraisal is to look at it from the different viewpoints of the main stakeholders: the employee and the organization (Cash, 1993).

4.2.1 Employee Viewpoint

From the employee viewpoint, the purpose of performance appraisal is four-fold:

- (1) Tell me what you want me to do
- (2) Tell me how well I have done it

(3) Help me improve my performance

(4) Reward me for doing well.

4.2.2 Organizational Viewpoint

From the organization's viewpoint, one of the most important reasons for having a system of performance appraisal is to establish and uphold the *principle of accountability*.

For decades it has been known to researchers that one of the chief causes of organizational failure is "non-alignment of responsibility and accountability." Non-alignment occurs where employees are given responsibilities and duties, but are not held accountable for the way in which those responsibilities and duties are performed (Cash, 1993). What typically happens is that several individuals or work units appear to have overlapping roles.

The overlap allows - indeed actively encourages - each individual or business unit to "pass the buck" to the others. Ultimately, in the severely non-aligned system, no one is accountable for anything. In this event, the principle of accountability breaks down completely. Organizational failure is the only possible outcome (Cash, 1993).

In cases where the non-alignment is not so severe, the organization may continue to function, albeit inefficiently. Like a poorly made or badly tuned engine, the non-aligned organization may run, but it will be sluggish, costly and unreliable. One of the principal aims of performance appraisal is to make people accountable. The objective is to align responsibility and accountability at every organizational level.

4.3 Appraisal Methods

In a landmark study, Performance appraisal system has been classified by Locher & Teel (1977). He found that the three most common performance appraisal methods in general use are:

- 1. Rating scales (56%)**
- 2. Essay methods (25%) and**
- 3. Results- oriented or MBO methods (13%).**

Certain techniques in performance appraisal have been thoroughly investigated, and some have been found to yield better results than others.

Encourage Discussion

Research studies show that employees are likely to feel more satisfied with their appraisal result if they have the chance to talk freely and discuss their performance. It is also more likely that such employees will be better able to meet future performance goals. Employees are also more likely to feel that the appraisal process is fair if they are given a chance to talk about their performance. This especially so when they are permitted to challenge and appeal against their evaluation.

Constructive Intention

It is very important that employees recognize that negative appraisal feedback is provided with a constructive intention to help them overcome present difficulties and to improve their future performance. Employees will be less anxious about criticism, and more likely to find it useful, when the believes that the appraiser's intentions are helpful and constructive.

In contrast, other studies (Baron, 1988) have reported that "destructive criticism" - which is vague, ill-informed, unfair or harshly presented - will lead to problems such as anger, resentment, tension and workplace conflict, as well as increased resistance to improvement, denial of problems, and poorer performance.

Set Performance Goals

It has been shown in numerous studies that goal-setting is an important element in employee motivation. Goals can stimulate employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work. The usefulness of goals as a stimulus to human motivation is one of the best supported theories in management (Locher, 1977). It is also quite clear that goals which are specific, difficult and accepted by employees will lead to higher levels of performance than easy, vague goals (such as do your best) or no goals at all (Harris 1994).

Appraiser Credibility

It is important that the appraiser (usually the employee's supervisor) be well-informed and credible. Appraisers should feel comfortable with the techniques of appraisal, and should be knowledgeable about the employee's job and performance (Teel, 1977).

When these conditions exist, employees are more likely to view the appraisal process as accurate and fair. They also express more acceptance of the appraiser's feedback and a greater willingness to change.

4.3.1 Rating Scales

The rating scale method offers a high degree of structure for appraisals. Each employee trait or characteristic is rated on a bipolar scale that usually has several points ranging from "poor" to "excellent" (or some similar arrangement).

The traits assessed on these scales include employee attributes such as cooperation, communications ability, initiative, punctuality and technical

(work skills) competence. The nature and scope of the traits selected for inclusion is limited only by the imagination of the scale's designer, or by the organization's need to know. The one major provision in selecting traits is that they should be in some way relevant to the appraisee's job. The traits selected by some organizations have been unwise and have resulted in legal action on the grounds of discrimination (Torre, 1996).

4.3.1.1 Advantages

The greatest advantage of rating scales is that they are structured and standardized. This allows ratings to be easily compared and contrasted - even for entire workforces.

Each employee is subjected to the same basic appraisal process and rating criteria, with the same range of responses. This encourages equality in treatment for all appraise and imposes standard measures of performance across all parts of the organization (David, 1993).

Rating scale methods are easy to use and understand. The concept of the rating scale makes obvious sense; both appraisers and appraisee have an intuitive appreciation for the simple and efficient logic of the bipolar scale. The result is widespread acceptance and popularity for this approach.

4.3.1.2 Disadvantages

Trait Relevance

Are the selected rating-scale trait clearly relevant to the jobs of all appraises? It is inevitable that with a standardized and fixed system of appraisal that certain traits will have a greater relevance in some jobs than in others.

For example, the trait "initiative" might not be very important in a job that is tightly defined and rigidly structured. In such cases, a low appraisal rating for initiative may not mean that an employee lacks initiative. Rather, it may

reflect that fact that an employee has few opportunities to use and display that particular trait (Mckellin, 1993). The relevance of rating scales is therefore said to be context-sensitive. Job and workplace circumstances must be taken into account.

Systemic Disadvantage

Rating scales, and the traits they purport to measure, generally attempt to encapsulate all the relevant indicators of employee performance. There is an assumption that all the true and best indicators of performance are included, and all false and irrelevant indicators are excluded (Torre, 1996).

This is an assumption very difficult to prove in practice. It is possible that an employee's performance may depend on factors that have not been included in the selected traits. Such employees may end up with ratings that do not truly or fairly reflect their effort or value to the organization. Employees in this class are systemically disadvantaged by the rating scale method.

Perceptual Errors

This includes various well-known problems of selective perception (such as the horns and halos effect) as well as problems of perceived meaning.

Selective perception is the human tendency to make private and highly subjective assessments of what a person is "really like", and then seek evidence to support that view (while ignoring or downplaying evidence that might contradict it). This is a common and normal psychological phenomenon (Torre, 1996). All human beings are affected by it. In other words, we see in others what we want to see in them.

An example is the supervisor who believes that an employee is inherently good (halo effect) and so ignores evidence that might suggest otherwise. Instead of correcting the slackening employee, the supervisor covers for them and may even offer excuses for their declining performance. On the other hand, a supervisor may have formed the impression that an employee is bad (horns effect). The supervisor becomes unreasonably harsh in their

assessment of the employee, and always ready to criticize and undermine them (Sanches, 1996).

The horns and halo effect is rarely seen in its extreme and obvious forms. But in its more subtle manifestations, it can be a significant threat to the effectiveness and credibility of performance appraisal.

Perceived Meaning

Problems of perceived meaning occur when appraisers do not share the same opinion about the meaning of the selected traits and the language used on the rating scales.

For example, to one appraiser, an employee may demonstrate the trait of initiative by reporting work problems to a supervisor. To another appraiser, this might suggest an excessive dependence on supervisory assistance - and thus a lack of initiative. As well, the language and terms used to construct a scale - such as "Performance exceeds expectations" or "Below average skill" - may mean different things to different appraisers (De La Torre, 1996).

Rating Errors

The problem here is not so much errors in perception as errors in appraiser judgment and motive. Unlike perceptual errors, these errors may be (at times) deliberate.

The most common rating error is central tendency. Busy appraisers, or those wary of confrontations and repercussions, may be tempted to dole out too many passive, middle-of-the-road ratings (e.g., "satisfactory" or "adequate"), regardless of the actual performance of a subordinate. Thus the spread of ratings tends to clump excessively around the middle of the scale (Sanches, 1996). This problem is worsened in organizations where the appraisal process does not enjoy strong management support, or where the appraisers do not feel confident with the task of appraisal.

4.3.2 Essay Method

In the essay method approach, the appraiser prepares a written statement about the employee being appraised. The statement usually concentrates on describing specific strengths and weaknesses in job performance. It also suggests courses of action to remedy the identified problem areas (Harry, 2007).

The statement may be written and edited by the appraiser alone, or it can be composed in collaboration with the appraisee.

4.3.2.1 Advantages

The essay method is far less structured and confining than the rating scale method. It permits the appraiser to examine almost any relevant issue or attribute of performance. This contrasts sharply with methods where the appraisal criteria are rigidly defined (Harry, 2007).

Appraisers may place whatever degree of emphasis on issues or attributes that they feel appropriate. Thus the process is open-ended and very flexible. The appraiser is not locked into an appraisal system that limits expression or assumes that employee traits can be neatly dissected and scaled.

4.3.2.2 Disadvantages

Essay methods are time-consuming and difficult to administer. Appraisers often find the essay technique more demanding than methods such as rating scales.

The technique's greatest advantage - freedom of expression - is also its greatest handicap. The varying writing skills of appraisers can upset and distort the whole process. The process is subjective and, in consequence, it is

difficult to compare and contrast the results of individuals or to draw any broad conclusions about organizational needs (Christopher, 2006).

4.3.3 Results Method Management By Objectives (MBO)

It aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization. Ideally, employees get strong input to identify their objectives, time lines for completion, etc. MBO includes ongoing tracking and feedback in the process to reach objectives.

Management by Objectives (MBO) was first outlined by Peter Drucker in 1954 in his book 'The Practice of Management'. In the 90's, Peter Drucker himself decreased the significance of this organization management method, when he said: "It's just another tool. It is not the great cure for management inefficiency... Management by Objectives works if you know the objectives, 90% of the time you don't."

4.3.3.1 Core Concepts

According to Drucker managers should "avoid the activity trap", getting so involved in their day to day activities that they forget their main purpose or objective. Instead of just a few top managers, all managers should:

Participate in the strategic planning process, in order to improve the implement ability of the plan, and

Implement a range of performance systems, designed to help the organization stay on the right track.

4.3.3.2 Managerial Focus

MBO managers focus on the result, not the activity. They delegate tasks by "negotiating a contract of goals" with their subordinates without dictating a

detailed roadmap for implementation. Management by Objectives (MBO) is about setting yourself objectives and then breaking these down into more specific goals or key results (Nasis D. B, 1992).

4.3.3.3 Main Principle

The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims. The complete MBO system is to get managers and empowered employees acting to implement and achieve their plans, which automatically achieve those of the organization.

4.3.3.4 Advantages

The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured. Instead of assuming traits, the MBO method concentrates on actual outcomes. If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance. Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities.

The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred.

The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance.

MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts - as one might take apart an engine to study it. But put all the parts together and the performance may be directly observed and measured.

4.3.3.5 Disadvantages

MBO methods of performance appraisal can give employees a satisfying sense of autonomy and achievement. But on the downside, they can lead to unrealistic expectations about what can and cannot be reasonably accomplished.

Supervisors and subordinates must have very good "reality checking" skills to use MBO appraisal methods. They will need these skills during the initial stage of objective setting, and for the purposes of self-auditing and self-monitoring. Unfortunately, research studies have shown repeatedly that human beings tend to lack the skills needed to do their own "reality checking". Nor are these skills easily conveyed by training. Reality itself is an intensely personal experience, prone to all forms of perceptual bias.

One of the strengths of the MBO method is the clarity of purpose that flows from a set of well-articulated objectives. But this can be a source of weakness also. It has become very apparent that the modern organization must be flexible to survive. Objectives, by their very nature, tend to impose a certain rigidity.

Of course, the obvious answer is to make the objectives more fluid and yielding. But the penalty for fluidity is loss of clarity. Variable objectives may cause employee confusion. It is also possible that fluid objectives may be distorted to disguise or justify failures in performance.

4.4 Benefits of Performance Appraisal

Perhaps the most significant benefit of appraisal is that, in the rush and bustle of daily working life, it offers a rare chance for a supervisor and subordinate to have "time out" for a one-on-one discussion of important work issues that might not otherwise be addressed. Almost universally, where performance appraisal is conducted properly, both supervisors and subordinates have reported the experience as beneficial and positive (Goel, 2008).

Appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Thus the performance of the whole organization is enhanced. For many employees, an "official" appraisal interview may be the only time they get to have exclusive, uninterrupted access to their supervisor. Said one employee of a large organization after his first formal performance appraisal, "In twenty years of work, that's the first time anyone has ever bothered to sit down and tell me how I'm doing."

The value of this intense and purposeful interaction between a supervisors and subordinate should not be underestimated.

4.4.1 Motivation and Satisfaction

Performance appraisal can have a profound effect on levels of employee motivation and satisfaction - for better as well as for worse. Performance appraisal provides employees with recognition for their work efforts. The power of social recognition as an incentive has been long noted. In fact, there is evidence that human beings will even prefer negative recognition in preference to no recognition at all.

If nothing else, the existence of an appraisal program indicates to an employee that the organization is genuinely interested in their individual performance and development (Dewakar, 2008). This alone can have a positive influence on the individual's sense of worth, commitment and belonging.

The strength and prevalence of this natural human desire for individual recognition should not be overlooked. Absenteeism and turnover rates in some organizations might be greatly reduced if more attention were paid to it. Regular performance appraisal, at least, is a good start.

4.4.2 Training and Development

Performance appraisal offers an excellent opportunity - perhaps the best that will ever occur - for a supervisor and subordinate to recognize and agree upon individual training and development needs.

During the discussion of an employee's work performance, the presence or absence of work skills can become very obvious - even to those who habitually reject the idea of training for them (Cash M, 1993).

Performance appraisal can make the need for training more pressing and relevant by linking it clearly to performance outcomes and future career aspirations.

From the point of view of the organization as a whole, consolidated appraisal data can form a picture of the overall demand for training (Ross 1996). This data may be analysed by variables such as sex, department, etc. In this respect, performance appraisal can provide a regular and efficient training needs audit for the entire organization.

4.4.3 Recruitment and Induction

Appraisal data can be used to monitor the success of the organization's recruitment and induction practices. For example, how well are the employees performing who were hired in the past two years?

Appraisal data can also be used to monitor the effectiveness of changes in recruitment strategies. By following the yearly data related to new hires (and given sufficient numbers on which to base the analysis) it is possible to assess whether the general quality of the workforce is improving, staying steady, or declining.

4.4.4 Employee Evaluation

Though often understated or even denied, evaluation is a legitimate and major objective of performance appraisal.

But the need to evaluate (i.e., to judge) is also an ongoing source of tension, since evaluative and developmental priorities appear to frequently clash. Yet

at its most basic level, performance appraisal is the process of examining and evaluating the performance of an individual (Goel, 2008).

Though organizations have a clear right - some would say a duty - to conduct such evaluations of performance, many still recoil from the idea. To them, the explicit process of judgment can be dehumanizing and demoralizing and a source of anxiety and distress to employees.

It is been said by some that appraisal cannot serve the needs of evaluation and development at the same time; it must be one or the other.

But there may be an acceptable middle ground, where the need to evaluate employees objectively, and the need to encourage and develop them, can be balanced.

4.5 Reward Issues

Some interesting insights into what can go seriously wrong in a system of reward-linked performance appraisal is found in the work of Deets & Tyler, (1986).

The Xerox Experience

The Reprographic Business Group of the Xerox Corporation operated a very traditional system of performance appraisal based on rating scale methods. The rating outcomes were linked to pay outcomes. In fact, the results had direct effects on merit pay rises - everyone at Xerox knew that and expected it (Dewakar, 2008).

The Xerox system included all the common features of rating scale systems. The appraisal interviews were held annually and conducted by the employee's immediate supervisor.

Accomplishments of the preceding year were recorded and performance levels were judged according to various predefined criteria. The system

included some elements of essay appraisal, since appraisers were required to write brief supporting statements for each rated criterion.

The Xerox system also called for a summary rating; an ultimate digit, from a low of 1 (for unsatisfactory) to a high of 5 (exceptional). The summary rating attempted to encapsulate the whole year's performance in a single number. The significance of that final number was immense. It literally determined the size of the employee's annual pay rise. The higher the rating, the bigger the rise. For Xerox employees, the thing that really mattered about appraisal was getting the biggest possible final number (Dulewicz, 1989).

Analysis of ratings over time showed that more than 95 percent of employees were either 3s, 4s or 5s; that is, the spread of ratings heavily favored the higher end of the scale. Almost every employee, according to the appraisal system, was performing at or above the average.

The lower end of the scale, the ratings of "below average" and "unsatisfactory" were very rarely used. The effect of this distortion was that any employee who scored less than a 4 ("exceeds expected performance level") began to feel like a failure!

The appraisal process became a sort of ratings lottery; the aim of the game was to get the highest possible score and win the jackpot. The process became fixated on that all-important final digit (McKellin, 1993).

This situation placed tremendous pressure on appraisees and appraisers alike. The appraisers had the unenviable task of deciding the winners from the losers. No wonder most of them preferred to hand out an abundance of overly-generous ratings!

Xerox eventually replaced this system with an MBO/essay form of appraisal. They abandoned rating scale methods completely.

That may have been an over-reaction, since the fault did not lie with the method itself so much as with its intimate - and ultimately inflexible linkage - to the annual pay rise. When reward outcomes are so closely linked to the size of a rating on a five point scale, the difference of one point either way can become very important and provocative (Goel, 2008).

The Xerox rating system might have worked if the direct causal relationship between the summary rating and merit pay outcomes had been eliminated or at least softened.

The Case for Linkage

The question of whether appraisal results should be allowed to directly influence decisions about pay increases (and other reward outcomes such as promotion) has been hotly contested. It is still one of the most contentious issues in human resources management.

One of the main reasons for separating appraisal results from reward decisions is the belief that a too-close link would create an overly-threatening and potentially punitive system.

Employees, apprehensive at the prospect of being judged, would have the added anxiety of knowing that the result will directly impact their pay packet and career outcomes.

Appraisal Pressure

This kind of appraisal pressure results in a win/lose mentality of the sort that developed at Xerox. Rather than the appraisee being willing to openly discuss their performance, they become anxious and defensive. Naturally, the typical appraisee is not eager to admit to anything that might impair their chances of a pay rise or other reward.

There is a deep irony in the fact that many organizations, while having excellent systems of appraisal, allow their merit pay and promotion decisions to be made by inferior means. Often the matter is left to the discretion of one or two supervisors or managers, with a cursory review being made by the HR department.

There is also the work of (Bannister & Balkin, 1990), which has reported that "discussions of pay at the time of performance appraisal" increases employee acceptance of appraisal and their satisfaction with the process. This undermines the arguments for separation.

As well, there is evidence that incongruity between appraisal results and later pay and promotion outcomes is a source of employee discontent and demotivation.

Pay increases and promotions send powerful messages to employees. If these messages don't match up with the appraisal results, employees are quick to dismiss the whole process as a farce. Efforts have been made to convince employees otherwise, but the "bottom line" for many is who got the extra money or who got the new job.

A Management "Trick"

The separation of appraisal results and reward outcomes is, at best, a contrived situation. At worst, it may convey the impression that appraisal is some sort of deception, a trick by management, designed to give an appearance of openness and fairness while "real issues" like pay and promotions are decided in secret.

Nor is the practice of putting a six-month buffer between appraisals and pay reviews an effective method of avoiding the issue. Far better to define and clarify the relationship between appraisal, performance and reward outcomes.

The view of the separatists, which insists that appraisal results and reward outcomes should be insulated from each other, may be an over-reaction to the potential abuses (Balkin, 1990).

There is evidence that appraisees appreciate the existence of a link between appraisal and reward results. To many, the existence of such a link is intuitively sensible.

From the perspective of the organization, the inclusion of carefully collected appraisal data in pay and promotion matters may contribute to better quality decisions. It should also help ensure a greater degree of congruity between appraisal results and subsequent reward outcomes.

Even so, many advocates of separation will be reluctant to concede the possibility of any form of constructive linkage between appraisal and rewards.

This is a shame, because the potential of performance appraisal encompasses more than employee development. Admittedly there are risks in linking reward outcomes; but there are also risks, and a potential for harm, in contriving to deny that any linkage exists.

At the very least, an organization wishing to form the mildest of reward links might consider a frank discussion of reward criteria during the appraisal interview (Bannister, 1990).

Those organizations that are determined to keep their appraisal and reward issues separated might ask themselves whether performance appraisal is really the tool they need. Perhaps what they actually desire is some form of developmental appraisal.

4.6 Conflict and Confrontation

Invariably the need arises in performance appraisal to provide an employee with less than flattering feedback.

The skill and sensitivity used to handle these often difficult sessions is critical. If the appraisee accepts the negative feedback and resolves to improve, all is well. But if the result is an angry or hurt employee, then the process of correction has failed. The performance of an employee in such cases is unlikely to improve and may deteriorate even further.

4.6.1 Self-Auditing

Appraisers should not confront employees directly with criticism. Rather, they should aim to let the evidence of poor performance emerge "naturally" during the course of the appraisal interview. This is done by way of open-ended questioning techniques that encourage the employee to identify their own performance problems (Goel, 2008).

Instead of blunt statements or accusations, the appraisers should encourage an employee to talk freely about their own impressions of their performance.

For example, consider the case of employee who has had too many absent days. The appraiser, in accusatory mode, might say:

"Your attendance record is unacceptable. You'll have to improve it."

A better way to handle this might be to say:

"Your attendance record shows that you had 7 days off work in 6 months. What can you tell me about this?"

The technique is to calmly present the evidence (resisting the temptation to label it as good or bad) and then invite the employee to comment. In many cases, with just a gentle nudge from the appraiser here and there, an employee with problems will admit that weaknesses do exist.

This is much more likely when an employee does not feel accused of anything, nor forced to make admissions that they do not wish to make.

If an appraiser can get an employee to the stage of voluntary admission, half the battle is won (Goel, 2008). The technique described by Krein is a type of self-auditing, since it encourages the employee to confront themselves with their own work and performance issues.

The technique is useful because it is more likely to promote discussion and agreement on the need for change. Confrontation techniques that rely on "charge and counter-charge" tend to promote adversarialism - and that leads to denial and resentment.

4.6.2 Ownership of Problems

Perhaps the most powerful aspect of the self-auditing process is that employees are more willing generally to accept personal "ownership" of problems that have been self-identified. This sense of ownership provides an effective basis for stimulating change and development. (Some would argue that it provides the *only* basis.)

Nevertheless there are individuals who will not admit to anything that appears to reflect poorly on them. With ego defences on full-alert, they will resist the process of self-auditing very strongly. In such cases, appraisers may

have no choice but to confront the poor performer directly and firmly with the evidence they have.

Sometimes the shock of direct confrontation will result in the employee admitting that they do need to make improvements. But sometimes it will just make their denial of the problem worse.

In providing any feedback - especially negative feedback - appraisers should be willing and able to support their opinions with specific and clear examples. Vague generalizations should be avoided.

The focus should be on job-related behaviors and attitudes. If a specific observation cannot be supported by clear evidence, or touches on issues that are not job-related, it may be best to exclude all mention of it.

Appraisers must carefully scrutinize their own perceptions, motives and prejudices.

4.7 Common Mistakes

Where performance appraisal fails to work as well as it should, lack of support from the top levels of management is often cited as a major contributing reason.

Opposition may be based on political motives, or more simply, on ignorance or disbelief in the effectiveness of the appraisal process.

It is crucial that top management believe in the value of appraisal and express their visible commitment to it. Top managers are powerful role models for other managers and employees.

Those attempting to introduce performance appraisal, or even to reform an existing system, must be acutely aware of the importance of political issues and symbolism in the success of such projects.

Fear of Failure

There is a stubborn suspicion among many appraisers that a poor appraisal result tends to reflect badly upon them also, since they are usually the

employee's supervisor. Many appraisers have a vested interest in making their subordinates "look good" on paper.

When this problem exists (and it can be found in many organizations), it may point to a problem in the organization culture. The cause may be a culture that is intolerant of failure. In other words, appraisers may fear the possibility of repercussions - both for themselves and the appraisee. Longenecker, (1989) argues that accuracy in performance appraisal is impossible to achieve, since people play social and political games, and they protect their own interests. "No savvy manager...", says Longenecker, "... is going to use the appraisal process to shoot himself or herself in the foot."

No matter what safeguards are in place, "... when you turn managers loose in the real world, they consciously fudge the numbers." What Longenecker is saying is that appraisers will, for all sorts of reasons, deliberately distort the evaluations that they give to employees.

Indeed, surveys have shown that not only do many managers admit to a little fudging, they actually defend it as a tactic necessary for effective management.

The fudging motives of appraisers have, at times, certain plausibility. For instance, a supervisor who has given an overly generous appraisal to a marginal performer might claim that their 'legitimate' motive was the hope of encouraging a better performance.

On the other hand, fudging motives can be a lot less admirable and sometimes devious: the appraiser who fudges to avoid the possibility of an unpleasant confrontation, the appraiser who fudges to hide employee difficulties from senior managers, the appraiser who fudges in order to punish or reward employees.

Judgment Aversion

Many people have a natural reluctance to "play judge" and create a permanent record which may affect an employee's future career. This is the

case especially where there may be a need to make negative appraisal remarks.

Training in the techniques of constructive evaluation (such as self-auditing) may help. Appraisers need to recognize that problems left unchecked could ultimately cause more harm to an employee's career than early detection and correction.

Organizations might consider the confidential archiving of appraisal records more than, say, three years old.

Feedback-Seeking

Larson, (1989) has described a social game played by poor performers. Many supervisors will recognize the game at once and may have been its victims.

The game is called feedback-seeking. It occurs where a poor performing employee regularly seeks informal praise from his or her supervisor at inappropriate moments.

Often the feedback-seeker will get the praise they want, since they choose the time and place to ask for it. In effect, they "ambush" the supervisor by seeking feedback at moments when the supervisor is unable or unprepared to give them a full and proper answer, or in settings that are inappropriate for a frank assessment.

The supervisor may feel "put on the spot", but will often provide a few encouraging words of support. The game seems innocent enough until appraisal time comes around. Then the supervisor will find that the employee recalls, with perfect clarity, every casual word of praise ever spoken!

This places the supervisor in a difficult bind. Either the supervisor lied when giving the praise, or least, misled the employee into thinking that their performance was acceptable (in fact, this is the argument that feedback-seekers will often make).

The aim of the game is that the feedback-seeker wants to deflect responsibility for their own poor performance. They also seek to bolster their appraisal rating by bringing in all the "evidence" of casual praise. Very often the feedback seeker will succeed in making the supervisor feel at least partly

responsible. As a result, their appraisal result may be upgraded (David B, 1993).

Was the supervisor partly responsible? Not really. The truth of the matter is that they have been "blackmailed" by a subtle social game. But like most social games, the play depends on the unconscious participation of both sides. Making supervisors aware of the game is usually sufficient to stop it. They must learn to say, when asked for casual praise, "I can't talk about it now... but see me in my office later."

This puts the supervisor back in control of the appraisal process.

Appraiser Preparation

The bane of any performance appraisal system is the appraiser who wants to "play it by ear". Such attitudes should be actively discouraged by stressing the importance and technical challenge of good performance appraisal. Perhaps drawing their attention to the contents of this web site, for example, may help them to see the critical issues that must be considered.

Employee Participation

Employees should participate with their supervisors in the creation of their own performance goals and development plans. Mutual agreement is a key to success. A plan wherein the employee feels some degree of ownership is more likely to be accepted than one that is imposed. This does not mean that employees do not desire guidance from their supervisor; indeed they very much do.

Performance Management

One of the most common mistakes in the practice of performance appraisal is to perceive appraisal as an isolated event rather than an ongoing process. Employees generally require more feedback, and more frequently, than can be provided in an annual appraisal. While it may not be necessary to

conduct full appraisal sessions more than once or twice a year, performance management should be viewed as an ongoing process.

Frequent mini-appraisals and feedback sessions will help ensure that employees receive the ongoing guidance, support and encouragement they need (Bannister, 1990).

Of course many supervisors complain they don't have the time to provide this sort of ongoing feedback. This is hardly likely. What supervisors really mean when they say this is that the supervision and development of subordinates is not as high a priority as certain other tasks.

In this case, the organization may need to review the priorities and values that it has instilled in its supervisory ranks. After all, supervisors who haven't got time to monitor and facilitate the performance of their subordinates are like chefs who haven't got time to cook, or dentists who are too busy to look at teeth. It just doesn't make sense.

If appraisal is viewed as an isolated event, it is only natural that supervisors will come to view their responsibilities in the same way. Just as worrying, employees may come to see their own effort and commitment levels as something that needs a bit of a polish up in the month or two preceding appraisals.

4.8 Bias Effects

Gabris & Mitchell have reported a disruptive bias in performance appraisal known as the Matthew Effect.

It is named after the Matthew of biblical fame who wrote, "To him who has shall be given, and he shall have abundance: but from him who does not have, even that which he has shall be taken away."

In performance appraisal the Matthew Effect is said to occur where employees tend to keep receiving the same appraisal results, year in and year out. That is, their appraisal results tend to become self-fulfilling: if they

have done well, they will continue to do well; if they have done poorly, they will continue to do poorly.

The Matthew Effect suggests that no matter how hard an employee strives, their past appraisal records will prejudice their future attempts to improve.

There is other research to support the theory that poor performers might not be given a fair chance to improve. A study of supervisors in nearly 40 different organizations found that subordinates tend to be divided into two groups: ingroupers and out-groupers.

This study, by Heneman, Greenberger & Anonyou (1989) reported that ingroupers are subordinates who seem to be favored by their supervisors. In their relationship with the boss, they enjoy "a high degree of trust, interaction, support and rewards."

On the other hand, outgroupers don't do as well. They appear to be permanently out of favor and are likely to bear the brunt of supervisory distrust and criticism. The effect is therefore similar to the horns and halo effect; supervisors tend to judge employees as either good or bad, and then seek evidence that supports that opinion.

It was found that when an ingrouper did poorly on a task, supervisors tended to overlook the failure or attribute to causes such as bad luck or bad timing; when they did well, their success was attributed to effort and ability.

But when a outgroupers performed well, it was rarely attributed to their effort or ability. And when an outgroupers performed poorly, there was little hesitation in citing the cause as laziness or incompetence (Smith, 1997).

It is not clear how supervisors make the distinction between ingroupers and outgroupers. Whatever the criteria, it is clearly not objective, equitable or reliable.

This bias must inevitably lead to a distortion of the appraisal process. It must also be a source of frustration for those employees who are discriminated against.

4.8.1 Frustration

The extent of this frustration was explored by Gabris & Mitchell. They studied an organization with a quarterly performance appraisal system. The workforce was divided into two groups: those who had been given high appraisal results consistently, and those who had low results consistently.

When the groups were asked if the appraisal system was fair and equitable, 63 per cent of the high performers agreed, compared to only 5 per cent of the lower performers.

The groups were asked if their supervisors listened to them. Of the high performers, 69 per cent said yes, while among the low performers, 95 per cent said no (Goel, 2008).

Finally, when asked if their supervisors were supportive, nearly half of the high performers agreed that they were, while none (nil, zilch, zero!) of the low performers agreed.

Of course, not everyone who gets a poor appraisal result is a victim of supervisory bias. Nor are all supervisors prone to making the same degree of in group and out group distinction. The effects discussed here are tendencies, not immutable effects.

But to some extent, it appears that certain employees may be unfairly advantaged, while others are disadvantaged, by bias effects in the judgements of supervisors.

It is a cardinal principle of performance appraisal that employees should have the chance to improve their appraisal results - especially if their past results have not been so good (Goel, 2008). It is a very serious flaw in the process of appraisal if this principle is denied in practice.

There are reasonable steps which can be taken to limit the effects of supervisory bias.

4.8.2 Awareness Training

The first line of defence lies in raising awareness of the problem. Supervisors need to be informed of the types of subtle bias that can interfere with their performance as appraisers. They need to understand that the ingroup/outgroup bias, for instance, reduces the morale and motivation of their subordinates.

4.8.3 Developing Poor Performers

Incentives, financial or non-financial, may be offered to encourage supervisors to make special efforts to help poor performers improve. Supervisory appraisals, for example, might stress the importance of working with poor performers to upgrade their performance. The possibilities are extensive.

4.8.4 Counseling, Transfer, Termination

There is always the possibility that an employee who receives poor appraisal results is in fact a chronic poor performer. No employer is obliged to tolerate poor performance forever. Consistently poor appraisal results will indicate a need for counselling, transfer or termination. The exact remedy will depend on the circumstances.

Chapter – 5



Project

5.0 Performance Appraisal System (PAS) of AB Bank Limited

Performance appraisal system (PAS) is the tool for measuring the performance of an individual and identifies the gaps and plan future development in order to enable a better performance between the jobs and the incumbent.

It is an HR process for driving business outcomes. It is defining in advance what the employees must do as an individual to win in the market place and later on assessing the performance based on the extent to which the organization achieve result.

Performance appraisal system is quite structured that it can measure of assess both goal (What) and the management competencies (How).

Goals-Key Result Areas (KRA) is the specific major objectives to be set at the beginning of the year through consultation with the reporting manager or supervisor. These need to be aligned to the objectives of the function and consequently to overall objectives of the bank (ABBL, 2010).

A management competency is a skill, ability or trait that predicts success to perform a job.

The Performance Appraisal needs to be implemented as per PAS format which will be circulated by HR at the beginning of the year. The definition of rating in performance appraisal is given below for reference:

Performance Standard

- ⇒ Excellent (4.5-5.0)
- ⇒ Very Good (3.5-4.5)
- ⇒ Good (2.5-3.5)
- ⇒ Average (1.5-2.5)

⇒ Below Average (1.0-1.5)

AB Bank consider the following term for Appraisal-

- ⇒ Indication key job responsibilities/ Targets/ Work plan of the employee for the year.
- ⇒ Performance on the job.
- ⇒ Knowledge level.
- ⇒ Behavioral competence level.

Excellent= 91-100, Very Good= 71-90, Good= 51-70, Average= 31-50 and Below Average= 0-30

Consider on the Job Performance and the results delivered by employee (Judge Quantity and Quality) - anyone of the following:

- ⇒ A Strongest all around performer, Exceptionally Exceeded targets/ given what plan for above expectation.
- ⇒ A Stronger all performer, Reasonably Exceeded or target/ given work plan above expectation.
- ⇒ A Strong performer Met targets/ given work plan satisfactorily within expectation.
- ⇒ A Reasonable performer, Closely Met target/ given work plan, but not fully satisfactory.
- ⇒ Performance standard is Well Below, targets/ given work plan, needs serious tanning and serious efforts to improve.

Those who are rated in Excellent, Very Good, Good, Average and Below Average are eligible for incentive bonus or promotion.

5.1 Performance Appraisal Policy

Performance appraisal process is conducted by the HR Division. So the policy is also made by the (Human Resources Division to conduct this process smoothly and clearly.

5.2 Objectives & Modus Operandi

The Performance Appraisal System (PAS) of AB Bank is limited to measuring performance of employees, the purpose of the PAS is to improve employee performance in terms of “skills & knowledge’ as well as “leadership” .

The PAS focuses first on the “job performance” and considers the following parameters for a given period of time:

- ◆ What assignment was given by the work plan or in terms of targets?
- ◆ What was expected of?
- ◆ What has been delivered?
- ◆ How has been delivered?
- ◆ What has gone well?
- ◆ What has gone wrong?
- ◆ What could have been done differently to do better?

1st, Getting these answers it will help in finding newer ways and means to improve performance learning from past successes and failures.

2nd, it examines the professional skills & knowledge which are required in a job, the actual skill & knowledge level, a job holder possesses and thus helps in finding skill /knowledge gaps to be addressed for personal development

3rd, it reviews the leadership behaviors i.e. competencies or abilities which are required in a job in comparison with real demonstration of behavioral competencies by the job holder and thus helps finding competency gaps to be addressed for personal development.

Therefore, the appraisal system of AB Bank takes care of the following:

- ◆ Business performance (on the job accomplishment in terms of a work plan/targets/expectation)
- ◆ Skill & knowledge
- ◆ Behavioral competencies (leadership)
- ◆ Individual development plan

AB Bank conducts its performance appraisal annually and in the process review progress quarterly for correction of directions enabling an individual to achieve his / her objectives. On the whole, the objective is to shape outstanding performance in a competitive way to ensure sustainable profitable growth in business.

5.3 Definition of different performance grades

5 (Five) Performance Categories	Standard of Performance/Definition	Rating
◆ EXCELLENT (EX) → 100% ++ ACHIEVER	Exceptionally exceeded performance Standard / Targets / Given Work Plan far above expectation	
◆ VERY GOOD (VG) → 100% + ACHIEVER	Reasonably exceeded performance Standard / Targets / Given Work Plan above expectation.	
◆ GOOD (G) → TARGET ACHIEVER	Met performance standard /targets /given work plan satisfactorily within expectations.	
◆ AVERAGE (AVG) → NEARLY TARGET ACHIEVER	Closely Met performance Standard /Targets /Given Work Plan, but not fully satisfactory	
◆ BELOW AVERAGE (BAVG) → POOR	Performance far below the Standard expectation / Targets / Given Work Plan – A poor performer.	

5.4 Annual Performance Appraisal & Standard Performance Distribution (SPD) :

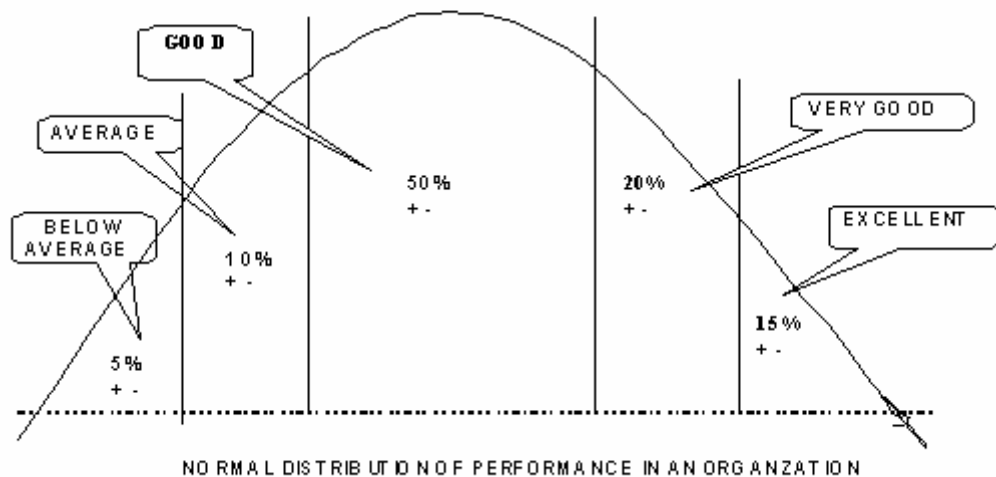
Each employee will be appraised by the immediate supervisor annually against targets/given work plan/responsibilities within the meaning of the policy guideline and as per standard format designed & developed.

HR in coordination with the Divisional / Departmental Heads will monitor, educate & guide and ensure policy compliance.

As a matter of policy, HR will ensure compliance of the following Standard in “Performance Distribution” amongst population in a department / section / branch.

Each Head of the function in joint consultation with HR will ensure that the given principles as far as practicable are in place so as to keep consistency.

The normal performance distribution curve :(approximation)



5.5 Types of Performance Appraisal Form

AB Bank Limited has two types of performance appraisal forms. One is for the branch managers or department heads and another is for the other employees who are working under them. The performance appraisal form of the relationship managers or the department heads are filled by the Management Committee. And the employees other than Managers performance appraisal forms are filled up by the relationship managers of the branches and the department heads. Managers fill this performance appraisal form and send it directly to the HR Division as "TOP CONFIDENTIAL" papers. After receiving the document HR Division informs the manager that the documents are received and also make sure that how many forms they received. If the document cover is tempered then HR Division refuses to receive the document. Because this is a confidential paper that should be sent properly.

5.6 The completion process of Performance Appraisal Forms:

It is already mentioned that there are two types of forms one is for the managers and another one is for the employees who are working under them that means other than Managers. Now the completion process of two different types of forms will be discussed below to make it more understandable:

At first the performance appraisal form of the managers will be mentioned:

The form consists of four pages. At the beginning of the format page one it needs to mention the year for which the organization is evaluating his employees. Then the name of the appraisee (the person who is evaluating) and also the designation, age, last promotion date, service period with AB Bank etc. informations have to be mentioned. Service period of the present position and also need to mention the job location means where the employee was working on that particular period of time.

Then the Management Committee have to fill up the section A where they need to mention the profit that the branch Manager achieved and the targeted profit that was decided by the authority.

After finishing section A management have to fill up part B which is named other strategic targets contributed to part A. If A is achieved then B may be ignored. But if A is not achieved then they must fill up the percentages of different factors that is mentioned in that particular area. These factors are deposits, loans, advances, imports, exports, remittances, bonds etc.

After completing section B they have to complete section C. in this section they have to give some points about quality of achievements. These achievements are audit compliances, NPL new and recovery, operating budget, employee development etc. after completing this three part they put the marks below and add them.

If the average is:

Less than 65% Below Average	65 - 79% Average	80% -100% Good	101% - 109% Very Good	Equal or above 110% Excellent
Far below target	Near to target	Achieved target	Exceeded target	Exceptionally exceeded target

Then after completing first page they have to move to page 2. Here they need to fill up some Assessment of Knowledge & behavioral competence for Potential Listing only. Scoring will be like this:

- 1 = Need development,
- 2 = Average,
- 3 = Good,
- 4 = Very Good &
- 5 = Excellent.

Here they have to fill up nearly fifteen questions about the knowledge & behavioral competence factors of Managers. These questions vary according to the situation. The questions that are asked in this section are:

1. Overall Knowledge profile in assigned job responsibilities (core job)
2. Knowledge about AB Bank's product & services , Organization, Policies & Processes (updated)
3. Appreciation in banking business
4. Computer literacy & IT knowledge relates to banking
5. Planning: Ability to plan own job activities and able to prioritize and drive actions for results
6. Customer understanding and care
7. Awareness about compliance issues
8. A self starter with drive & initiatives
9. Attitude (a positive thinker & adoptable to change)
10. Analytical ability
11. Communication ability

12. Inter-personal relationship
13. A team worker believes in team commitment
14. Ability to influence others & gain commitment
15. Speed in action

These are the questions that are mainly asked in this section. Management has to put tick mark on the number that the person (Manager) deserves. Then they have to comment on question number 16 about his Integrity & Conduct in service. This is a very crucial part for the Manager. Because it shows the job sincerity of the Managers.

In section D the evaluator tries to identify two key areas that should be developed. There are two areas like Knowledge and Behavioral competence. If the appraise needs any development in this two areas then they have to mention them in this box. Basically from this box information employees are selected for training on that basis.

In section E Supervisor's overall comment (Performance Summary & Rating) is given. Actually it shows the summary of the appraisal. This rating is directly entered into the performance appraisal calculation software. The input process of software will be described later. After completing this part appraiser have to sign below.

Employee view point about this appraisal and own career wishes will be mentioned in the section F. if appraise agrees with the appraisers evaluation then he has to write agreed and sign below. If any appraise feels that their performance evaluation by the line managers is influenced by discrimination or unfair and biased judgment the appraise may appeal to Head of HR with their grievance in writing. In such cases the Head of HR will be the first point contract. If the issue remain unresolved than it will referred to the MD for his/her review and decision and in that case the decision of MD will be final.

Special Recommendations (career etc.) – Place with justification are filled up in section G. If the appraiser think that the employee should get the annual increment then they have to write it in this box. If employee is eligible for next higher level promotion then it also has to mention there. If the appraiser thinks that the employee should get both of them then he must write that in this box with proper justification.

In section H there is a box for HR review and comment. If HR thinks that there should be added any more things than they can add it here. Even if they think that this evaluation is not properly completed then they can also write it here. Then the proper actions will be taken further.

Interview outcome & comment by HR Steering Committee is written here in section I. This part is mainly considered if the person is recommended for promotion. This part is optional. HR can directly put this comment in the Managers personal file. If the person is not recommended then this part does not count or necessary to complete. These are the main things that are to be considered when the appraisal form of the managers evaluated.

Now the performance appraisal form of all employees other then manager will be explained. In that case the last three pages of the appraisal form are similar to the Manager's form. The basic difference is in the first page of the form. So the first page of the form will be described.

At the beginning of the form as previous it needs to mention the year for which Managers are evaluating the employees. Then they have to fill up the name of the appraise (the person whom we evaluating) and also the designation, age, last promotion date, service period with AB Bank, service period of the present position and also the job location means where the employee was working on that particular period of time.

Then in section A mangers have to write the key job responsibilities, targets and work plans of the employee in brief. Here they have to mention all the work which is done by the employee in that particular period of time.

Then the manager has to fill section B which is called performance category. Here manager has to mention in which category this employee falls in to with proper justification. There are five performance categories. They are:

1. EXCELLENT (EX) → 100%++ ACHIEVER: Exceptionally Exceeded Performance Standards / Targets / Given Work Plan far above expectation.
2. VERY GOOD (VG) → 100%+ ACHIEVER: Reasonably Exceeded Performance Standards / Targets / Given Work Plan above expectation.
3. GOOD (G) → TARGET ACHIEVER: Met Performance Standards /Targets / Given Work Plan satisfactorily within expectation
4. AVERAGE (AVG)→ Nearly TARGET ACHIEVER: Closely Met Performance Standards / Targets / Given Work Plan, but not fully satisfactory.
5. BELOW AVERAGE (BAVG) → Performance Far Below the Standard Expectation / Targets / Given Work Plan – A poor performer.

Managers have to describe the category which the employee belongs to and also have to give a tick mark in the right side of the form. After that section all the sections are similar as the manager's form. The Manager has to fill this form accordingly.

With a view to explaining the performance appraisal system of AB Bank Limited a small case study has been undertaken where in the performance appraisal of a respondent has been described. For the sake of anonymity the name of the respondent has not been disclosed in the present report.

This is a performance appraisal form for year 2009 of an employee who is other than manager. So as it mentioned earlier that in section A manager

have to describe the key job responsibilities of that employees. In this case the employee's key job responsibilities are:

- L/C Opening.
- Management of SWIFT.
- Preparation of PSI forms.
- Preparation of CCIE statement.
- Preparation of Land Customs statement.
- Management of TI systems.
- TR disbursement and adjustment when related officer is absent or overloaded.
- To develop myself in banking carrier and serve the bank effectively and efficiently.
- To improve business worthiness & Marketing of the products to improve Bank profit.
- Other assignment as assigned by the branch management time to time.
- Successfully achieved my business target for Tk,70.00 (Seventy) lacks set by the branch management.

In section B manager has to mention in which category the appraise fall into. In that case the manger selected him in as EX (excellent) category. Appraiser also wrote the justification for that category.

B. PERFORMANCE CATEGORY: Given the job responsibilities and considering <u>Quantity & Quality</u> of <u>On-the-job</u> performance, evaluate performance category: (Any one of the following performance category)		
5 (Five) Performance Categories	Justification in brief – Please give examples	Tick <input checked="" type="checkbox"/> RATING
EXCELLENT (EX) → 100%++ ACHIEVER: <u>Exceptionally Exceeded</u> Performance Standards / Targets / Given Work Plan <u>far above expectation.</u>	He is very much knowledgeable about his job. He has been performing very efficiently with and at most satisfaction.	<input checked="" type="checkbox"/>
VERY GOOD (VG) → 100%+ ACHIEVER: <u>Reasonably Exceeded</u> Performance Standards / Targets / Given Work Plan <u>above expectation.</u>		
GOOD (G) → TARGET ACHIEVER: <u>Met</u> Performance Standards /Targets / Given Work Plan <u>satisfactorily within expectation.</u>		
AVERAGE (AVG)→ <u>Nearly TARGET ACHIEVER: <u>Closely Met</u></u> Performance Standards / Targets / Given Work Plan, <u>but not fully satisfactory</u>		
BELOW AVERAGE (BAVG) → Performance <u>Far Below</u> the Standard Expectation / Targets / Given Work Plan – A poor performer.		

In section C Manager has to assess the knowledge and behavioral competences of the employees. In this case the employee rating was in this manner.

C. Assessment of Knowledge & behavioral competence for <u>Potential Listing only</u>)					
1=Need development, 2=Average, 3=Good, 4=Very Good & 5 =Excellent					
KNOWLEDGE & BEHAVIORAL COMPETENCE FACTORS	RATING → Tick ✓				
	1	2	3	4	5
1. Overall Knowledge profile in assigned job responsibilities (core job)					✓
2. Knowledge about AB Bank's product & services , Organization, Policies & Processes (updated)				✓	
3. Appreciation in banking business					✓
4. Computer literacy & IT knowledge relates to banking				✓	
5. Planning: Ability to plan own job activities and able to prioritize and drive actions for results				✓	
6. Customer understanding and care					✓
7. Awareness about compliance issues					✓
8. A self starter with drive & initiatives				✓	
9. Attitude (a positive thinker & adoptable to change)					✓
10. Analytical ability				✓	
11. Communication ability				✓	
12. Inter-personal relationship				✓	
13. A team worker believes in team commitment				✓	
14. Ability to influence others & gain commitment				✓	
15. Speed in action					✓

So it is visible that in this category the employee did very well. His performance was very satisfactory to his managers. His average in this section was $(6*5) + (9*4)/15 = 4.4$ which is very much satisfactory.

Then the manger has to write about the integrity & conduct in service of the employees. In this case manger commented as follows:

16. Integrity & Conduct in service (comment) :

..... is the honest sincere & well behaved person. He has the good communication skill and he has ability to attract the customers to our products.

In section D Mangers have to identify the areas in knowledge and behavioral competence that should be develop in employees characteristics. In this case manger identified two knowledge factors that should be improved. These are

D. Development Needs - 2(Two) areas in knowledge and 2(two) areas in behavioral competence	
Knowledge	Behavioral competence
1. ..Export & BB.	1. ..
2. ..Foreign remittance.	2. ..

After finishing that section manger commented on the supervisor’s overall comment box which is in section E. it can also described as the summary of the appraisal form where supervisor make comment and give the final grade. In this case the manager has given the respondent the following comment and grade in his evaluation form:

E. Supervisor's overall comment – Performance Summary & Rating	Rating ✓	
<p>_____ consistently performs his job with high satisfaction and he has sound knowledge about the bank rules and regulations.</p> <p>_____</p> <p>Supervisor (Appraiser)</p>	EX	✓
	VG	
	G	
	AVG	
	BAVG	

So according to the manger the employee got overall EX rating. This rating will be entered in the performance appraisal software. So from this box it is easily identified that the manger is completely satisfied with the performance of the employee.

After this section there is a box for employee view point about this appraisal form which is in section F. Here employee comments about the grading. In this case the employee gave the comment as follows:

F. Employee view point about this appraisal and own career wishes:
<p>Agreed.</p> <p>_____</p> <p>Employee (Appraise)</p>

Here employee is completely agreed with the managers rating. So the appraise wrote agreed. If appraiser feels that performance evaluation by the line manager is influenced by discrimination or unfair and biased judgment then he may appeal to Head of HR with his grievance in writing. In such cases

the Head of HR will be the first point contract. If the issue remain unresolved than it will referred to the MD for his review and decision and in that case the decision of MD will be final.

After that part there is the box for special recommendations. In this case Manger things that the appraise is eligible for recommendation. So the remark was as follows:

G. Special Recommendations (career etc.) – Place with justification

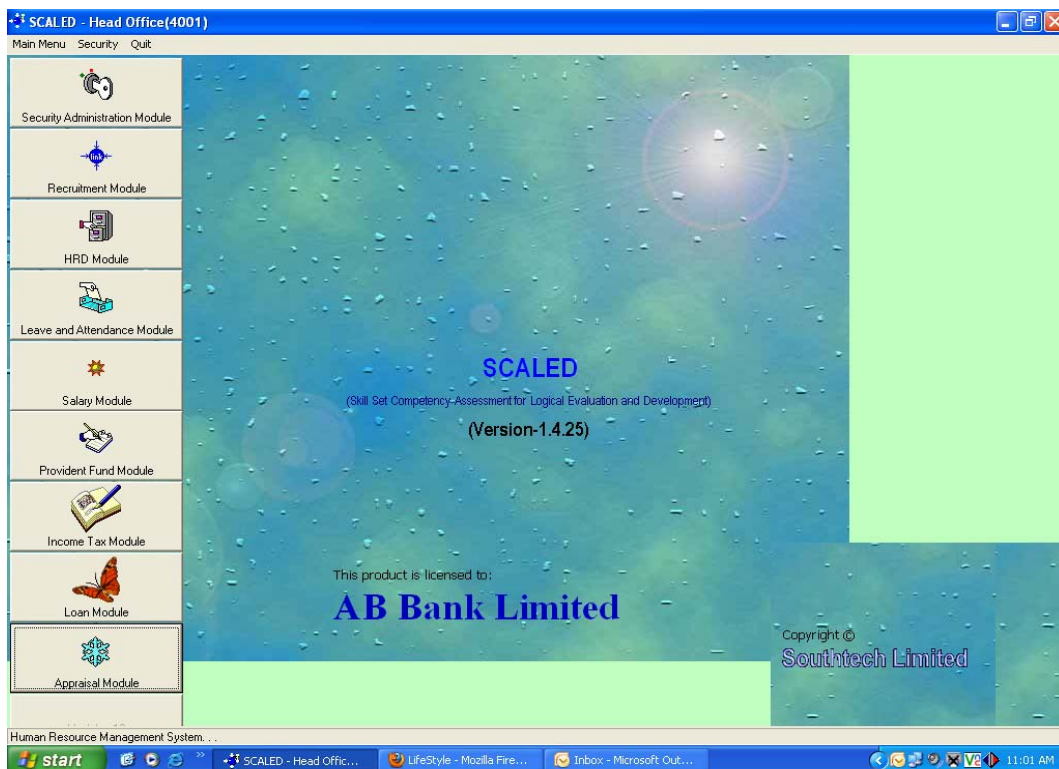
Recommended for annual increment and promotion to the next higher level.

Supervisor (Appraiser)

So this is the total performance appraisal form for this employee. This form is included only for better understanding about the performance appraisal system of AB Bank Limited. At the end of the report this Performance Appraisal Form is included as appendix.

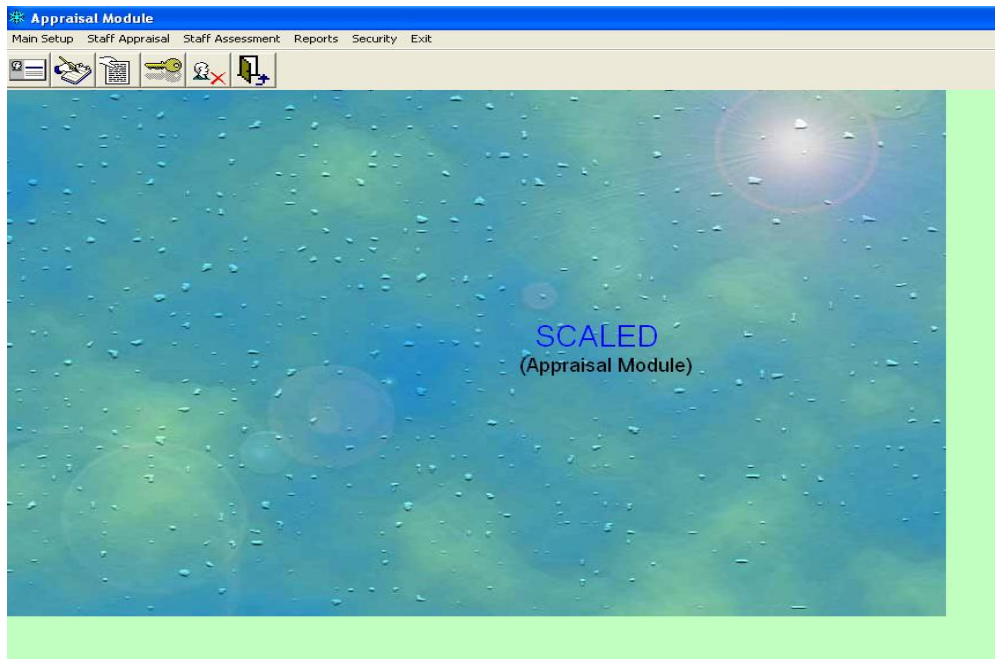
5.7 The input process of Performance Appraisal Form in Database:

There is a systematic process of entering performance appraisals into the database. Well AB Bank Limited has their personal database where each and every single thing of an employee is inserted in their profile. But now only



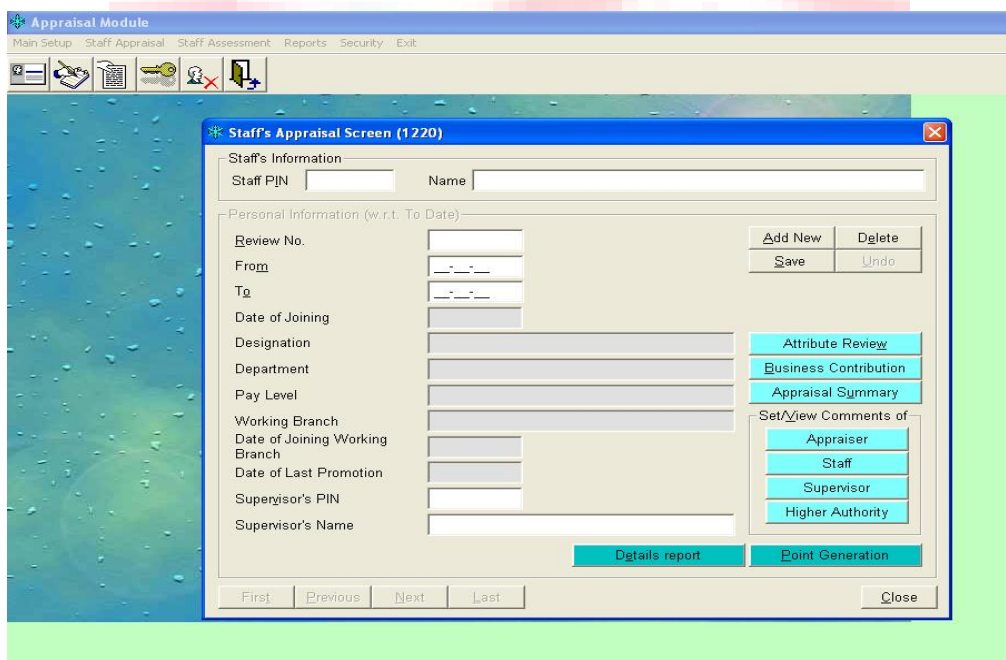
the input process of performance appraisal will be discussed in this section of the research. In the database this section of the software is called "SCALED". 'SCALED' stands for "Skill Set Competency Assessment for Logical Evaluation and Development". This is an appraisal module. To enter in this section everyone (who have the access) have to use their personal user name and password. Because it is a much secured place where most confidential things of an employee are saved.

From this section the operator has to go to Appraisal Module which is in the left menu bar. After selecting this button from below another page will

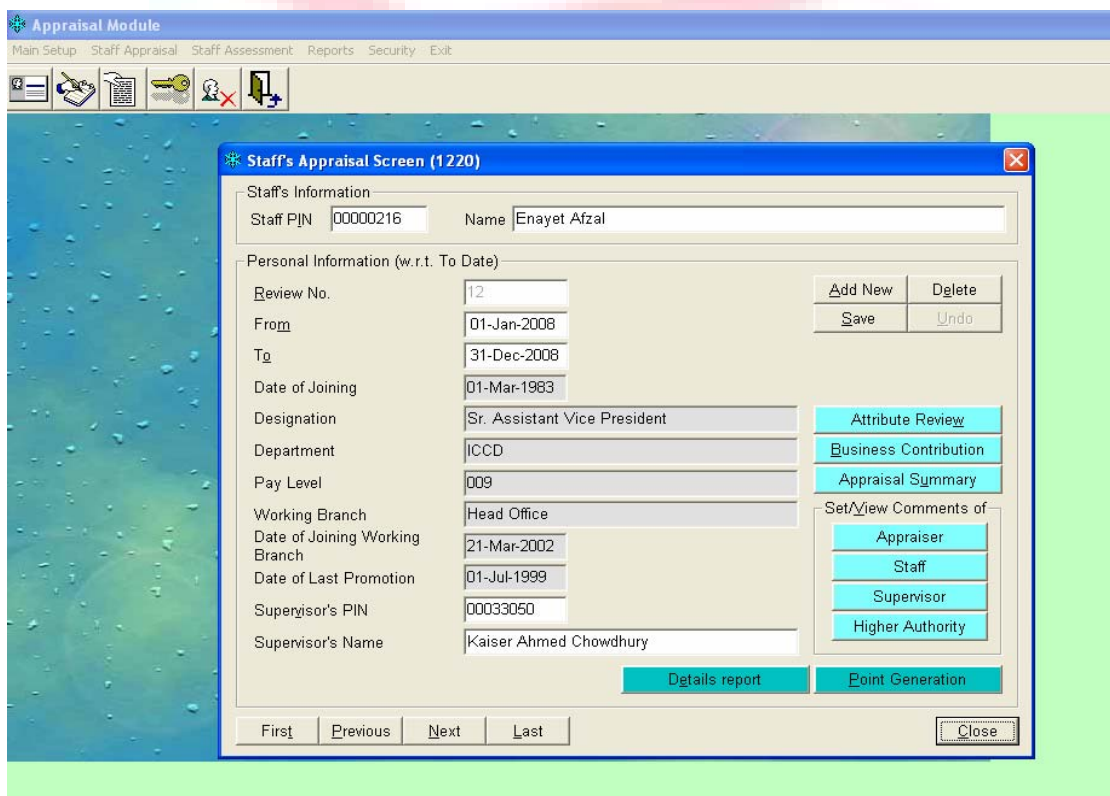


appear which is similar to this.

From this menu the staff appraisal button have to be selected from the up menu bar. After that input appraisal button have to be selected. After selecting this menu the page will be appeared like this:

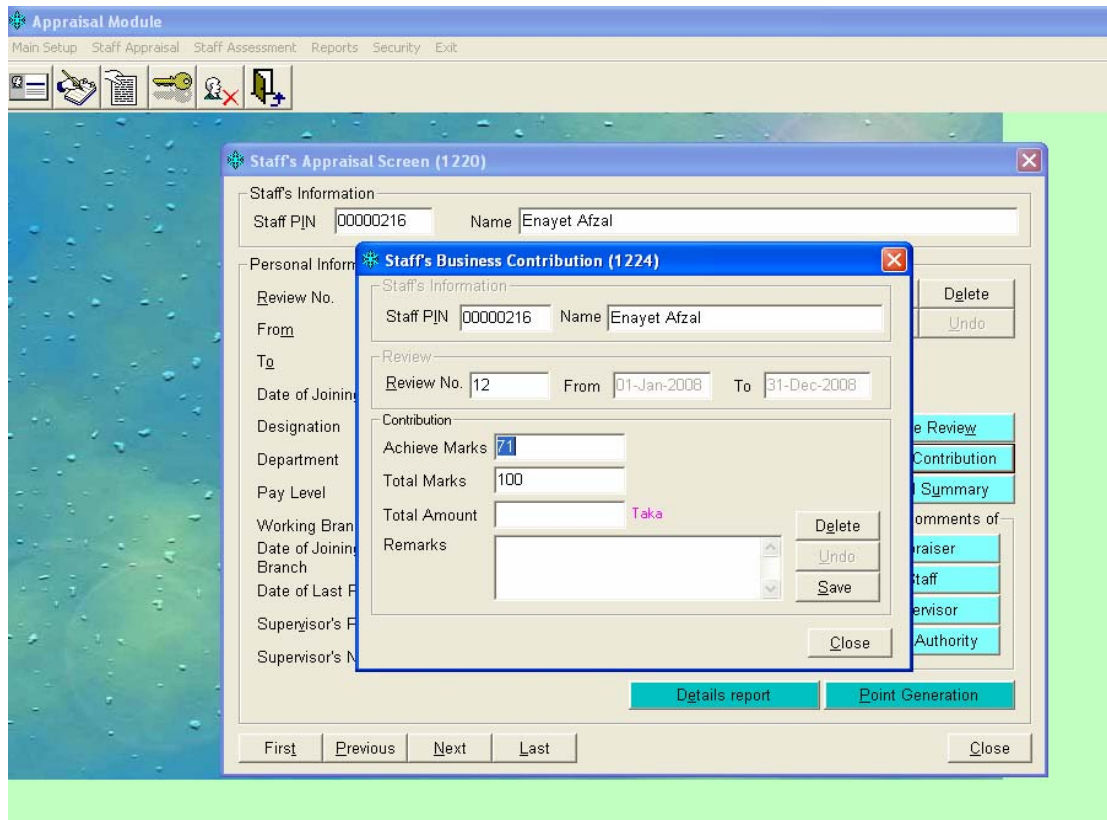


This is the main page of entering performance appraisal. Here at the beginning Staff PIN has to be entered. This is a very crucial point when this pin is entered for entering performance appraisal. If the wrong pin is entered then the appraisal will be a wrong entry. Because wrong PIN means wrong person. And the evaluation process will be affected. So when the system is in work in progress at least two persons work together to make sure that there will be no confusion or mistakes. When the pin is entered the employee name and other details automatically appears. Here previous entries can be checked.



From here operator have to click add new. Then dates have to be entered in From & To box. For an example if the operator has to enter the appraisal of 2009 then the entry will be like this: 1-1-09 to 31-12-09. Then date format will automatically change like 01-Jan-2009 and 31-Dec-2009. After that the supervisors pin number have to enter. If the correct pin is entered then the

name will automatically appear in the next box. After that business contribution button has to click. A new menu will appear which is like the picture below.



Here achievement marks have to enter along with total marks and clicks save. The achievement marks will be as follows:

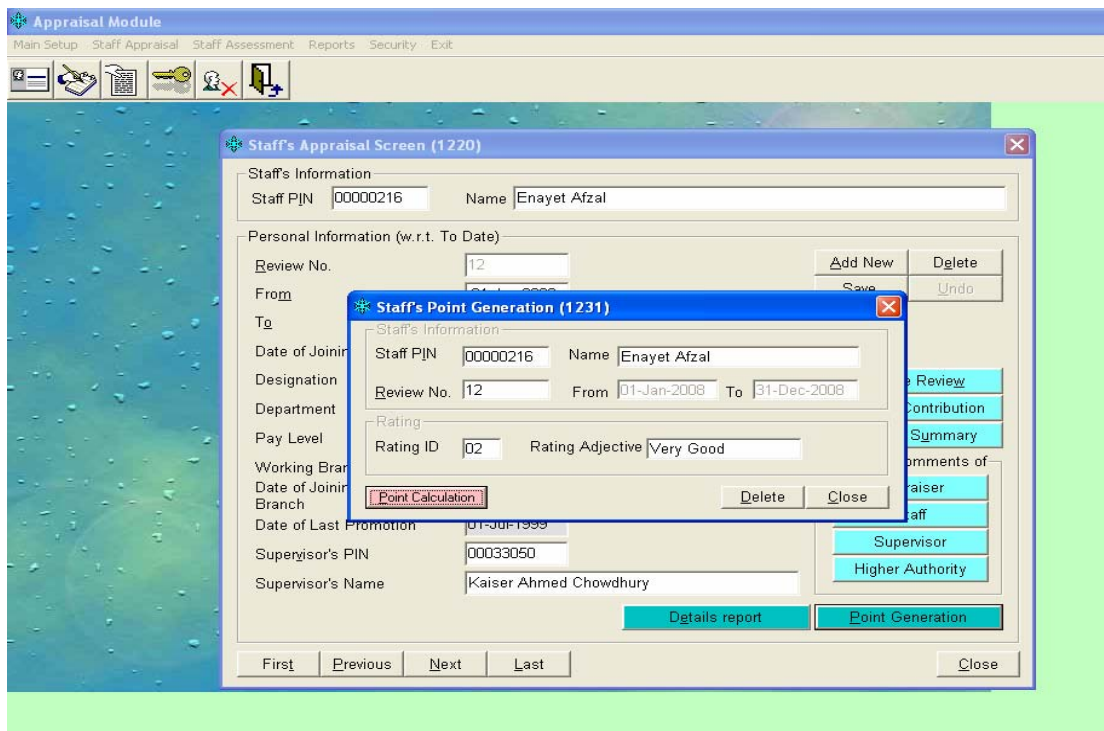
Excellent (EX) = 91 - 100,

Very Good (VG) = 71 - 90,

Good (G) = 51 - 70,

Average (AVG) = 31 - 50 and

Below Average (BAVG) = 0 – 30. After that it needs to close the menu and click Point



Generation button. Then the operator has to click the point calculator button. Then the ratings Adjective will be appear in the right side of the box. This way each employee's appraisal is entered into the database. This is the systematic process of entering Performance Appraisal Form of the employees of AB Bank Limited.

Chapter – 6

Conclusions & Recommendations

6.0 Conclusion

AB Bank Limited, the pioneer private Bank of the country has created a sense of mass participation through its diversified activities over the last 28 years. Their numbers of client's service recovers and supporters have been increase rapidly. Even their employee number is now around 2000. They are maintaining their banking business with their 77 branches. For its diversified banking service, it has got a wide range of publicity and created a special image the banking area in the country. ABBL has started making profit from 1985 to still now. Now they are the second highest profit making organization among the private commercial banks of Bangladesh.

The report is aimed at the Human Resource Division. AB Bank Limited operating in the market with the ambition of becoming the Bank of choice for its clients and all its stakeholders. It is just natural for ABBL to pitch its customer service benchmarks high, at a level where the local standard are far exceeded and global standards are embraces and met.

AB Bank Limited is committed to focus to all its energy on its customer as well as its employees. This is sure a strong Human Recourse practices will help ABBL pave the way leading to outmost destination. Human Resources Division in AB Bank Limited is under massive reconstruction program ensures the future benefits and high corporate culture and the secured place of contribute and dedicate the experience and exposure of high professionalism.

6.1 Ending Remarks

In the fast evolving world, it is very necessary for each and every organization to build a strong presence in the market by maximizing profit margin by satisfying their customers and employees as much possible. As a bank, the manager has to identify the strategies that align, fit or match the banks' resources and capabilities to the demands of the environment in order to exploit opportunities and counter threat and to correct company weakness building on the strength. It is also necessary to make their human resource more efficient to face all the challenges effectively. It is like a process containing corporate planning, performance analysis, program or service delivery, and evaluation and review.

After completing my internship program with AB Bank Limited, HR Division, Head office, I think the following recommendations will help them to improve the employee satisfaction and also the HR Division:

Identical Human Resource Policy: There should be a unique HR policy in the organization immediately; through the recognition of HR policy is under progress supervised by the Manager and the head of HR.

Human Resource Development: There should be all kinds' development activities as individual, career and organizational by the Human Resource Department for enhancing the employee's growth as well as achieve organizational hierarchy.

Training Need Assessment: AB Bank Limited has all the potential capabilities to make its employee more efficient and help being the future leader. Training is a common practice for the employees of any bank. This training should be organized by the human resource department only through need

assessments. it can be examines through the performance evaluation process by which HR Division will determine where he/she should have some more exposure.

Post Training Assessment: AB Bank Limited has many training programs local and abroad as well. Many employees sent to these programs every year. But a biggest loophole is they don't take any steps to measure the efficiency of the employees after the training program. The training program is helpful or not for the employees they don't measure it. But this not he proper way. They should evaluate the previous performance and the after training performance to identify the improvements. It will help the bank to identify which training program is helpful for which skill development.

Performance Appraisal System: The existing appraisal system can be changed or modified and new system could be developed which will articulate the accurate picture. The criteria of evaluation should cover more competencies of an employee. The system could cover criteria as individual, social along with the core business competencies. The result can be used for training need assessment and help taking proper development initiatives.

Linkage among Other Division: A department like HR Division cannot perform isolated where Human Resource Department is in the core of all other department with the responsibilities of maximizing the employee's benefits as well as achieving organizational objectives. For better services, HR Division must establish a proper linkage within the other functional departments.

Reward and Recognition: Only higher salary package cannot satisfy a self motivated and exposed employee in higher level. The employee wants recognition and reward for their self actualization. There are few reward and recognition options is available in AB Bank Limited should review for deals

with employee turnover. The workforce should be structured and the standard functional designation should be in act.





Annexure

PERFORMANCE APPRAISAL FORM

(Managers)

Year: _____

Name of the Employee (Appraise):	Position →		
	Age :	Service with AB	Service Present position
Name of Supervisor (Appraiser):			
	Date of last promotion	Rating →	Year 2007
			Year 2006
Job location →			

A. Factors	Target (s)	Achievement	% Score
1. Profit			

Other Strategic Targets contribution to (A) → NB: If "A" is achieved, "B" rating may be ignored			% Score
1. Deposit			
2. Loans / Advances			
3. Exports			
4. Imports			
5. Remittance			
6. Guarantee/Bond			
7. Other income			

Quality of Achievements: 25 points PLUS or MINUS over achievement of (A) (To be applied proportionately)			% Score
1. Audit Compliance	100% compliance = 5 point		
2. NPL (New)	100% compliance= 5 point		
3. NPL Recovery	75% achievement = 5 point		
4. Operating Budget	5% saving = 5 points		
5. Employee development	Monthly meetings, Weekly coaching , Employee feedback = 5 points		
Total	25		

Over Score → → → : (A) _____ (B) _____ (C) _____ = _____	
---	--

PERFORMANCE SCORE CARD (Tick ✓)

Less than 65% Below Average	65 - 79% Average	80% -100% Good	101% - 109% Very Good	Equal or above 110% Excellent
Far below target	Near to target	Achieved target	Exceeded target	Exceptionally exceeded target

D. Assessment of Knowledge & behavioral competence for <u>Potential Listing</u> only) 1=Need development, 2=Average, 3=Good, 4=Very Good & 5 =Excellent					
KNOWLEDGE & BEHAVIORAL COMPETENCE FACTORS	RATING → Tick ✓				
	1	2	3	4	5
7. Overall Knowledge profile in assigned job responsibilities (core job)					
8. Knowledge about AB Bank's product & services , Organization, Policies & Processes (updated)					
9. Appreciation in banking business					
10. Computer literacy & IT knowledge relates to banking					
11. Planning: Ability to plan own job activities and able to prioritize and drive actions for results					
12. Customer understanding and care					
8. Awareness about compliance issues					
17. A self starter with drive & initiatives					
18. Attitude (a positive thinker & adoptable to change)					
19. Analytical ability					
20. Communication ability					
21. Inter-personal relationship					
22. A team worker believes in team commitment					
23. Ability to influence others & gain commitment					
24. Speed in action					
25. <u>Integrity & Conduct in service (comment) :</u>					

H. HR review & comments:

HR Representative

I. Interview outcome & comment by HR Steering Committee – Sign & Date (if necessary to organize)

HR Steering Committee Representative



PERFORMANCE APPRAISAL FORM

(All employees other than Managers)

Year: _____

Name of the Employee (Appraise):	Position →		ID #
	Age :	Service with AB	Service Present position
Name of Supervisor (Appraiser):			
	Date last promotion	Rating →	Y 2008 Y 2007
Job location →			

A. Key Job responsibilities / Targets / Work plan (in brief) of the employee in Y.....

<ul style="list-style-type: none"> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> ▪ <u> </u> 	
--	--

B. PERFORMANCE CATEGORY: Given the job responsibilities and considering Quantity & Quality of **On-the-job** performance, evaluate performance category: (Any one of the following performance category)

5 (Five) Performance Categories	Justification in brief – Please give examples	Tick / RATING
EXCELLENT (EX) → 100%+ ACHIEVER: Exceptionally Exceeded Performance Standards / Targets / Given Work Plan <u>far above</u> expectation.		
VERY GOOD (VG) → 100%+ ACHIEVER: Reasonably Exceeded Performance Standards / Targets / Given Work Plan <u>above</u> expectation.		
GOOD (G) → TARGET ACHIEVER: Met Performance Standards /Targets / Given Work Plan <u>satisfactorily within</u> expectation.		
AVERAGE (AVG)→ Nearly TARGET ACHIEVER: Closely Met Performance Standards / Targets / Given Work Plan, <u>but not fully</u> satisfactory		
BELOW AVERAGE (BAVG) → Performance Far Below the Standard Expectation / Targets / Given Work Plan – A poor performer.		

E. Assessment of Knowledge & behavioral competence for <u>Potential Listing</u> only)					
1=Need development, 2=Average, 3=Good, 4=Very Good & 5 =Excellent					
KNOWLEDGE & BEHAVIORAL COMPETENCE FACTORS	RATING → Tick ✓				
	1	2	3	4	5
13. Overall Knowledge profile in assigned job responsibilities (core job)					
14. Knowledge about AB Bank's product & services , Organization, Policies & Processes (updated)					
15. Appreciation in banking business					
16. Computer literacy & IT knowledge relates to banking					
17. Planning: Ability to plan own job activities and able to prioritize and drive actions for results					
18. Customer understanding and care					
9. Awareness about compliance issues					
26. A self starter with drive & initiatives					
27. Attitude (a positive thinker & adoptable to change)					
28. Analytical ability					
29. Communication ability					
30. Inter-personal relationship					
31. A team worker believes in team commitment					
32. Ability to influence others & gain commitment					
33. Speed in action					
34. <u>Integrity & Conduct in service (comment) :</u>					

I. HR review & comments:

HR Representative

J. Interview outcome & comment by HR Steering Committee – Sign & Date (if necessary to organize):

HR Steering Committee Representative



References

8.0 References

Dewakar Goel (2008)

Performance Appraisal And Compensation Management: A Modern Approach. pp 8 - 272.

Dulewicz V. (1989)

Performance appraisal and counselling, in Herriot, P., *Assessment and selection in organizations: methods and practices for recruitment and appraisal*, John Wiley & Sons, New York, pp645-649.

Baron, R.A. (1988)

Negative effects of destructive criticism: impact on conflict, self-efficacy, and task performance, *Journal of Applied Psychology*, Vol 73, pp199-207.

Bannister, B.D. & Balkin, D.B. (1990)

Performance evaluation and compensation feedback messages: an integrated model, *Journal of Occupational Psychology*, Vol 63, June, British Psychological Society.

Heneman, R.L., Greenberger, D.B. & Anonyou C., (1989)

Attributions and exchanges: the effects of interpersonal factors on the diagnosis of employee performance, *Academy of Management Review*, Vol 32, No 2.

Larson, J.R. (1989)

The dynamic interplay between employees' feedback-seeking strategies and supervisors' delivery of performance feedback, *Academy of Management Review*, Vol 14, No 3.

Cash, M. (1993)

[in] Collins, R. (1993) (Ed.), *Effective Management*, CCH International, Sydney.

Harris, D.M. & DeSimone, R.L. (1994)

Human Resource Development, Dryden Press, Forth Worth.

Bernardin, H. J., Kane, J. S., Ross, S., Spina, J. D., and Johnson, D. L. (1996)

"Performance Appraisal Design, Development, and Implementation." *In Handbook of Human Resource Management*, Gerald R. Ferris, Sherman D. Rosen, and Darold T. Barnum ed., Cambridge, Mass: Blackwell, pp462-493.

Illgen, Daniel R., Barnes-Farrell, Janet L., and McKellin, David B. (1993)

"Performance Appraisal Process Research in the 1980s: What Has It Contributed to Appraisals in Use?" *Organizational Behavior and Human Decision Processes*, 54: pp321-368.

Jawahar, I. M., and Stone, T. H. (1997)

"Influence of Raters' Self-Consciousness and Appraisal Purpose on Leniency and Accuracy of Performance Ratings" *Psychological Reports*, 80: pp323-336.

Jourdan, J. L., and Nasis, D. B. (1992)

"Preferences for Performance Appraisal Based on Method Used, Type of Rater, and Purpose of Evaluation" *Psychological Report*, 70: pp963-969.

Deets, N.R. & Tyler, D.T. (1986)

How Xerox improved its performance appraisals, *Personnel Journal*, Vol 65, April, pp50-52.

Kaplan, R. E. (1993)

"360-Degree Feedback Plus: Boosting the Power of Co-Worker Ratings for Executives." *Human Resource Management*, 32: pp299-314.

Kravitz, D. A., and Balzer, W. K. (1992)

"Context Effects in Performance Appraisal: a Methodological Critique and Empirical Study" *Journal of Applied Psychology*, 77: pp24-31.

Mount, M. K., Judge, J. A., Scullen, S. E., Sytsma, M. R., and Hezlett, S. A. (1998).

"Trait, Rater, and Level Effects in 360-Degree Performance,"
Personnel Psychology, 51,3:557.

Peach, E. B., and Buckley, M. R. (1993).

Pay for Performance. In H. J. Bernardin and J. Russell (eds.), *Human Resource Management: An Experiential Approach*. New York: McGraw-Hill, 482-515.

Sanches, J. I., De La Torre, P. (1996)

"A Second Look at the Relationship Between Rating and Behavioral Accuracy in Performance Appraisal," *Journal of Applied Psychology*, 81:3-10.

Schneier, C. E. and R. W. Beatty (1979)

"Developing Behaviorally Anchored Rating Scales (BARS)" *The Personnel Administrator*, August (1979),60.

John Wiley & Sons (2007)

"Performance appraisal and counselling, in Herriot, P., *Assessment and selection in organizations: methods and practices for recruitment and appraisal*" p 35 .

Baron R. A.

Negative effects of destructive criticism: impact on conflict, self-efficacy, and task performance, *Journal of Applied Psychology*, Vol 73, pp199-207.

AB Bank Limited, 2010.

www.ababnk.com.bd

AB Bank Limited internal Web site (Intranet).

May 2010.

www.performanceappraisalprocess.com

<http://www.humanresources.hrvinet.com/graphic-rating-scales/>

www.performanceappraisalprocess.com

http://en.wikipedia.org/wiki/AB_Bank_Limited

Mr. M. Shabbir Ali

SVP, Acting Head of HR Division.

Head Office, Motijheet, Dhaka – 1000.

Mr. Mehedi Hasan

AVP, Human Resource Division,

Head Office, Mitijheel, Dhaka – 1000.

Mr. M. Hasan Mottalib Chowdhury

Principle Officer, Human Resource Division,

Head Office, Motijheel, Dhaka – 1000.

Mr. M. Mahmudur Rahman

Officer, Human Resource Division,

Head Office, Motijheel, Dhaka – 1000.