

# 8 Human Resource Management

## 8.1 Overview

The quality and management of human resources (HR) has a direct impact on the performance of an organization. This linkage attains strategic importance when an organization aims to develop and practice high performance work culture and systems. During the period under review, the management of SBP Banking Services Corporation (SBP-BSC) not only has endeavored to improve the quality of HR but has also implemented strategic initiatives to inculcate a performance based culture and cross functional synergies in the Bank. As a starting step, the role of Personnel Management Department (PMD) has been shifted away from an *administrator* to an *employee champion* and from a *record keeper* to a *strategic partner* through building internal capacity and bringing a paradigm shift in the mind-set of the staff. The combined effects of these efforts have made gradual improvements becoming visible through changes in organization culture, enhancement in employee performance, decline in grievances and improvement in Bank's image amongst the external stakeholders.

With a view to maintain a motivated, self driven and trained HR base, PMD has adopted and followed a six pronged strategy during FY08 encompassing (i) Organizational restructuring, (ii) Organizational transformation through OD/ Change Management Process, (iii) Inculcation of performance and merit based culture, (iv) Maintenance of work-family balance, (v) Improved communication across the levels and (vi) Provision of congenial working environment.

## 8.2 Organizational Restructuring

Organizational restructuring and realignment of operational activities has been carried out to (i) create a lean and smart organization to deliver its mandate effectively and efficiently; (ii) allow SBP-BSC to exploit functional synergies, focused attention and alignment of functions; and (iii) raise quality of service standards for internal and external stakeholders.

### 8.2.1 Creation of new departments

Creation of new departments like Currency Management, Development Finance Support, Training & Development, General Services and Quality Assurance has enabled SBP-BSC to provide focused, customized and quality services to external and internal stakeholders and to serve as an effective operational arm of State Bank of Pakistan. Consequently, noticeable improvements and changes in the delivery of services, customer service standards and business processes have been witnessed. Moreover, updating of different manuals and revision of business processes, skills up-gradation of staff through on and off the job training programs and implementation of business planning processes have further streamlined the working.

### 8.2.2 Reorganization of functions

Business processes of PMD and Accounts Department have been reorganized in order to allow these departments to focus on their strategic roles and provide quality services to the

stakeholders. A new department viz General Services Department has been created to cater to the needs of employees – both existing and retired- through one window operations in respect of pensions, leave, staff benefits and advances, educational benefits, merit scholarships schemes, medical services etc.

### **8.2.3 Internal reorganization of PMD**

Change management process in SBP-BSC is aimed at revisiting age old organizational culture and mind-set to align it with requirements of modern times. PMD – the process owner is also transforming itself to play the role of strategic partner and develop HR policies and practices to maintain a skilled and motivated HR base. These new roles entail focused efforts and capacity building within PMD as well as at organizational level as under:

- PMD has internally restructured the processes to manage the OD/ Change Management process on centralized basis. Accordingly, a dedicated Organizational Development Division (ODD) has been created within PMD where experienced OD officers have been posted to work in close coordination with the OD Consultants. Further, special emphasis is being placed on counseling and coaching of the employees to address their concerns and grievances in the wake of on going change management programs.
- Administration divisions/ units in the departments/ field offices are being reorganized and reoriented to act as an extended arm of PMD and champions of change instead of just administrators and record keepers. Suitably qualified officers who have adequate business and technical understanding and flair for change management are being posted in these divisions and units.

### **8.3 Organizational transformation through OD/ Change Management Process**

Change management process has been initiated at SBP-BSC to bring corporate culture and efficiency; raise service delivery standards; improve working environment; and streamline processes to meet future challenges. In this regard, an Organizational Development (OD)/ Change Management Consultant – M/s Sidat Hyder Morshed Associates (Pvt.) Ltd, (SHMA) has been hired. The scope of work includes Diagnostic Review of BSC and assess the present state of the organization with respect to the internal and external environment and stakeholders; diagnose organizational problems in all areas of Organizational Development (viz. strategies, structure, shared values, leadership styles, HR practices, and systems etc.), assess the level of preparedness of the organization for initiation of the change management process and recommend immediate interventions for achievement of the desired minimum level on a fast tract basis. The scope also includes formulation of a change management and OD strategy along with monitoring and evaluation framework for the entire program with the implementation timelines and budget estimates for the recommended OD interventions.

The consultants have begun their study since April 15, 2008 and it is expected to be completed by the end of November 2008. As a part of the study the Consultants have carried out a detailed Employee Perception Survey to gather valuable feedback of the employees. The Survey was successfully carried out in one day simultaneously in all the offices and head office of BSC on 28<sup>th</sup> July 2008. Although the participation was voluntary but still the overall participation rate was 71 percent. The results are being compiled by the Consultants. Based on Change Management Action Plan and recommendations, long term deliberated OD interventions will be implemented in near future.

In order to win employees' support, facilitate and respond to employees' concerns about change process on the spot, a team of OD Coordinators (officers from within the departments/ field offices) have been imparted necessary training. The OD Coordinators will not only extend all the required support to the Consultants but would also act as focal point and facilitators of change process in their respective office/ department.

## **8.4 Inculcation of performance and merit based culture**

### ***8.4.1 New Performance Management System***

A new competency based Performance Management System (PMS) has been introduced in SBP-BSC for officers OG-2 and above in a phased manner. PMS envisages identifying key results areas (KRAs), setting goals, demonstrating desired behavioral competencies and identification of training needs for performance improvement in a consultative environment, which would ultimately lead to employee development and performance improvement. It establishes a linkage between individual performance and achievement of organizational goals as specified in the business plan, which would lead to strategic congruence and performance orientation.

In the first phase of implementation of the new PMS, officers OG-4 and OG-5 were brought under the new system effective from July 1, 2007 and at the end of performance year as of June 30, 2008 their annual performance appraisal was done under the new system. In this regard three Performance Appraisal workshops were conducted for officers OG-4 and OG-5. In the second phase officers OG-2 and OG-3 have also been brought in the ambit of the new PMS from July 1, 2008. The implementation of new PMS is supported by a comprehensive training plan to enable the target officers to clearly understand and successfully adopt the new system. To this end 41 Performance Planning workshops on the new PMS were successfully delivered by PMD's core team and co-facilitators in all the field offices as well as Head Office Karachi (HOK). A fair understanding of the new system was developed and these officers are now able to fill out their Performance Planning forms in line with their respective departmental/ official Business Plans keeping in view their job descriptions. Moreover, in order to provide on the spot facilitation to the officers in the field offices, a dedicated team has been developed and trained to act as PMS facilitators and deepen the ownership process in the organizations.

### ***8.4.2 Promotions***

SBP-BSC's management is committed to provide a visible career development path to high performers in every cadre. After a gap of two years promotions restricted to essential number of vacancies required to be filled immediately for smooth operations of the Bank were made. The general promotions have been deferred till the outcome of OD study being carried out by the external consultants. Nevertheless, the promotion process has been made more transparent and fair by introducing promotion interviews for the first time in BSC. A senior level Promotion Committee was constituted under the chairmanship of Deputy Governor – Corporate Services, who evaluated the shortlisted candidates to assess their potential to accept/ shoulder higher responsibilities in new positions. In all forty eight promotions were made in the OG-2 to OG-5 grades. In addition to that, 11 OG-1 of SBP-BSC secured promotions in the next grade by qualifying the external recruitment process of State Bank of Pakistan Officers Training Scheme (SBOTS) in SBOTS 13<sup>th</sup> and 14<sup>th</sup> batches.

Career development opportunities were not restricted to officers' cadre only. The support staff (Clerical/ Non-clerical employees etc.) were also given scale promotions.

### **8.4.3 Competitive Compensation**

SBP-BSC follows a competitive compensation strategy in order to motivate and retain committed workforce. One of the cardinal principles of the strategy is to recognize and reward performance in the organization through differentiated annual merit increase.

#### **8.4.3.1 Increase in salaries, advances and pension**

During the year 2007-08, an increase of 10 percent was allowed in the monetized salaries to all the serving employees across the board in order to compensate them for inflation. While rewarding to serving employees, it was ensured that retired employees are also provided some protection against inflationary impact.

##### **8.4.3.1.1 Increase in Annual Merit Increase Rates**

In order to visibly differentiate between high performers and average performers, the increment rate for OG-2 and above has reasonably been increased in the year 2007-08, as compared to 2006-07. A maximum increase of 7.5 percent has been allowed to the high performers. A comparison of increment rates of the last two years for the officer OG-2 and above is given below:

<b>Table 8.4.3.1.1 Annual Merit Increase for OG-2 &amp; above (in percent)</b>		
<b>PER Range</b>	<b>01-07-2006</b>	<b>01-07-2007</b>
46-50	5.50	7.50
41-45	4.50	6.00
31-40	3.50	4.00
11-30	2.00	2.50
0-10	Nil	Nil

##### **8.4.3.1.2 Increase in Pension**

To offset rises in the cost of living, upto 20 percent increase in pension has been allowed with effect from 1<sup>st</sup> September 2007 to different groups of retired and the families of deceased employees as detailed below:

<b>Table 8.4.3.1.2 Increase in Pension</b>		
<b>S #</b>	<b>Employees retired/ deceased</b>	<b>Increase (in percent)</b>
1	Up to 31-12-1989	20
2	During 01-01-1990 to 30-11-1997	15
3	During 01-12-1997 to 31-08-2002	10
4	During 01-09-2002 to 31-08-2007	5

##### **8.4.3.1.3 Improvements in Staff Advances**

To facilitate employees in maintaining reasonable accommodation, the limit of house building loan has been increased from 80 percent to 90 percent of the market value of property and the formula for calculation of an employee's total debt servicing has also been revised. These improvements allowed SBP-BSC employees to enhance their capacity to avail the entitled staff loan limits and fulfill their accommodation needs in the wake of rising inflation.

### **8.4.4 Maintenance of work-family balance**

In a competitive environment, maintenance of work and family life balance is an important issue for the employees. While ensuring that continuous innovations are introduced in HR policies to enable employees to maintain their work-family balance, BSC management has implemented key initiatives like Day Care Centre for employees, revival of sports activities and Health Club & Gymnasium facilities. BSC has provided an excellent facility of a day care centre within its premises. The children of all ages get supportive supervision by Montessori

trained staff employed over there. Employees can avail this facility on nominal rates and work with satisfaction that their child is being looked after under best possible child care arrangements. Likewise air-conditioned Health Club & Gymnasium facility offers a variety of latest equipments for physical fitness and cardiovascular machines, Sauna and Jacuzzi.

#### ***8.4.5 Cultural change through communication***

Communication is considered a pivotal cultural change driver. It not only helps in keeping employees informed about different initiatives in the organization but also facilitates in alleviating employees' concerns/ fears about the outcome and impact of changes. PMD, being fully aware of its role and responsibility, made efforts in strengthening the formal communication channels in the Bank so that authentic information reaches the employees in a timely manner. In this regard SBP-BSC Broadcast has been introduced through which the required circulars and announcements are sent to all employees through e-mail in an efficient and cost effective manner. Further to encourage transparency and ownership among the official communication the system of Inter Office Memorandum has been introduced which clearly indentifies the sender and recipient of communication for subsequent tracking and follow up. At the senior management level HODs forum has been made more effective by clearly identifying its role and mandate. This forum meets regularly under the chairmanship of the Managing Director and deliberates on policy issues besides operational and other issues and appropriate collective decisions are taken in the interest of Bank. Similarly, the Chief Managers Conference has also been made a regular quarterly event to discuss the strategic issues involved in the working of the Bank and improve coordination between Head Office and field offices. The reporting lines of functional departments at HOK and their counterpart divisions/ units at field offices have been made clearer to avoid conflict and confusion in the management of such divisions at field offices.

#### ***8.4.6 Provision of congenial working environment***

SBP-BSC management is cautious of providing congenial work environment to their employees where they can strive not only for raising their performance bars but also foster their psychological well-being. The renovation of first floor of the Head Office building is underway to provide for modern work stations for the employees to work in a peaceful and comfortable environment. Similarly the budget for the renovation of another floor of the Head Office building has been approved which will be carried out in FY09.

Two centrally air-conditioned cafeterias with excellent seating arrangements provide the employees with a relaxed environment for having snacks and regular meals during the day. Similarly, a dedicated air conditioned room has been provided for the drivers where they can relax and prepare themselves for performing duties at odd hours. A significant portion of the car park adjacent to Bank's mosque has been covered to provide extended space to perform Friday prayers by the Bank employees as well as people of nearby offices.