



**An investigation into the purpose, practice and future of Performance Related Pay  
within the Irish retail banking sector.**

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## **EXECUTIVE SUMMARY**

In the past decade retail banks in Ireland have adopted Performance Related Pay (PRP). This Performance Management (PM) tool enables organisations to link pay to performance and achieve the objective of increasing overall performance within the organisation. However, in recent times it has been suggested that PRP has led to decreased organisational performance over the long term. This risk factor has always been an inherent element of reward management but it has not always been clearly understood within retail banks. It is evident from the recent financial crisis that organisations have ignored the risks associated with focusing on narrow performance goals and have placed too much emphasis on bottom line performance. The financial crisis has prompted many retail banks, governments and regulators to seek to control and monitor reward more closely in the future.

This dissertation is a qualitative analysis of the purpose, practice and future of PRP within the retail banking sector. The methodology employed for this study is semi structured interviews. The research objectives were to explore the rationale and purpose of PRP; identify the approaches taken in relation to PRP; the potential management challenges in terms of policies and practices surrounding PRP; and to investigate the future of PRP within the retail banking sector. The primary data was collected through five semi-structured interviews.

The findings of the study highlight the comparisons and contradictions between the literature and management and union's perspectives in relation to the purpose, practice and future of PRP. The findings suggest that a more long term focus on PM and rewards strategies are needed. It was found that if PRP is to be an important aspect of strategy within retail banks, other strategic aspects such as compliance and customer service need to be incorporated.

The Hay Group (2009) provide central literature demonstrating the importance of thinking more strategically about PRP. It was found that employees should receive more feedback on an annual basis from management and it is recommended that more assessors should be

involved in the performance evaluation process. It was also found and recommended that 'soft HR' techniques should be utilised such as 'employee voice' and 'recognition' as they have proven to be motivational and contribute to effective performance. Finally, as management and unions have a huge input in decision making going forward, it is recommended that both parties work together. The common denominator for both is the employee and this allows scope for collaboration.

## DEDICATION

*I would like to dedicate this dissertation to my Grandfather, Frankie Hamm, who passed away during the year and is sadly missed. I will never forget the encouragement and words of wisdom he offered me throughout the years of my education.*

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To Damian, I would like to thank him for his constant support and guidance throughout the year.

Finally to my parents, Frankie and Miriam, thank you so much for your constant support and patience over the last year and indeed the duration of my education.

## **ETHICAL DECLARATION**

I declare that this dissertation is wholly my own work except where I have made explicit reference to the work of others. I have read the Structured Masters Programs Research policy, Procedures and Guidelines (October 2009) and hereby declare that this dissertation is in line with these requirements. I have discussed, agreed and complied with whatever confidentiality or anonymity terms of reference were deemed appropriate by those participating in the research.

I have uploaded the entire dissertation as one file to Turnitin, examined my 'Originality Report' by viewing the detail behind the overall 'Similarity Index', and have addressed any matches that exceed 3% when quotations and bibliography are excluded. Any unaddressed matches in excess of 3% are explained by way of additional note submitted separately with the dissertation. I have made every effort to minimise my overall 'Similarity Index' score and the number of matches occurring.

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**Laura Hamm**

## TABLE OF CONTENTS

Executive Summary.....	ii
Dedication.....	iv
Acknowledgements.....	v
Ethical Declaration.....	vi
Table of Contents.....	vii
List of Tables.....	xii
List of Figures.....	xiii
List of Abbreviations.....	xiv

### **Chapter One - Introduction**

1.0 Introduction.....	1
1.1 Purpose of the study.....	2
1.2 Significance and Rationale of the study.....	2
1.3 Justification of the study.....	2
1.4 Research Question.....	3
1.5 Research Objectives.....	3
1.6 Research Methodology.....	4
1.7 Structure of the Dissertation.....	4
1.8 Conclusion.....	5

### **Chapter Two – Literature Review – PRP Introduction**

2.0 Introduction.....	7
2.1 Definition of PRP.....	7
2.2 Types of PRP.....	8
2.3 Best Practice Performance Management.....	9
2.4 Growth of PRP.....	10
2.5 The Advantages of PRP.....	12

<b>2.6 The Disadvantages of PRP.....</b>	<b>13</b>
<b>2.7 Sectors that utilise PRP.....</b>	<b>13</b>
<b>2.8 Conclusion.....</b>	<b>15</b>

### **Chapter Three – Literature Review – PRP and the Irish Retail Banking Sector**

<b>3.0 Introduction.....</b>	<b>16</b>
<b>3.1 An overview of the retail banking sector in Ireland .....</b>	<b>16</b>
<b>3.2 The growth of retail banking.....</b>	<b>18</b>
<b>3.3 The growth of PRP in Irish Retail Banking .....</b>	<b>18</b>
<b>3.4 The Equitability of outcomes for stakeholders.....</b>	<b>20</b>
<b>3.5 The impact of the Financial Crisis on Performance Management.....</b>	<b>21</b>
<b>3.6 The Future and Management of PRP in the Irish Retail Banking Sector.....</b>	<b>22</b>
<b>3.7 Implications for Reward.....</b>	<b>26</b>
<b>3.7 Conclusion.....</b>	<b>26</b>

### **Chapter Four – Research Methodology**

<b>4.0 Introduction.....</b>	<b>27</b>
<b>4.1 Research problem overview.....</b>	<b>27</b>
<b>4.2 Research question.....</b>	<b>28</b>
<b>4.3 Research objectives.....</b>	<b>28</b>
4.3.1 Objective number one.....	29
4.3.2 Objective number two.....	29
4.3.3 Objective number three.....	29
4.3.4 Objective number four.....	30
<b>4.4 Research design process.....</b>	<b>30</b>
<b>4.5 Research methodology.....</b>	<b>32</b>
<b>4.6 Qualitative research versus quantitative research.....</b>	<b>32</b>
<b>4.7 Data collection methods.....</b>	<b>34</b>
4.7.1 Secondary data.....	34
4.7.2 Primary data.....	35
4.7.2.1 Interviews.....	35



4.7.2.2 Interview Merits.....	36
4.7.2.3 Interview Limitations.....	36
<b>4.8 Research Procedure.....</b>	<b>37</b>
<b>4.9 Sampling.....</b>	<b>37</b>
4.9.1 Rationale for the chosen sample.....	37
<b>4.10 Fieldwork Details.....</b>	<b>38</b>
<b>4.11 Data Analysis.....</b>	<b>39</b>
4.11.1 Computer Aided Qualitative Data Analysis & Nvivo.....	39
<b>4.12 Limitations of the study.....</b>	<b>39</b>
<b>4.13 Conclusion.....</b>	<b>40</b>

## **Chapter Five - Findings**

<b>5.0 Introduction.....</b>	<b>41</b>
<b>5.1 <u>Objective 1</u>: The rationale of PRP within the retail banking sector and the outcomes.....</b>	<b>42</b>
5.1.1 Developmental and Equitable.....	43
5.1.2 Transfer of control.....	44
5.1.3 PRP and Strategy.....	44
5.1.4 Advantages and Disadvantages of PRP.....	45
<b>5.2 <u>Objective 2</u>: The approaches taken in relation to PRP within the retail banking sector.....</b>	<b>46</b>
5.2.1 Approach to PRP.....	47
5.2.2 360 degree feedback.....	48
<b>5.3 <u>Objective 3</u>: Potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment.....</b>	<b>48</b>
5.3.1 Effects of the financial crisis.....	49
5.3.2 Managing and conquering the challenges.....	50

<b>5.4 <u>Objective 4</u>: The future of PRP within the retail banking sector.....</b>	<b>51</b>
5.4.1 Moving forward – PRP.....	51
5.4.2 Aspect of change.....	52
<b>5.5 Conclusion.....</b>	<b>53</b>

## **Chapter Six –Discussion**

<b>6.0 Introduction.....</b>	<b>54</b>
------------------------------	-----------

<b>6.1 <u>Objective 1</u>: The rationale of PRP within the retail banking sector and the outcomes.....</b>	<b>54</b>
--	-----------

6.1.1 Developmental and Equitable.....	54
6.1.2 Transfer of control.....	55
6.1.3 PRP and Strategy.....	56
6.1.4 Advantages and Disadvantages of PRP.....	56

<b>6.2 <u>Objective 2</u>: The approaches taken in relation to PRP within the retail banking sector.....</b>	<b>57</b>
--	-----------

6.2.1 Approach to PRP.....	58
6.2.2 360 degree feedback.....	59

<b>6.3 <u>Objective 3</u>: Potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment.....</b>	<b>59</b>
--	-----------

6.3.1 Effects of the financial crisis.....	59
6.3.2 Managing and conquering the challenges.....	60

<b>6.4 <u>Objective 4</u>: The future of PRP within the retail banking sector.....</b>	<b>61</b>
--	-----------

6.4.1 Moving forward – PRP.....	61
6.4.2 Aspect of change.....	62

<b>6.5 Conclusion.....</b>	<b>63</b>
----------------------------	-----------

## **Chapter Seven – Summary and Conclusions**

<b>7.0 Introduction.....</b>	<b>64</b>
<b>7.1 Research Objectives of this Dissertation.....</b>	<b>64</b>
<b>7.2 Research Objective Number One – Summary.....</b>	<b>65</b>
7.2.1 Recommendations for the retail bank .....	66
<b>7.3 Research Objective Number Two – Summary.....</b>	<b>67</b>
7.3.1 Recommendations for the retail bank.....	67
<b>7.4 Research Objective Number Three – Summary.....</b>	<b>68</b>
7.4.1 Recommendations for management within retail banks.....	69
<b>7.5 Research Objective Number Four – Summary.....</b>	<b>70</b>
7.5.1 Recommendations for management and unions.....	70
<b>7.6 Limitations of the study .....</b>	<b>71</b>
<b>7.6 Further Research.....</b>	<b>71</b>
<b>7.7 Concluding Comments.....</b>	<b>72</b>

<b>Bibliography.....</b>	<b>73</b>
--------------------------	-----------

## **Appendices**

<b>Appendix 1 – Reflection.....</b>	<b>82</b>
<b>Appendix 2 – Total Bank Employment in Rep. of Ireland.....</b>	<b>85</b>
<b>Appendix 3 – Transcription of Interview – Retail Bank 1.....</b>	<b>86</b>
<b>Appendix 4 – Transcription of Interview – Retail Bank 2.....</b>	<b>94</b>
<b>Appendix 5 - Transcription of Interview – Retail Bank 3.....</b>	<b>102</b>
<b>Appendix 6 - Transcription of Interview – Retail Bank 4.....</b>	<b>108</b>
<b>Appendix 7 - Transcription of Interview – IBOA.....</b>	<b>115</b>

## LIST OF TABLES

	<b>Page</b>
<b>Table 4.1</b> The main differences between quantitative and qualitative research	33
<b>Table 4.2</b> Categories and range of secondary data used	35
<b>Table 4.3</b> Operational details of interviews carried out	38
<b>Table 5.1</b> Details of reference system used for interview comments and quotations	42
<b>Table 7.1</b> Table addressing the details of research objective one	65
<b>Table 7.2</b> Table addressing the details of research objective two	67
<b>Table 7.3</b> Table addressing the details of research objective three	68
<b>Table 7.4</b> Table addressing the details of research objective four	69

## LIST OF FIGURES

	<b>Page</b>
<b>Figure 4.1</b> Overview of the research design process	31

## **LIST OF ABBREVIATIONS**

HRM	Human Resource Management
PRP	Performance Related Pay
PM	Performance Management
IBOA	Irish Bank Officials Association
HR	Human Resources
HRM	Human Resource Management
CIPD	Chartered Institute of Personnel Development
IBEC	Irish Business and Employers Confederation
IRS	Internal Revenue Service
ECB	European Central Bank
EU	European Union
CSO	Central Statistics Office
ERSI	Economic and Social Research Institute
AIB	Allied Irish Bank
BOI	Bank of Ireland
TSB	Trustees Saving Bank
NAMA	National Asset Management Agency
ESB	Electricity Supply Board
UK	United Kingdom
FTSE	Financial Times and Stock Exchange
US	United States
QDAS	Qualitative Data Analysis System

## **Chapter One**

### **INTRODUCTION**

#### **1.0 Introduction**

In the past two decades Performance Related Pay (PRP) has become a common Performance Management (PM) tool used within organisations. In particular, retail banks in Ireland have adopted PRP in the last ten years, as a technique for linking pay to performance to reach the objective of increasing the overall performance of the organisation. However, in recent times, despite the documented advantages of PRP it has been suggested that the practice has led to decreased organisational performance over the long term.

A number of approaches can be taken in relation to the utilisation of PRP. It has emerged that a standard type of PRP system consistently exists within all retail banks in Ireland. However, many potential challenges have come to light surrounding PRP within the retail banking environment. Mr. Larry Broderick, General Secretary of IBOA, mentioned during the primary research that significant changes have and are currently in the process of being made in relation to reward management in retail banks in which PRP is a key component.

The financial crisis has led to banks needing to question the behavioural effects, the affordability and the equitability of outcomes of PRP as a means of employee motivation. Organisations are currently responding by being more creative about how they recognise and reward performance including the implementation of non-monetary incentives.

### **1.1 Purpose of the Study**

The purpose of this dissertation is to examine PRP systems within the major retail banking institutions in Ireland. It aims to assess the perceptions of a number of managers in retail banks and the IBOA regarding the purpose, practice and future of PRP. The literature review will outline, 'best practice' PRP within retail banks in Ireland by establishing; the purpose of PRP, the advantages and disadvantages, the growth of PRP and the sectors in which it operates. Furthermore, the author will then compare this secondary research with the primary research findings.

### **1.2 Significance and Rationale of the Study**

This study has derived from the documented growth of PRP within Irish retail banks in the last decade and the recent financial crisis and media focus that has brought PRP to the forefront causing people to question its effectiveness. Currently, there is little research available which examines the equitability and outcomes of PRP in the workplace.

The research aims to provide an insight into the purpose and practice of PRP in retail banks and the role it will play in the future. The author aims to gain insight into the perceptions and opinions of a number of different interest groups which are connected in some form to this prominent issue.

### **1.3 Justification of the study**

It can be justified as to why this study should be undertaken at this time for a number of reasons:

- There has been significant growth in the last decade of retail banks adopting PRP as a means of motivating employees and driving higher performance.
- Concern has been expressed in the literature in relation to the risk retail banks have been exposed to by offering individual PRP to motivate and encourage employees to increase their performance. Research has shown that this has driven employees to think short term, work inequitably and take risks.



- The issues involved are contemporary and have received media coverage. The response from management, and union officials, are currently ongoing and by no means complete.
- The library search revealed that there are a limited number of studies in this field that have taken place within an Irish context.

#### **1.4 Research Question**

Following the review of the literature the research question was developed;

An Investigation into the Purpose, Practice and Future of Performance Related Pay in  
the Irish Retail Banking Sector

#### **1.5 Research Objectives**

After the identification of the research 'gap' to form a research question, it led to the emergence of a number of research objectives. These objectives will develop the structure of the primary research. The research objectives are as follows:

- To investigate the rationale and outcomes of PRP within the retail banking sector.
- To identify the approaches taken in relation to PRP within the retail banking sector.
- To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment.
- To investigate the future of PRP within the retail banking sector.

#### **1.6 Research Methodology**

A qualitative research method was employed for this study. In order to answer the research question, qualitative primary research was deemed the most suitable. Semi-structured interviewing was seen as the appropriate method to collect data as it would allow exploration of experiences, viewpoints, and perceptions of interviewees. The range of respondents who were interviewed included four retail bank managers from

the four major retail banking institutions in Ireland, and Mr. Larry Broderick, General Secretary of the IBOA.

## **1.7 Structure of the Dissertation**

This dissertation is made up of seven chapters which are based on the research objectives which are displayed in chapter four of the research methodology.

### Chapter 1

This chapter introduces the topic by giving a small introduction to PRP and the Irish retail banking sector. It briefly introduces the research question and objectives. The rationale for the study is discussed and finally, the research methods that are used in this study are clearly outlined.

### Chapter 2

Chapter two is the first chapter of the literature review. It begins by introducing and defining PRP. Unison (1996) outlines the different approaches to PRP. 'Best practice' PRP is discussed. The growth of PRP and the sectors that utilise it in the last two decades are addressed. Finally, the advantages and disadvantages of PRP are discussed.

### Chapter 3

Chapter three begins with introducing the retail banking sector in Ireland and the growth of the Irish retail banking sector. The emergence of PRP within the retail banking sector is addressed. The equitability of outcomes for stakeholders within retail banks is discussed. The impact of the financial crisis on Performance Management is outlined. Finally, the future and management of PRP in the Irish retail banking sector is addressed.

### Chapter 4

Chapter four outlines the research question and the research objectives that form the basis of this research. It also details the research methodology that was employed and discusses the main primary data collection method that was employed, which are semi-

structured interviews. This chapter aims to justify the chosen methodology. Finally, limitations to the research are also discussed to help achieve a balanced view of the research.

#### Chapter 5

This chapter outlines the findings from the primary data research, which was gathered from four retail bank managers from four major retail banking institutions in Ireland, and also Mr. Larry Broderick, General Secretary of the IBOA.

#### Chapter 6

The findings from chapter five are expanded upon in this chapter and a discussion is presented. The findings are compared with theorists' views from the literature review.

#### Chapter 7

Finally, this chapter concludes the dissertation. The main findings and recommendations are outlined. It discusses limitations and potential areas for future research.

### **1.8 Conclusion**

This chapter has introduced the content of the study. The purpose of this study involves an examination of PRP within the retail banking sector. It is hoped that the study will provide insight into the changing nature of PRP in retail banks and allow a conceptualisation of the reasons behind this change. This information may prove relevant to HR personnel, board and management personnel, union officials and indeed employees of the retail banks in Ireland.

The rationale and importance of the study was established from both an academic and practical stance. The objectives were stated explicitly along with the research methodology employed to fulfil the research objectives. Finally, an outline of the dissertation was provided. The following chapter aims to familiarise the reader with the existing literature.

## **Chapter Two**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter will focus on an introduction of PRP. PRP will be defined in general terms. The types of PRP and 'best practice' performance management are discussed. The growth of PRP since the 1980's will be described. An overview of the advantages and disadvantages of PRP will be outlined. Finally, the sectors that utilise PRP are discussed.

#### **2.1 Definition of Performance Related Pay**

There are many definitions of PRP within the literature. CIPD (2010 p.24) define it as *"a method of remuneration that links pay progression to an assessment of individual performance, usually measured against pre-agreed objectives. Pay increases awarded through PRP are normally consolidated into basic pay"*. Furthermore, Armstrong (2002 p.261) states that *"Performance related pay provides individuals with financial rewards in the form of increases to basic pay or cash bonuses which are linked to an assessment of performance, usually in relation to agreed objectives"*.

However, it is difficult to identify a definite, comprehensive definition of PRP. Theorists such as Homan and Thorpe (2000) suggest that it is more useful to establish the defining characteristics of PRP schemes. A huge diversity of schemes exist that may be termed as PRP. However, PRP schemes only exist when links can be established between the level of individual performance as assessed and the level of reward received by the employee. The actual relationship between pay and performance is established by a managerial assessment of performance based on either objective or subjective criteria. Finally, it is assumed that links between pay and performance will overall lead to increased organisational performance.

#### **2.2 Types of PRP**

It is apparent within the literature that many different approaches to PRP exist. There is no one answer to what approach to adopt as different approaches will be adopted for different reasons for the specific organisation. The overall instinct is to find a better

balance between short and long-term metrics, between, corporate and individual performance, and between financial, operational, customer and human capital metrics (Hay Group, 2009).

These approaches may be implemented in isolation or co-exist side by side in organisations. According to Unison (1996) there are many common types of PRP. *Piecework*: this is a standard piece rate which is paid for each unit of output produced by the employee. This is the oldest form of performance related pay. However, this type of PRP is still widely employed within manufacturing facilities. *Payment by results*: this encompasses bonus earnings dependant on measured quantities or values of output for individuals or groups alike within the organisation. This approach is usually based on work time units. It also covers a wide range of bonus schemes. *Plant or organisation wide incentives*: also known as 'bonus earnings' or 'pay levels', these are based on measured and agreed quantities or values throughout the entire organisation.

*Merit pay*: also commonly known as a bonus earning which is usually based on a general assessment of an individual employee's contributions to organisational performance.

*Performance related pay*: a more contemporary form of merit pay which is also a bonus earning based on an assessment or appraisal of an individual or group performance against previously set objectives. This approach usually forms part of a performance management system within an organisation. *Competence based pay*: is a framework introduced when rewards and training in the organisation are linked to competency frameworks. This form of PRP is based on the employee demonstrating certain skills. Finally, *profit related pay*: is a share option based on the organisation's profit performance. This is widespread in the private sector where share options are often deemed important for employees such as senior managers (Unison, 1996).

### **2.3 Best Practice Performance Management**

IBEC (2009) suggest that many factors make up 'best practice' performance management, different elements suit different organisations and specific business needs.

The Institute for Corporate Productivity (2007) provides research that suggests there are defined steps that can ensure that organisations can implement 'best practice' performance

management processes, which PRP is a significant component. More than one thousand Human Resource (HR) professionals were surveyed across a wide spectrum of industries and organisation sizes. The following are nine potential steps to ensure 'best practice' performance management.

Firstly, *development plans* for the future should be included in the performance management process. Managers should be *provided with training* to ensure that they can competently conduct performance appraisals. The overall *quality* of the performance management process should be measured and assessed frequently. A system should also be in place to address poor performance as well as high performance. The performance appraisal should include *information* other than that solely based on the primary judgment of managers. The performance review process should remain *consistent* throughout the entire organisation. Employees in the organisation under review should *receive feedback* from appraisers more than once annually. *360 degree reviews* should be utilised to support the performance evaluation process. Finally, the performance management process should include continuous goal review and feedback from managers.

According to the research conducted by the Institute for Corporate Productivity (2007), it is not essential that organisations implement all nine practices. However, the research indicated the more of the practices that are implemented the more effective performance management could be within the organisation.

In addition to this, the Hay Group (2009) present 'six top actions' that organisations can implement for 'best practice' PRP. Firstly, it is advised that organisations introduce differentiated reward structures where the majority of rewards go to the top performers as these employees are critical to the survival of the business. It is recommended to incorporate line management skills in setting goals, coaching performance and rewarding performance. It is advised to frequently clarify definitions of performance to employees and balance individual and organisational targets for bonuses. Individual targets should be aligned to the overall business strategy. Finally, greater use of multiple rewards is recommended. This can be achieved by mixing short and long-term incentives with the motivational stimulus of better career development and varied and interesting work.

## **2.4 Growth of Performance Related Pay**

PRP as a concept and approach to reward management emerged in the 1980's as an answer to motivating employees and encouraging a high performance-orientated culture within the organisation (Armstrong, 2002). The adoption of PRP increased in the eighties and it was utilised by numerous employers. It was used as a means to drive high performance. An ethos was born where employers used individual performance goals, linked to pay to support business performance objectives. Many organisations use a combination of processes and practices such as PRP, to link HR and reward strategy to the overall business strategy by rewarding employees simultaneously with achieving business objectives (CIPD, 2010).

Traditionally, in many European countries wage setting was determined by negotiations between worker unions and employer associations, and a fixed hourly rate of pay was the norm. In the new international markets, the literature presents that wage arrangements have evolved and have diverged towards the utilisation of contemporary Human Resource Management (HRM) and the utilisation of incentive based pay (Barth *et al*, 2008). Ruigrok *et al* (1999) suggest that PRP has been utilised and adopted more frequently due to the rapid and substantial change in the business environment of firms. Today, performance management is one of the key practices of HRM. It has evolved from a traditional heavily bureaucratised procedure focused on objective-setting and rating system, to a flexible process that is integrated with other HR activities in the organisation, such as talent management and career development. Whitfield and Poole (1997) argue that organising and motivating employees is not just centered around teamwork and employee involvement schemes but also on contingency pay.

Organisations that adopt PRP do not necessarily cascade it down through the entire organisation. PRP can be 'leveraged' by restricting it to employees that are considered the 'drivers' of performance – senior management. However sales staff can be included and different schemes at different levels of the organisation can be adopted based on commission schemes and incentives etc. (Armstrong, 2002). PRP quickly became a widely used HR approach to reward management throughout many organisations.

A recent survey conducted by CIPD (2009) on employee pay attitudes reported that at least 34% of employees state that pay increases in 2008 were linked to individual performance. Across the UK economy in 2006 and 2007, 35.5% of pay reviews were based fully or partly on an assessment of individual merit, according to the latest pay trends review by the IRS Employment Review (Carty, 2007). Research carried out by Kessler and Purcell (1993) revealed that there are two motives for implementing PRP. The first motive is to attract the desired employees and to signal to those existing employees what type of performance is to be retained. Secondly, the motive is to suggest to employees that the organisation is performance-driven, cost-conscious, and encourages commitment from its employees. This research conducted by the CIPD (2009) indicates that there is a desire to link pay and productivity more closely and the need to motivate employees.

There are other developments which may contribute to the recent trends in the growth and application of PRP. Firstly, the increased product market competition, occurring from both international integration and from deregulation policies, has been a contributing factor. According to Schmidt (1997), with increased competition within the product market, it is probable that it will create uncertainty for the firm. Therefore, this may trigger more delegation of tasks within the organisation and a need for a measure of performance and productivity, thus PRP. Increased competition can also generate a stronger relationship between two factors - effort and profits (Schmidt, 1997). The second development is skill-based technological change, which adds to the intensity of knowledge in production. Brown (1990) suggests that environments are likely to benefit from PRP where high skilled tasks are required of the employee and employee output is more sensitive to differences in quality, in comparison to environments that require less skill.

## **2.5 The Advantages of Performance Related Pay**

Cotton (2007, p30), a reward adviser at the CIPD, states that: "*The jury is still out on whether performance-related pay can improve employee engagement. There's evidence to show that it does and it doesn't.*"



The most powerful argument in favour of PRP is that employees that contribute more should be paid more. Research suggests that it is correct to recognise achievement with a financial and tangible reward (Armstrong and Stephens, 2005). The E-research 2004 survey of PRP found in order of importance that the main reasons for implementing PRP are; to recognise and reward better performance, to attract and retain high quality people, improve organisational performance, to act as a development tool for employees and attract them to career development opportunities, to focus attention on key results and values, deliver a message about the importance of performance, motivate people, influence behaviour and support cultural change. Kruse (1996) suggests that PRP is a method that can be used to align the incentives of the employees and employers when their output is difficult to determine. Studies carried out comparing productivity within the organisation before the implementation of PRP and after indicate that PRP is positively related to productivity (Blasi *et al*, 1996).

PRP can often dismantle collective procedures to create an individualistic employment relationship between employers and employees and provides a greater opportunity for management to gain higher control within the organisation (Kessler and Purcell, 1993). This is a direct advantage for management within the organisation.

## **2.6 The Disadvantages of Performance Related Pay**

Brown and Armstrong (1999) have carried out research in recent years on the impact of PRP. Within this area there has been huge debate amongst academics and consultants on the value of this method of reward. Beer (1984 p.173) states "*pay is not the only motivator, or even an effective motivator – it can positively demotivate*". The E-research 2004 survey found the arguments against PRP are as follows: people react in different ways to motivation, money does not motivate everyone, and PRP can militate against quality of work and focus on quantity if related to commission. PRP can create dissatisfaction rather than satisfaction if perceived as unfair, or poorly managed by employees.

It may also be difficult to establish performance criteria for specific jobs. It is usually easier to identify the criteria for employees at higher levels within the organisation because the link between organisational goals and objectives may be more straightforward than those at lower levels. The link may become less direct and also employees at these levels within the organisation may have less scope to improve their own performance. As a result it may be perceived as an unfair system (Homan and Thorpe, 2000).

According to Armstrong *et al*, (2005), PRP can encourage employees to focus solely on the tasks that will earn them financial rewards immediately or in the near future, and to not concentrate on the long term issues and the quality of their work.

## **2.7 Sectors that utilise Performance Related Pay**

It is evident in the literature that different organisations adopt different pay and incentive schemes (Holmstrom and Milgrom, 1987). As observed by Brown (1990) and later, Parent (2002) there is considerable variances in the utilisation of PRP across industries, institutional settings and other firm characteristics. A prediction made by Barth *et al* (2008) is that incentive based pay schemes are most likely to be employed in an organisation where employee discretion over work tasks is customary. While Brown (1990) and Heywood *et al*, (1997) suggest the PRP is not found to be adopted as commonly in unionised environments, Booth and Frank (1999) conclude that union presence in fact increases the utilisation of PRP. Barth *et al*, (2008) found that PRP is less likely to be established in organisations where there is a high volume of part time workers.

The financial services sector has witnessed a major revolution in the last decade due to factors such as deregulation, globalisation, and technological change (Kumbhakar and Lozano-Vivas, 2005). Retail banks have been significantly affected by these factors, which change the way in which services are provided, the channels used to deliver the services, and the nature of financial institutions. (Zuniga-Vicente *et al*, 2006). Within this hypercompetitive environment (D'Aveni, 1994), organisations demand targeted results

from each of their organisational departments, divisions or branches. This also encourages a need for a culture change through all organisational levels, from corporate management to frontline employees (Brubakk and Wilkinson, 1996).

The role of management, such as branch managers, during this culture change is critical, as they are required to be the leaders at the operations level (Wilkinson, 1995). Branch managers are empowered and oriented towards goal attainment, since branches have become decision making units and their managers have autonomy in deciding the best way of achieving goals within a set of banking services. Recent research even insists on the empowerment and goal-orientation importance at the frontline level (Nielsen et al., 2000). Therefore the literature states that branches become important contributors to the 'bottom line' of the whole organisation. Corporate managers are increasingly interested in gaining insights into the performance of their branches, and thus seeking new ways to add value to their services in such an increasingly competitive industry.

The annual survey report 2009 issued by the Chartered Institute of Personnel Development (CIPD) on reward management finds widespread use of variable pay and cash bonus plans. The use of variable pay, which PRP is an element of, is an extremely popular method used. 70% of respondents used this form of reward. The most popular arrangement for using a bonus scheme is an individually based plan, such as commission, followed by a plan driven by business results. The sectors that were examined and that utilise cash based bonus and incentive plans are manufacturing and production, private sector services, voluntary sector and finally public services. Individual PRP is far more prevalent in the private sector than the public sector, and it is essentially the norm in many sectors, specifically financial services (CIPD, 2009).

## **2.8 Conclusion**

This chapter has defined PRP. The growth of PRP has been discussed. The types of PRP and 'best practice' performance management are discussed. Both the advantages and disadvantages of PRP have been outlined. The impact of the financial crisis on reward

management has been examined and finally the sectors that utilise PRP have been addressed.

## **Chapter Three**

### **LITERATURE REVIEW**

#### **3.0 Introduction**

The chapter will firstly give a brief overview of the retail banking sector in Ireland. The growth of the retail banking sector will be discussed. The growth of PRP in the Irish banking sector will be addressed. The impact of financial crisis on performance management is discussed. The equitability of outcomes for shareholders and finally the future and management of PRP in the Irish banking sector will be outlined.

#### **3.1 An overview of the retail banking sector in Ireland**

The evolution of Irish banking dates back as far as the 1600s. The basic structure of Irish banks remained the same from the 1600's until the 1960s. However, within this timeframe the Irish banking sector did experience a wave of mergers and acquisitions (Department of Finance, 1999). These represented part of a process whereby Irish banking sought 'economies of scale' and strengthened itself to cope with the threat of external take-overs and increased competition from abroad. During the 1960s and 1970s a number of North American and European banks were also introduced into the Irish market, for example, Bank of Scotland and Rabobank, this increased competition. Competition among these banks increased significantly during the 1980s. This can be attributed to the ending of the interest rate arrangement and increased competition from other institutions (Department of Finance, 1999). In Ireland today, the European Central Bank (ECB) control interest rates within retail banks this illustrates the influence that the single European market has on Irish retail banks (Moschitz, 2004).

The banking sector is a major contributor to the Irish economy. However, the recent economic downturn of 2008 and the recent banking crisis have severely affected the Irish economy. Ireland was the first country in the EU to officially enter a state of 'recession'. This was declared in 2009 by the Central Statistics Office (CSO) (Bushe, 2009). Irelands AAA credit ranking was downgraded to AA+ by 'Standard & Poor's ratings agency'. This was due to Ireland's bleak financial outlook and heavy

government debt burden. However, the ESRI (2009) recently predicted that the Irish economy will significantly recover by 2011 and the banking sector will regain its status and return to being a major contributor to the Irish economy.

The retail bank plays a dominant role in the lives of people in Ireland. According to the Irish Banking Federation (2009) a retail bank has many functions. For example, it allows customers have access to finance. It encourages people to save. Retail banks can also be termed 'deposit taking institutions' as they accept money from their customers and deposit it in current or transaction accounts. This enables the bank to use the deposited money to help fund the loans they provide to other customers. This channels money from savers to borrowers and fulfils the fundamental economic role of 'financial intermediation'. Aside from the personal services it provides to customers it provides for small businesses, farming, non-profit organisations, and corporate and government sectors (Department of Finance, 1999).

Amongst listed retail banks and the main players within Ireland are, Allied Irish Bank (AIB) Bank, Anglo Irish Banks plc, Bank of Ireland (BOI), Irish Life & Permanent, which owns permanent Lloyds TSB, National Irish Bank and Ulster Bank. It is estimated that AIB and BOI each have about 30% market share of most products and services (excluding mortgages) offered by retail banks. Ulster Bank's share is likely to exceed 10% in the near future. National Irish Bank is believed to be in the region of 10%, while permanent TSB is lower at 7-8% (Bankhawk Banking Advisors, 2010).

However, since the advent of the banking crisis in Ireland the Government has guaranteed all deposits and borrowings, for the six Irish owned banks for the next two years. The banks covered by the National Assets Management Agency (NAMA) are: AIB, BOI, Anglo Irish Bank, Irish Life & Permanent (TSB), Irish Nationwide Building Society and the EBS (NAMA, 2009).

### **3.2 The growth of retail banking**

Banking, both corporate and retail has grown considerably since the 1980s. There are many reasons for this growth – globalisation, technology improvements, the advent of the twenty four hour financial market place, deregulation and increased competitiveness between financial services. Therefore the role of the retail bank is continuing to evolve, with banks offering an expanded range of products, developing new delivery channels, and generally operating in an increasingly competitive environment (Department of Finance, 1999).

The growth in retail banking within Ireland is demonstrated in Appendix 2 as it illustrates the growth in employment in the Irish banking sector. Between 1997 and 2008, private sector credit grew from €69,095 million to €395,118 million, a 570% increase (Central Bank & Financial Services Authority of Ireland, 2009). Competition in the retail banking sector grew in proportion with the growth of this sector. Increased competition was one of the results of the deregulation of the banking sector in Ireland in the 1990s. The harmonisation of the EU market place which allowed foreign competitors to enter domestic markets, as well as the introduction of the euro currency, were also major contributing factors (Department of Finance, 1999).

According to the Department of Finance (1999), the ECB has classified the Irish banking market as one of 'medium concentration'. However, elements of Irish banking, including retail banking, are considerably more concentrated. Irish banks in the last ten years were extremely profitable, which reflects Ireland's strong economic performance in the last decade. Cost and income ratios for Irish banks also compare very positively with those of other countries.

### **3.3 The growth of PRP in Irish retail banking**

With the dramatic growth in employment within the retail banking sector, came the need for the management of these key resources (e.g. staff). Employees were traditionally rewarded on a conservative basis. However, in the early 2000s, banks changed their policies to allow for more attractive reward packages. The logic for this

change was to allow for the attraction and retention of staff, which is consistent with Kessler and Purcell (2004). It is suggested that these policy changes, which were influenced by the UK model, were not sustainable (Covered Institution Remuneration Oversight Committee, 2009).

The intangible and complex natures of financial services suggest that the role of the employee as a service provider is paramount. The employee becomes a crucial element in the delivery of high quality service. Thus, the success of the organisation depends on the performance that the employee exhibits within the organisation. A study carried out by Doukakis (2002) indicates that retail banks have adopted performance management strategies, for example PRP to achieve service quality high performance. According to Babin *et al* (2002), retail banking firms attempt to 'control' customer-contact employees by monitoring and rewarding input processes, job processes and by shaping the desired outcomes. Management can use output controls to get the desired outcomes from their front line employees, controls such as PRP, and produce a more empathetic work environment (Babin *et al*, 2002).

In 2003, the Financial Regulator was established to provide oversight of the financial sector and to protect consumer interests. The office of the Financial Services Ombudsman became operational in 2005, to act as an impartial judge in the handling of complaints. Since these offices have been established, there have been numerous complaints in relation to the mis selling of financial products to consumers. Retail bank employees were rewarded based on how efficiently they sold financial products. This form of PRP led to the overlooking of best practice, where risk was not balanced with return (Westlake, 2009). There are many cases where customers were sold products which were not suitable to their circumstances, the 'mis-selling' of financial products (Financial Services Ombudsman, 2009).



### **3.4 The equitability of outcomes for stakeholders**

Shareholder value maximisation is the overriding objective for most organisations. Agency theory deals with the conflicts in objectives between shareholders and the management of the company. To help solve this agency problem, PRP has been implemented within organisations to align managements' interest with shareholders – high performance and value creation (Arnold, 2005). It has been seen within the Irish retail banking sector, in retail banks such as Anglo Irish Bank that PRP has encouraged dysfunctional and unethical behaviour. This has led to the original aim of PRP not fulfilling its' original purpose.

With PRP incentivising employees to behave in a short term focus, with the objective of acquiring reward, customers have experienced the negative effects over the long term. The Financial Services Ombudsman has dealt with many complaints, where customers have been sold investment products under false pretences which were not suitable to their circumstances (Financial Services Ombudsman, 2009).

In the past eighteen months there has been huge interest and coverage surrounding the outcomes for shareholders after the financial crisis. According to Watson Wyatt (2009) there is currently a major demand from shareholders and regulators for sustained growth over the long term to justify the significant payouts rewarded to executives. The main manifestation of this will most probably be in the introduction of long term elements into short term incentives through deferrals and 'claw back arrangements'. Watson Wyatt (2009) states that this is something that has already started to be implemented during 2009, as two FTSE 100 companies introduced an element to their short-term incentives where deferred bonuses were forfeited if it was determined that the performance that led to the award being granted was not equitable.

In Europe many shareholders are in favour of more extensive disclosure of executive pay. However with regulation already in place it is unlikely that there will be widespread change in this area. However, Watson Wyatt (2009) concludes that additional legislation may be passed and this may allow for shareholders to remove remuneration committee chairmen, have a say on the appointment of remuneration

consultants, or even sit on the remuneration committee, but these changes do not seem probable in the near future.

The Combined Code on Corporate Governance (2009) focuses on the importance of having strong non-executive director composition on the remuneration committee. This may help deter short term attitudes to the detriment of various stakeholders.

### **3.5 The impact of the financial crisis on Performance Management**

Within the area of performance management currently lies a 'catch 22' situation. Organisations need their employees to be more motivated and energetic than ever in order to come out the other end of this financial crisis, whilst organisations can not afford to provide attractive monetary rewards as times are tighter (Phillips, 2009). Research carried out by the CIPD (2009) highlights the main issues for organisations facing performance management issues in the current climate. The findings of the CIPD research (2009) show in relation to rewarding performance, sixty three percent thought it is now more difficult to reward good performance but pay does not seem to be the answer. Fifty six percent disagree that more organisations are adopting PRP, and finally ninety percent believe organisations have to be more creative about how they reward performance and use more non-financial incentives.

Research carried out by Watson Wyatt (2010) highlights the negative effects that the financial crisis may have on 'high performers' in the organisation. For example, twenty percent of top performing employees are less likely to understand the link between their goals and the goals of the organisation than they did in 2008. Also, employees believe that the changes made by employers surrounding pay and work practices can have a negative impact on the quality of work and thus the delivery to the customers. These results may be a signal that things are not going to return to the way they used to be after the financial crisis. Consequently, organisations must take a proactive approach to mitigate the negative effects of change on employee morale and productivity. Employers may need to re-evaluate the "deal" with employees and build a renewed

bond as the economy recovers. The literature suggests that employees may exit the organisation if employers do not take this into consideration.

Watson Wyatt (2009) surveyed approximately one hundred and eighty seven HR and compensation executives in large US based organisations to analyse the effect the downturn in the economy is having on their pay programs. It was found that over half (56%) of the organisations surveyed have frozen salaries and pay programmes and two thirds of this percentage have no plans to restore salaries within the next six months. In the next two years almost all organisations surveyed are expecting to be more scrutinising in relation to executive pay plans and believe as a result that the relationship between pay and performance will improve. Finally it was found that fifty eight percent of organisations surveyed are expected to reduce their merit budget for 2010. This indicates a cautious attitude towards the economic crisis and recovery. For example, organisations have reduced their reward programs and reward funding levels within organisations have dropped from eighty two percent in 2008 to seventy five percent in 2009.

However, performance management tools have been very important to organisation in recent times. It was identified by Watson Wyatt (2010) that seventy one percent of organisations used performance as an indicator in determining which employees to make redundant in order to 'tighten the belt' in the economic downturn.

### **3.6 The future and management of PRP in the Irish retail banking sector**

As outlined in chapter one, PRP can allow for many advantages for the employer and the employee. Many theorists state that when PRP is effectively utilised, it can prove value adding for the organisation. The negative outcomes of PRP in the Irish retail banking sector on the shareholder and the customer have been evident within the last decade. This indicates that the management of PRP in this sector needs to be reviewed. The Covered Institution Remuneration Oversight Committee (2009) has recommended the benefits of long term incentive schemes rather than short term PRP. By deferring

rewards over a long term horizon, employees are encouraged to balance risk with return. In a Report to the Minister for Finance by the Governor of the Central Bank (2010) it is stated that financial institutions, both Irish and foreign, are prone to significant misjudgements, especially in the presence of an incentive system which can tend to favour short term returns over longer term avoidance considerations.

Incentive schemes and the form of PRP within the Irish retail banking sector, in the last number of years may no longer be sustainable or suitable and a new PRP framework may need to be adopted and managed accordingly. IBOA General Secretary, Larry Broderick (2009) set out a programme of fundamental changes to repair integrity to the Irish banking sector. One of the main points he highlighted for review was 'performance-related pay' in all retail banks.

According to Phillips (2009), HR professionals and employers should ensure that reward packages and incentive schemes should not lead to inappropriate risk taking activity but they should reflect the long term performance of the organisation. The CIPD (2010) has published ten strong principles that were nominated by experts in the field of reward, with the objective of supporting HR directors and remuneration committees in developing ethical and fair reward policies within organisations. These principles are particularly aimed at retail banks and other financial institutions to address the recent debate over executive pay and 'fat cat' bonuses paid to bankers.

The ten principles represent the CIPD's perspective on executive remuneration and they present how it should be approached, regardless of the size or business sector the organisation has. These principles have been designed to be sustainable over time. The *remuneration policy* should be simple, clear, and associated with the organisation's business strategy. The *balance* between both fixed and variable compensation should be decided subsequent to considering each individual executive role and level within the organisation, alongside with desired behaviours. *Variable elements* of the remuneration package should be in existence. This ensures that total reward continues to be tandem with organisational performance. *Incentives* should be strongly aligned to

the achievement of the organisation's strategic objectives and the delivery of sustainable value to stakeholders. *Remuneration Committees* should act independently and thus be able to demonstrate this independence in approving the remuneration policy. Following the prior principle this follows on by discussing that the *Remuneration Committee* must have appropriate skills, up-to-date knowledge, independence of thought, and finally, experience of reward and performance management and understanding of the organisation. The *time line* over which 'value' is created and performance is measured should be considered by the Remuneration Committee in designing the remuneration package. The Remuneration Committees should seek to *understand the potential cost* of remuneration arrangements in the organisation, over short, medium and long term. The Remuneration Committee, should have direct access to 'expert' advice, and this should be sourced externally or internally to the organisation. Finally, when making and finalising remuneration decisions, the Remuneration Committee should have the *discretion* to exercise judgement, taking the broader context of the organisation into account alongside its performance, as appropriate.

Pay has decreased in the financial sector in the past twelve months, alike pay in almost all other sectors within Ireland. Barth, *et al*, (2008) indicates that this is primarily due to the cut in PRP and other bonuses after the unprecedented banking crisis. Figures released by the Central Statistics Office (CSO) (2009) illustrate that pay has dropped eleven percent in the twelve months prior to March 2009. This can be attributed to the six five percent drop in 'irregular earnings' such as PRP and bonuses.

In a recent report commissioned by the Minister of Finance in Ireland, Brian Lenihan (2010) it is stated that a huge area for investigation and a contributor of the banking crisis in Ireland was 'incentive pay' and this area needs better managed. Increased surveillance is needed to achieve greater clarity to ensure that monetary incentives are equitable and corrected going forward in to the future. Regulation is becoming more important moving forward.

Financial institutions within Ireland have all introduced pay freezes, though pay cuts have only arisen by way of cutting bonuses. Basic salaries have not declined. For example in Irish Life Permanent, which owns Permanent TSB, the country's largest mortgage lender, stated that *"a pay freeze at the company would generate savings of €22 million in 2010"*. The company has also ended bonuses for senior staff and its profit share scheme for employees. Allied Irish Banks cut staff costs by nine percent to €654 million during the first half of this year by not replacing staff that leave the bank and by cutting PRP. The Irish Bank Officials' Association (IBOA), which represents almost 24,000 employees in the Irish retail banking sector, states that pay has decreased by 12 percent over the past year because banks have, for the most part, not passed on national wage agreement increases or paid incremental salary increases to employee.

Research conducted by the Hay group (2009) suggests that a successful and responsible reward strategy within financial institutions should take account of the following factors; It should enable the long-term sustainable success of the organisation. The reward should be paid out over the same timescale that business value is created in. Rewards should be linked to a bundle of performance measures that reflect the impact of the activity and not only on shareholder value, but on the bigger picture. It should not enrich management and employees to the detriment of shareholders. The extent to which performance is driven by external factors beyond management or the employee's control should be accounted for. It should take account of the risks inherent and capital employed in the business, and the impact this has on the returns required by shareholders. The reward strategy should achieve an appropriate balance between individual, team and corporate performance. It must be competitive enough to attract the talent the business needs. It must be justified in differentiating between the highest and least well paid by impact, workload, intensity and personal risk. The reward strategy must be actively, effectively and repeatedly communicated to employees and stakeholders. Finally, it must be recognised that reward is more than pay.

### **3.7 Implications for Reward**

In many ways, the recession has acted as a 'wake up' call for reward systems within organisations. Shabby practice became routine in relation to reward processes during the boom years. The economic downturn, as a result has forced many organisations to think cautiously about who and what they are paying for. The Hay Group (2009) has devised eight principles that will help managers within retail banks who are responsible for reward management to ensure their reward programs are effectively aligned and supportive of their business strategy.

Firstly, it is important to *create a performance culture* within the organisation. It is fundamental that organisations *think in terms of 'total reward'*, intangible benefits such as career development opportunities play a vital role in employee engagement. *Consider all costs*, it is easy to overlook the total cost of reward, for instance benefits and allowances can account for 40% of reward costs. *Build in flexibility* to bonuses and do not only focus attention on key goals, but also provide a cost buffer in downturns. Ensure for a *thorough assessment of risk*, risk is inherent in reward as witnessed by the financial crisis. *Balance global and local requirements*, a close assessment of the effectiveness of reward programs at both global and local level is essential to a successful strategy. *Reward effectiveness*, reward programs need to deliver a clear return on investment, clarify what you expect your reward programs to deliver. Finally, *nurture innovation* within the organisation.

### **3.8 Conclusion**

This chapter has given an overview of the growth in the Irish retail banking sector, as well as the growth of PRP within this sector. The equitability of outcomes for stakeholders and the future and management of PRP in the Irish retail banking sector concluded this chapter. The next chapter will highlight the research problem and objectives surrounding this research area.

## **Chapter Four**

### **RESEARCH METHODOLOGY**

#### **4.0 Introduction**

The previous chapters examined the existing literature in the area of PRP, the utilisation of PRP and the outcomes within the retail banking sector in Ireland. The main objective of this chapter is to focus on the methodology employed to help address the study. A research problem will be established and following this, a research question and research objectives will be discussed. Furthermore, data collection methods, primary and secondary research will be outlined. Finally, the method of primary data collection used in this study is detailed.

#### **4.1 Research problem overview**

A critical step in the research process is defining the research problem. Smith (1991) suggests that this involves identifying the focus and the specific purpose of the research project. Sekaran (2000, p.67) sees it *"useful to define a problem as any situation where a gap exists between the actual and the desired ideal states"*. A research problem needs to have a clear purpose and be objective. The research problem of this study investigates the growth, utilisation and outcomes of PRP in the retail banking sector.

In the last two decades retail banks in Ireland have adopted PRP as a tool for linking pay to performance to reach the objective of increasing the overall performance of the organisation. The preceding chapters have discussed the growth of PRP and the presence it has established within banks throughout Ireland. The reasons that have contributed to the utilisation of PRP have been identified and the approaches that retail banks have taken in terms of adopting PRP are discussed. The literature also discusses the impact of the financial crisis on performance management and PRP and the potential management challenges of PRP into the future. This study will investigate the purpose, practice and future of PRP within the retail banking sector in Ireland.



## **4.2 Research question**

In order to address the research problem in a systematic and logical approach a research question needs to be clearly established. Saunders *et al* (1997) highlights the importance of conducting a thorough in-depth literature review as a basis to form a reputable and credible study. From review of the literature in the previous two chapters, this research discovers a 'gap' in the existing body of literature. This research 'gap' forms the primary objective of this study which can be expressed as;

### **An Investigation into the Purpose, Practice and Future of Performance Related Pay in the Irish Retail Banking Sector**

## **4.3 Research objectives**

Research objectives should be specific, achievable, realistic, measurable and time-framed (Maylor and Blackmom, 2005). Saunders *et al* (1997, p.23) suggests that *'research objectives lend clearer purpose and direction to the research question'*. The specific research question within this specific study has led to the emergence of a number of objectives. These objectives will aid the development and the structure of the primary research.

### **4.3.1 Objective number one**

#### **To investigate the rationale and outcomes of PRP within the retail banking sector**

PRP has become a common concept, adopted in many organisations in the last decade. The literature has established a link between pay and performance, leading to an overall increase in organisational performance. However, in recent times, it has been suggested that PRP has lead to decreased organisational performance over the long term. Therefore, the purpose of this objective is to investigate the rationale of PRP within the retail banking sector and the recent outcomes relating to this.

#### **4.3.2 Objective number two**

**To identify the approaches taken in relation to PRP within the retail banking sector**

Within the literature it is evident that numerous approaches can be taken in relation to PRP. The purpose of this objective is to investigate which approach and type of PRP have been employed by the individual retail banks.

#### **4.3.3 Objective number three**

**To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment**

It is apparent from the literature that many potential challenges have emerged surrounding PRP within the banking environment. Significant changes have and are currently in the process of being made in relation to compensation packages for which PRP is a key component within the banking sector. Therefore, the primary purpose of this objective is to investigate the management challenges that may be faced in terms of policies and practices surrounding PRP.

#### **4.3.4 Objective number four**

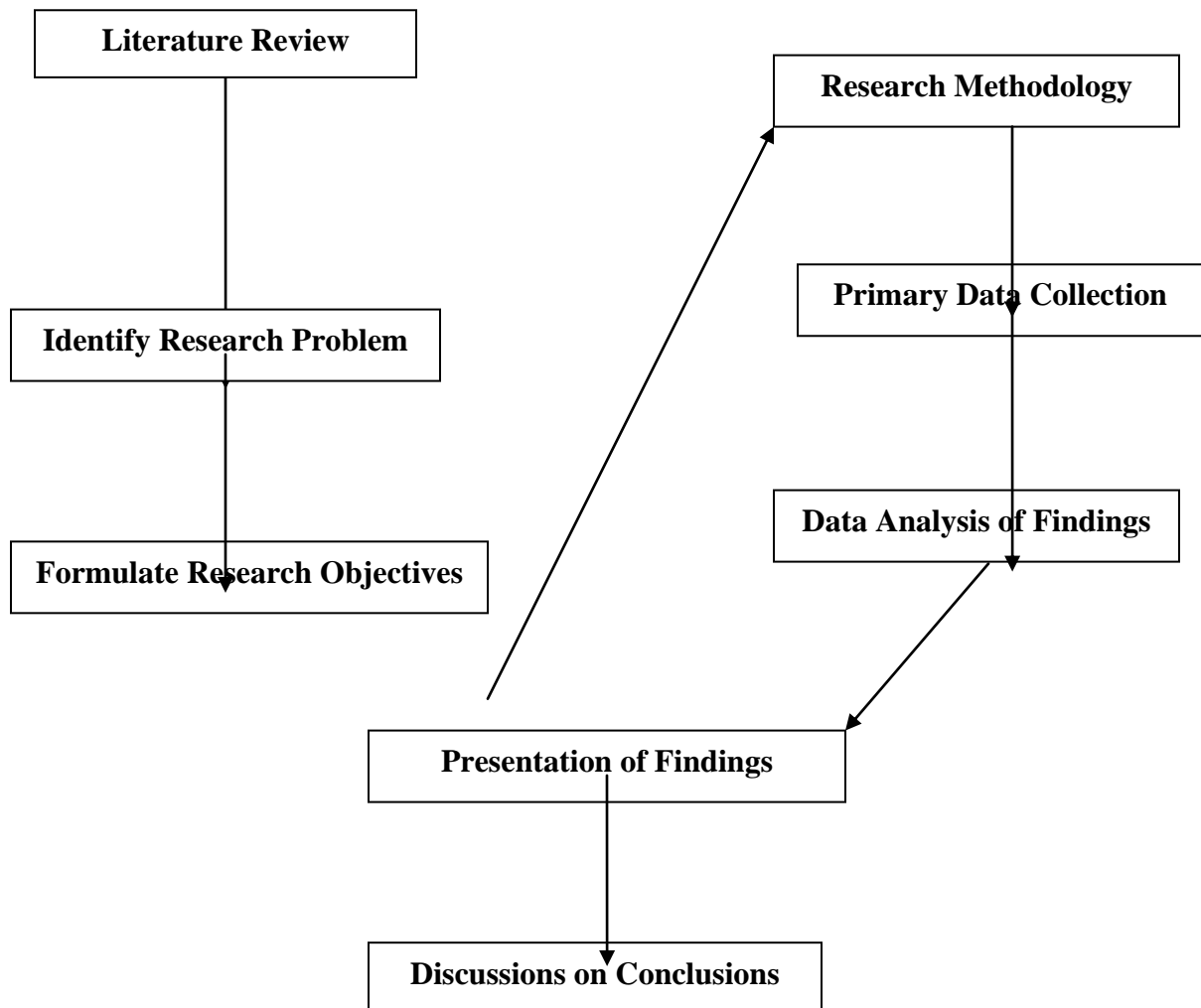
**To investigate the future of PRP within the retail banking sector.**

The literature has suggested that the financial crisis has led to banks needing to question the behavioural effects and the affordability of PRP as a means of employee motivation. Therefore, organisations may have to respond by being more creative about how they recognise and reward performance including implementing non-monetary incentives. Thus, the purpose of this objective is to examine the impact that the financial crisis has had on retail banks in relation to their approaches to PRP and performance management and their response going forward.

#### **4.4 Research Design Process**

Taylor and Bogdan (1998) suggest that it is essential to provide a general roadmap of how the research will be conducted to allow the researcher to answer the research

question. The research design is the development of a method detailing how the research question will be answered (Hussey and Hussey, 1997, p.132-133). This process alleviates inefficient approaches and time consuming routes. Figure 4.1 below outlines an overview of the research design.



*Figure 4.1 – Overview of the research design process*

#### **4.5 Research methodology**

It is essential to employ a research methodology to accomplish the research objectives. There are two generally defined types of research methodologies; quantitative and qualitative techniques. Both are used to collect and analyse data. In some research processes the researcher may be required to utilise both techniques to achieve objectives. In other research projects it may be more suitable to concentrate on one technique in favour of the other. These decisions depend on the nature of the study.

#### **4.6 Quantitative vs. Qualitative Research**

The qualitative research approach allows the researcher have direct contact with the respondent and thus allows for a degree of flexibility. It focuses on perspective and attitudes rather than statistics and numerical evidence in the development of theories and conclusions (Sarantakos, 1998, p.55). Saunders *et al* (1997, p.339) highlights how quantitative research leads to explanations being more standardised and number-based, and diagrams and statistics are used for analysis. In comparison, qualitative research allows explanations to be justified through words and body language can also be recorded.

Qualitative results are retrieved through a less standardised form, and conceptualisation is the method used for analysis. Qualitative research includes methods such as interviews and focus groups while quantitative methods include surveys, questionnaires and numerical trends, which evolve from raw statistics gathered from primary data. It is suggested within the literature, that quantitative research can limit a study to just statistics and not see the 'bigger picture' which qualitative research can provide.

According to Hussey and Hussey (1997) the main variation between both research methods is the differences in relation to the level of depth and breadth that each of the research processes take. Kinnear and Taylor (1991) argue that qualitative research techniques offer the researcher an in-depth analysis of data. In contrast, Hussey and Hussey (1997) highlight that quantitative research offers more current and reliable information. Therefore, within the literature it is apparent that each method has its own unique advantages and disadvantages.

Finally, Easterby-Smith *et al* (1991, p.31) suggest the advantages of a mixed method approach, highlighting that this approach offers more perspectives of the subject under investigation. Given the nature of the research, in terms of gathering a manager's perspective on PRP, it was felt that qualitative method would be most suited. Table 4.1 summarises the main difference between quantitative and qualitative research.

<b>Quantitative</b>	<b>Qualitative</b>
Explanatory	Exploratory
Large Sample	Small sample
Objective	Subjective
Verifying theory	Discovering theory
Gathering Theory	Questioning Theory
Hard statistical analysis	Soft statistical analysis
Researcher uninvolved	Researcher involved
Focus on data analysis	Focus on data collection

*Table 4.1: The main difference between quantitative and qualitative research*

Source: Baker, M.J (1991)

#### **4.7 Data collection methods**

Each research process involves the collection and analysis of data. This is a fundamental element of research (Blaxter *et al*, 1996). Data sources can be both primary and secondary. These can be classified as primary and secondary sources. Primary and secondary sources of data were employed during this study and both were essential to the research process.

#### 4.7.1 Secondary Data

Secondary data is defined as 'data which has been collected already by others for a purpose' other than the research problem at hand (Malhotra and Birks, 2000). From the initial stage of the research process which is identifying a research problem, secondary research allows the researcher investigate existing literature within the specific research area. Secondary data was conducted in the form of a literature review for this study.

During the research process a range of sources of secondary data were available for access. Online databases available in Waterford Institute of Technologies' Luke Wadding Library including, Emerald Fulltext, Science Direct and Business Source Premier were accessed. The Chartered Institute of Personnel and Development was also utilised and provided relevant articles and issued publications. A number of different sources of literature were used in developing points to help mitigate this concern. Table 4.2 shows the categories and range of secondary data that was used.

	2008 - 2010	2000- 2007	1990-1999	Pre 1990	Total
<b>Journals</b>	6	9	10	2	27
<b>Websites</b>	7	3	0	0	10
<b>Books</b>	1	9	6	0	16
<b>Reports</b>	14	3	1	1	19
<b>Press</b>	1	0	0	0	1
<b>Total</b>	<b>29</b>	<b>24</b>	<b>17</b>	<b>3</b>	<b>73</b>

*Table 4.2: Categories and range of secondary data used*

#### 4.7.2 Primary data

Primary data is original data collected by the researcher to address the research problem at hand (Malhotra and Birks, 2000). Sekaran (2000, p.57) suggests that primary data is defined as 'the gathering of information through observation and enquiry'. Primary data can be collected by interacting with different parties that hold an interest or knowledge

within the particular research area. It can be collected through a variety of methods. The following are the methods and approaches which were deemed most suitable for the research area.

#### **4.7.2.1 Interviews**

Patton (1990, p.278) suggests that "*the purpose of interviewing.... is to allow us to enter into the other person's perspective*". Sekaran (1992, p198) describes interviews as "*a data collection method in which the researcher asks for information verbally from respondents*". For the purpose of this study, the main method of primary data collection employed was through the form of semi-structured personal interviews. Saunders *et al* (1997, p.215) highlight how this form of interviewing can allow flexibility and additional interaction as it does not limit the interviewer to a standardised and structured list of questions. Therefore, semi-structured interviewing was deemed as the most suitable approach for this study.

#### **4.7.2.2 Interview Merits**

According to Burns (2000) this research approach provides numerous advantages to the researcher. Interviews are usually conducted face to face therefore this interaction establishes a higher level of motivation among participants and individualised appreciation can be shown to the interviewee. Thomas (2003) states that interviewees usually tend to elaborate further on their responses and give more sincere participation than they would on a questionnaire.

#### **4.7.2.3 Interview Limitations**

However, interviews also have many limitations which are highlighted by Thomas, (2003). One of the main drawbacks of utilising semi-structured interviews is that they are particularly time consuming as the researcher has to meet individually with each interview participant. Furthermore, if the interviewee feels that some questions are personally sensitive they may not offer trustworthy information to the researcher. Also, interviews do not offer as much anonymity compared with other methods and finally,

the potential of bias from the interviewer can act as a limitation. In order to address these risks occurring during this research the author limited the interviews to less than one hour. No direct mention to the identity of the interviewee in the research was outlined to ensure confidentiality, with the exception of one interview participant. Personal opinions were kept out of the interview questions as much as possible and finally, the interviewee was asked to clarify and verify their responses once the interviews were complete.

#### **4.8 Research Procedure**

In relation to this specific research, four main retail banks were selected for investigation within Ireland. Initial contact was made to the banks by telephone and by email in order to enquire about the possibility of conducting research. Access to the retail banks was agreed on the basis that each bank remained anonymous and all information received would be kept in strictest of confidence due to the sensitivity surrounding the research topic. Therefore, for the purpose of this study, the author refers to the chosen banks as; Bank 1, Bank 2, Bank 3, and Bank 4.

#### **4.9 Sampling**

Chisnall (1997) state that a sample is defined as '*a subgroup of elements derived from populations*' which are chosen for a specific study. Following this selection, the sample is then applied to the general population. Sampling is commonly utilised as it is not feasible in the majority of research projects to concentrate on the whole population, due to financial and time constraints. The specific interviewee participants were selected because they were knowledgeable, information 'rich' and have different perspectives to express in relation to addressing the research question. The sample was chosen following review of the literature, and after seeking advice from the author's thesis supervisor.

##### **4.9.1 Rationale for the chosen sample**

As this particular research is exploratory in nature, the perspectives from a variety of parties were fundamental to the study. The samples of interviewees were chosen



because they had information to offer and help address the research question. All banks selected were large retail banks in Ireland. These banks were chosen as they had information to help answer the research question. Additionally, all banks employ PRP which is the central theme of this specific study. Therefore, this was a key element to conduct this research.

#### **4.10 Fieldwork details**

Four interviews were conducted. Each interview was recorded and transcribed. Yin (1994, p.86) discusses that recording can provide accurate rendition of the interview. The interview design was semi-structured. The interview questions were designed to fit around the research objectives. Respondents from different backgrounds and roles were interviewed so the interview design varied from interviewee to interviewee to accommodate their specialist knowledge. The questions were open-ended questions to allow the interviewee to expand and explain responses as much as possible. Interviewees were given the opportunity to discuss any further issues they saw as relevant.

<b>Interviewee</b>	<b>Date</b>	<b>Location</b>	<b>Duration</b>
Retail Bank 1	09 <sup>th</sup> June 2010	Waterford	45 minutes
Retail Bank 2	11 <sup>th</sup> June 2010	Waterford	45 minutes
Retail Bank 3	15 <sup>th</sup> June 2010	Laois via Telephone	45 minutes
Retail Bank 4	25 <sup>th</sup> June 2010	Waterford	40 minutes
Mr. Larry Broderick General Secretary IBOA	24 <sup>th</sup> June 2010	Dublin	50 minutes

*Table 4.3 – Operational details of interviews carried out*

#### **4.11 Data Analysis**

Qualitative research involves the collection of large volumes of data. It can become a difficult task to remain organised throughout the research process. Therefore, numerous researchers are now utilising data analysis software in order to assist their research process (Mann and Stewart, 2000). Di Gregorio (2000) maintains that a capable software analysis package is essential as it supports the entire analysis process.

According to Burns (1990) data analysis is defined as organising, abstracting, synthesising and integrating the data collected. These fundamental steps were undertaken when analysing the qualitative data. According to Berg (2001) time consuming research tasks can be significantly aided by the employment of qualitative data analysis software. Tasks such as: the coding of transcripts which are translated into clear-cut themes: the collection of data being identified using these categorical themes and: the close examination in order to identify similarities and discrepancies.

##### **4.11.1 Computer Aided Qualitative Data Analysis & Nvivo**

Nvivo allows the user to manipulate data records by, browsing, coding, annotating and finally, gaining access to data records efficiently and effectively (Richards, 1999). Fielding and Lee (1998) state that qualitative software facilitates the analytic process and enables it to be more 'transparent' and 'reviewable'; It eases the tedious task of data management which is subject to slip-ups when done manually.

#### **4.12 Limitations of the study**

The author is aware that limitations exist in this research. Firstly, the research had to be carried out under deadline constraints set by the Masters in Business Studies programme. More time would have allowed the author to have a wider pool of respondents and other methods of primary research may have been used. As the main primary data collection method was through interviewing, the parties used were retail bank officials and Larry Broderick (IBOA). These geographically dispersed individuals

must be aware of confidentiality and commercial sensitivity, as well as having limited time to conduct interviews. Other parties who would have been valuable contributors to the study were not available for an interview due to many reasons. The qualitative methodology approach was chosen at the expense of a quantitative approach with depth and perception seen as the crucial advantage. The sample chosen was also limited due to time and resource constraints. Therefore generalisations cannot be made from the sample chosen.

#### **4.13 Conclusion**

This chapter focused on the research methodologies that were carried out during this study. The chapter gives an overview of the research problem, and discusses the research objectives. Qualitative and quantitative approaches are outlined and detailed. The primary methods of data collection are discussed as were the secondary data sources used.

Walsh (2003) concludes that Nvivo is a valuable solution utilised during the research process, it allows the author to organise, categorise, and annotate data. It is designed to aid the researcher create a project to store documents, organise documents, attach ideas (known as Nodes) to text, and find links among your ideas (Di Gregorio, 2000). These findings above present the rationale behind the authors preferred choice of data analysis. The limitations of the study conclude this chapter. The next chapter will present the primary research findings.

## **Chapter Five**

### **FINDINGS**

#### **5.0 Introduction**

This chapter will present the primary research findings which were gathered during the research process. As seen in the previous chapter, qualitative research methods were employed to gather the primary data in the form of semi-structured interviews. To present the findings in a comprehensible manner, the data gathered will be split into sections which have been derived from the research objectives which are displayed in chapter one. Each section will discuss a number of associated themes. The themes are as follows:

- Developmental and Equitable
- Transfer of control
- PRP and Strategy
- Advantages and Disadvantages of PRP
- Approach to PRP
- 360 degree feedback
- Effects of the Financial crisis
- Managing and Conquering the challenges
- Moving forward – PRP
- Aspect of change

Interview questions and responses from the interviewees will be presented based on the above sections. *Appendixes 3-7 provide* additional information on the primary data findings. This information is referred to where necessary, illustrating the diversity of opinions and perceptions which were gathered in the interviews. Table 5.1 below

outlines the reference system used to present interview comments and quotations from respondents in a structured manner.

<b>Interviewee</b>	<b>Reference</b>
Retail Bank A – Waterford	RB1
Retail Bank B – Waterford	RB2
Retail Bank C – Laois	RB3
Retail Bank D – Waterford	RB4
Mr. Larry Broderick, General Secretary IBOA	LB

*Table 5.1- Details of reference system used for interview comments and quotations*

## **5.1 The rationale of PRP within the retail banking sector and the outcomes**

Primary research findings suggest that PRP in retail banks is perceived overall as a positive technique used to improve performance of the individual and the organisation. However, in relation to the outcomes of the performance management tool LB had differing views than the retail bank managers.

### **5.1.1 Developmental and Equitable**

The respondents were asked to describe their feelings and attitudes towards PRP. The findings suggest that PRP is perceived by the majority of management level employees within retail banks as a fair and positive approach to performance management. RB2 and RB3 in particular mentioned these favouring attitudes. According to RB2:

*...it gives employees something to work towards, it gives credit for their effort and work they have done that has contributed to the success of the organisation. It allows management and the organisation to reward fairly and equitably...*

RB3 stated that it provides management with a balanced approach to rewarding employees:

...(PRP is an) *extremely good tool to reward different levels of performance in the organisation, it identifies high potentials...it provides a distinction between the average worker 9 to 5 and the 'high performing' worker who may routinely do a 12 hour day...*

However, variations in opinion did arise by one management figure. RB1 mentioned that:

*...it is centered on short term results. The outcomes are globally destructive and based around 'obsessive bonuses'... employees get caught up in the money making ethos derived from the likes of PRP and other incentive and bonus schemes...*

Regarding the union perspective from the IBOA, LB offered a similar perspective as RB1 on PRP and on the outcomes that arise from it. He suggested that:

*...I have strong concerns about the 'situations' that can emerge from the use of PRP...this is what we are witnessing now, excessive bonuses and payments that individuals have received from schemes like PRP...protection needs to be put in place...(Appendix 7)*

### **5.1.2 Transfer of control**

All interview participants acknowledged that PRP has grown in the past number of years to its status today, as a significant performance management tool employed by many organisations. It was discussed in all interviews conducted by each of the respondents that control in the organisation has shifted in the past number of years from predominately management to the employee level. It is evident that management and employees both share responsibility and control within the organisation. It was alluded to by RB2 that this shift and transfer of control may have '*contributed to the huge growth and dominance of PRP in the retail banking sector*'. RB1 stated that:

*...PRP has been used for a number of years for management...however only in the last 3-5 years this scheme, incentives and bonuses were offered to employees...after the rollout 90% of employees within our bank had access to PRP... (Appendix 3)*

In agreement with the above statement, RB4 states:

*...PRP has played a role for the last decade...for management...only in the last 4-5 years lower level employees were introduced to PRP...now management do not solely have control over the 'bottom line'...*

However, the recent timeframes of widespread rollout of PRP which are discussed above is not the case in all banks as RB3 states that:

*...PRP has been widespread within our organisation for approximately 10-15 years. Within this timeframe a more individual approach has existed, a transfer of control has all developed within the last decade... (Appendix 5)*

### **5.1.3 PRP and Strategy**

It became apparent from the primary research findings that PRP which once was in line with the long term strategy of banks is now struggling to survive and redeem itself in such a changing banking environment. This was the response given by all interviewee participants. RB2 stated the following when asked if PRP is in line with the long term strategy in their organisation:

*...our organisation is in survival mode...3 years ago our strategy was to make money and PRP helped to achieve this...PRP des not have such a role today, it has been currently removed from employees reward package...*

RB3 mentioned that:

*...in the past it certainly was...employees were rewarded strategically and in tandem with the profits of the organisation...today this is not as valid as strategies within banks have changed and PRP has diminished...*

It was suggested during the interviews by the majority of participants that although this is the way the situation surrounding PRP stands at present, it will change. Respondents, specifically RB4, believe that PRP has a future role in the strategy of retail banking; *'Banking is about making money and this is our strategy, PRP is a good way to ensure employees work hard to push up the figures, this is why there is a future for PRP'.*

However when LB was asked if he thought PRP should be in line with the long term strategy of retail banks he stated:

*...yes I do. But it is not, it never has been...PRP within retail banks does not factor in important strategic elements such as compliance and customer service, its obsessed with the increasing the 'bottom line'...*

#### **5.1.4 Advantages and Disadvantages of PRP**

It became evident after conducting the primary research interviews that all respondents held similar perspectives in relation to the advantages of PRP. RB1 stated: *'it increases and generates high profit...the main advantage is motivation...as employees have access to bonus and incentive schemes'*.

Similarly, RB2 mentioned: *'is a huge motivation for employees...management do not hold all responsibility for targets...it effectively spreads the control'*. RB3 made an interesting comment and suggested: *'it discriminates in a positive way as it identifies 'high potentials'... it rewards employees that are doing well for the organisation'*. Finally RB4 stated: *'it helps management retain key talent in times like we are in now...it helps select 'poorer performers' for redundancy selection'*. LB also stated that: *'money and incentives are a huge source of motivation'*. (Appendix 7).

In relation to the disadvantages surrounding PRP, a similar theme ran through all the participant responses. RB1 mentioned: *'this is simple – it is greed...leading to unethical work practices...a narrow short term focus'*. Similarly, RB2 mentioned greed - *'individuals can potentially be out for themselves...obsessed with performing short term to receive rewards...huge pressure to conform'*.

RB3 stated: *'it is heavily based and determined on the quality of assessors...creates space for biases, greed and inequitable work practices'*. Likewise RB4 alluded: *'it creates a mismatch of interests between individuals and the organisation...can cause stress for employees if targets are unattainable'*.

LB stated: *'it is a short term tool...and the outcomes of it are too...It does not cater for teamwork...PRP is a divisive strategy...it is not transparent'*.

#### **5.2 The approaches taken in relation to PRP within the retail banking sector**

All interviewees spoke of a similar 'type' of PRP and performance management system. The primary research findings indicate that a standard approach exists throughout the



retail banking sector. All candidates paid reference to the importance of training, clear objective and goal setting, preparation and feedback throughout the performance management annual cycle. However, these specific individual elements differed in each bank.

### **5.2.1 Approach to PRP**

When candidates were asked which type of PRP or performance management approaches their organisation utilises, each had similar responses. According to LB there is a standard approach in all retail banks. He states:

*...at the beginning of the process individuals set their objectives...heavily weighted towards profit, growth and change...during the second interim review employees receive a 'pensionable' increase in salary...*

RB2, RB3 and RB4 commented that PRP forms part of the basic salary, the percentage given to employees is dependant on the rating that the employee's receive from the performance management appraisals. Ratings range from 1-4 in RB3 and 1-5 in RB2 and RB4. (Appendix 3-7)

When the same question was presented to RB1 the various forms of PRP were discussed. It was mentioned throughout the boom years employees had the option of a bonus, share options or share bonuses. During this interview no reference was made to a rating system but PRP is said to be determined by a 'performance standard' and this was in line with targets met both individual and branch set targets.

LB mentioned that there should be four interim review meeting throughout the annual PM cycle to ensure employees receive adequate feedback from management. This response differed from the other interview participants. RB1 mentioned that there are three review meetings per annum where employees receive feedback on their performance. RB2 and RB3 stated that only two interims were conducted by management throughout the year and in some cases these were very informal. Finally, RB4 mentioned that they hold three interim sessions throughout the year.

### **5.2.2 360 degree feedback**

It became apparent from the primary research findings that all interview participants use 360 degree feedback within their organisations. This feedback is gathered on both a formal and informal basis in all retail banks surveyed.

'Mystery shoppers' were used by all respondents. RB2 mentioned: *'we are always unaware of their arrival and employees are assessed on various topics and if they tick all the boxes they receive a small reward'*. Another area mentioned by all participants was 'colleagues and peers'. However, it was made clear by all interviewees that this is an extremely sensitive area and needs to be carried out with the highest level of professionalism and confidentiality (Appendix 4).

RB1 stated that a 'customer log' is kept and if a customer logs a complaint they have to ensure there is a response time of 5 days maximum. RB1 stated: *'we are in the customer service industry...we have to keep close to them'*. RB2 utilise a similar system as they have a 'customer service index' this stores all customer feedback and customers are randomly and carefully selected for survey. RB2 stated: *'we are a customer driven business. It is in our interest they are satisfied'*.

LB was asked whether 360 degree feedback is used throughout the performance management review process within retail banks. He responded:

*...in theory it is yes...but in reality it is most definitely not...I believe all feedback is strongly related to management views etc...*

## **5.3 Potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment**

All interview participants acknowledged during the interview process that management challenges surrounding PRP in terms of policies and practices exist within retail banks.

### **5.3.1 Effects of the financial crisis**

It is evident from the primary research findings that the financial crisis is a major contributor to the downturn of the banks and is the cause of most of the management

challenges that are experienced on a daily basis within retail banks. One of the most measurable effects was noted by RB1 when it was stated: *'4 years ago our bank share price was €25 and today it is €4, the trust is gone'*. RB1 also mentioned:

*...the banking environment is not a pleasant one...good customers from the past are now under financial pressures...employees witness this hardship on a daily basis...10 years ago customers called our managers 'relationship managers' today they are known as 'credit managers'...*

RB2 stated that within their retail bank two categories of workers exist. Firstly, the old employee with 25+ years service who have witnessed recessionary times in the past. Secondly, the new workers who have on average 3-5 years service and are keen and enthusiastic. These employees are happy to be a part of our organisation. However, RB2 stated that:

*...employees have experienced pay cuts and bonuses (PRP) have been taken away...this is de-motivating...performance ratings are not supposed to go below 3 and this is a huge challenge for management...(Appendix 4)*

RB3 stated that:

*...employees are disheartened and de-motivated...very difficult to keep staff enthusiastic and moving forward...*

When LB was asked about the effects of the financial crisis and PRP within retail banks he stated:

*...I believe there is no trust between management and employees...the union has a very important role to play to represent staff in the process of change...individual employees are experiencing 'survival syndrome' and 'anger' and this all stems from the word 'greed'... (Appendix 7)*

### **5.3.2 Managing and conquering the challenges**

It is apparent from the findings displayed above, that management within retail banks currently face many challenges presented by the financial crisis. RB1 mentioned that: *'it is really hard at the moment to motivate workers to work harder for ultimately less in return'*. However, in terms of conquering challenges RB1 stated:

*... 'Survival syndrome' amongst employee's is high at the moment...early retirement and flexible holidays have been offered to employees...redundancies have been selected...I think employees are just happy to have a job...*

Similarly, RB2 mentioned: *'employees are required to work hard and in tough conditions for less'*. When presented with the question of how they defeat these challenges it was stated:

*...it is the simple things that make a difference...providing a nice and pleasant work environment for employees each day...occasionally presenting employees with non-monetary rewards such as match tickets...all makes a difference...*

RB3 stated: *'employees are disheartened and less motivated'*. It was mentioned however, that there is a level of appreciation from employees that they have a job and the term 'survivor syndrome' was used again. In order to overcome these challenges *'focusing on things that influence rather than things that do not'*. RB3 made an interesting statement, when asked how they manage and conquer the challenges he responded: *'how do you eat an elephant?...in small pieces'*. *'It's crucial that employees are supported and we do not worry about next quarter, but the here and now'*.

RB4 stated that in order to surmount the current challenges faced *'communication is key'*. He mentioned: *'listening to employees concerns and acting upon them, it is important to allow them have a voice within the organisation'*.

Finally, LB had a differing response than management within retail banks in relation to managing and conquering challenges. He stated:

*...there is no trust between management and employees...the union has a very important role to play to represent employees in the process of change...however, employees are experiencing 'survival syndrome' and 'anger'...all stemming from one word 'greed'...*

#### **5.4 The future of PRP within the retail banking sector**

It was acknowledged by all interview participants that PRP, although it currently has a diminishing presence within retail banks will have a future role to play in terms of rewarding employees for their performance. However, each respondent offered their own perspective in relation to the future and the changing aspects of PRP.

#### **5.4.1 Moving forward – PRP**

It is evident from the primary research findings that retail banks are moving forward and all of the respondents interviewed believe that PRP will play a role in the reward strategy of the organisation. However, RB1 stated:

*...PRP is gone out the window at the moment...no bonuses and pay cuts...even interims have decreased ...I don't like to admit it but 'poor performance' has the potential to increase within banks adding to existing challenges...*

RB2 mentioned that:

*...the bonus structure for management and employees has been taken away, we deal with this by looking at the bigger picture...we ask where will we be in 2 years?...hopefully in a better place...PRP will play a role in our organisation when we are back in a money making scenario...*

Similarly, RB3 stated: *'PRP has been hugely affected and is currently suspended however, it will move forward with the organisation, it is a good tool'*. RB4 mentioned: *'PRP is currently frozen within our organisation, in terms of bonuses and share options the same applies'*. However, it was acknowledged by RB4 that PRP will have a future and will move forward *'it has proven to work well for employees and the organisation in the past'*.

Finally, LB stated: *'the union are currently reviewing elements of pay, reward and HR policy within retail banks, we aim to protect individual employees'*. It was also stated: *'PRP will be reviewed moving forward, but it will have a future in banks'*.

#### **5.4.2 Aspect of change**

It became apparent from the primary research findings that PRP will have a future role to play in banks moving forward. However, each interview participant offered there views on the changing aspects of PRP within the retail banking sector.

RB1 mentioned: *'PRP will not be given as much 'freedom' to evolve and takeover, it will not exist to the same degree. Short term aspects will have to be dismissed, long term elements should be introduced into the scheme, examples might include – performance shares that could be locked in to a 5 year plan'*.

RB2 stated: *'banking will never offer attractive awards like it did in the past, but our reward strategy will develop again...PRP will never be on the same scale as it was in the past, a close eye will be kept on it going forward, a lot more notice will be paid to PRP'.*

RB3 had a similar perspective: *'PRP will be closely watched going forward, and different levels will be more justified. I don't think it will be as widely available. In relation to individual ratings – the bar will be lifted. Employees will have to work harder and for longer stints of time for rewards – 'self generated effort'.* RB4 stated: *'it needs a more long term focus, maybe a more team orientated focus to take the urge of temptation and greed from the individual'.*

Finally, LB commented: *'PRP is currently being reviewed. I hope this review will end in a 'balanced' pay policy. I believe this should be focused on long term interests of the customers.* LB continued by saying *'it would really concern me if PRP plays a role like it did in the past. It needs a new ethos and culture. PRP needs to redeem itself'.*

## **5.5 Conclusion**

This chapter has discussed the primary data that was collected from the interview participants. As highlighted in the previous chapter, the main source of primary data was obtained from semi-structured interviews. The findings were identified under various themes that will aid the author in the answering of each of the research objectives. The different perspective and quotations of the respondents were presented. *Appendix 3-7* accommodated extended and additional quotations and findings from each of the respondents as it was not possible to include all this data in the chapter. The next chapter will present a discussion of the findings and certain contrasts and comparisons with the literature review will be made accordingly

## **Chapter Six**

### **DISCUSSION**

#### **6.0 Introduction**

The objective of this chapter is to undertake a detailed review and evaluation of the primary research findings that originated from the primary research. The author will compare the results of the primary research findings to the literature review findings. In addition, contradictions and concurrences found between the literature review and the primary research findings will be highlighted. The discussion will be based around the research objectives of this study which were detailed in chapter one and will be presented under same themes as in the previous chapter.

#### **6.1 The Rationale of PRP within the retail banking sector and the outcomes**

Overall, there is a consensus between interviewees that PRP is a positive technique used within organisations to cater for performance management provided it is managed properly. It is deemed a fair way to reward high performers. Thus, proving that PRP is a useful and successful tool used to reward employees.

However, discrepancies exist in relation to the current use of PRP within organisations. CIPD (2010) suggest a high level of utilisation, whereas the primary research findings suggest it is either non existent or diminishing at present within organisations.

##### **6.1.1 Developmental and Equitable**

A common theme throughout the literature suggested that PRP can serve as a development tool for employees in organisations (E-Research Survey, 2004). The literature also indicates that PRP is a method of remuneration which links pay progression directly to the individual's performance, which can increase the equitability and consistency of reward management (CIPD, 2010).

The primary findings suggest that PRP gives employees the prospect to achieve high performance and allow for development opportunities. In relation to equitability, the findings indicate that PRP does give credit to high performing employees who have contributed to the success of the organisation.

The primary research findings did suggest that PRP can negatively impact on individual development as it is centred on short term outcomes, and forces employees to concentrate on short term bonuses. This indicates an element of inequitable practice which was also highlighted within the literature.

### **6.1.2 Transfer of control**

The literature presented by Nielson *at al*, (2000) and Wilkinson, (1995) indicates that there has been a witnessed cultural change within banks. Factors such as globalisation, technology and deregulation have affected the way banks deliver services and the channels used to deliver these services. These widespread changes have led to a shift of autonomy from corporate management to frontline employees. The literature highlights that this is due to bank branches becoming decision making units. The role of these frontline employees is suggested to be critical, as leaders in decision making at lower levels are needed.

Primary research revealed that all interviewees had similar perceptions in relation to the timeframe in which 'control' over the 'bottom line' was shifted from predominantly management to individual employees at the frontline. It was suggested by interviewees that this shift occurred within the last 4-5 years. It was discovered that this process of change was aided by the utilisation of PRP schemes to empower employees and to achieve 'goal congruence' within retail banks.

### **6.1.3 PRP and Strategy**

Recent literature by (CIPD, 2009) suggests that an ethos exists in many organisations where many employers link their reward strategy and its accompanying practices such as PRP with the business strategy. This is a method used to drive high performance in tandem with the achievement of business objectives.

However, the research findings indicate that PRP, which once was the focal point of reward strategies within retail banks no longer, plays such a role. It was suggested by all interviewees that banks are now in 'survival mode' and business strategy within banks has changed considerably and PRP has in fact diminished. Research findings from LB suggests that PRP has never been in line with the strategy in retail banks as it



does not and never has factored in important strategic elements such as compliance and customer service. Instead, it solely focused on the 'bottom line'.

Therefore, there is a lack of agreement between this primary research finding and recent literature findings from CIPD (2010) who suggest that processes like PRP are currently utilised in line with business objectives in many organisations.

#### **6.1.4 Advantages and Disadvantages of PRP**

The E-research survey (2004) provides numerous advantages gained from the use of PRP within the literature. The primary research revealed that all interview candidates also acknowledged that there are numerous advantages associated with PRP for both the employee and the organisation. A benefit which was continuously mentioned by all interviewees was motivation. This concurs with the findings of the E-research survey (2004) which concludes that one of many advantages of PRP is that it 'motivates people'.

In addition to this, a further concurrence was identified between the literature and the primary research findings that PRP recognises and rewards high performers. Therefore, in relation to the advantages, a strong correlation exists between the literature and the primary research findings.

The literature indicates that along with offering many advantages, PRP can also have disadvantages. Armstrong and Murlis (1994), state that PRP can encourage employees to focus on tasks which will earn them financial rewards immediately and neglect long term outcomes of their decisions and actions. This finding concurs with the primary research as 'short term focus' was mentioned by all of the interviewees. However, a disadvantage that was mentioned by all respondents in each interview and which did not exist within the literature was 'greed' suggesting that individuals are out to get as much as they can for themselves at the expense of the organisation and stakeholders. This finding creates an imbalance between the literature and the primary research findings. Furthermore, the author felt that this primary research finding related to McGregor's Theory X and Theory Y employees. It is suggested from the primary

research findings that PRP can lead employees to be out for themselves and exhibit mistrust. It is evident from observation of the literature that Theory X employees show little ambition without an enticing incentive program and they are not concerned about responsible work practice and ethics, but concentrate solely on matters of 'self interest'.

## **6.2 The approaches taken in relation to PRP within the retail banking sector**

In relation to the types of PRP adopted within retail banks a strong consensus existed between interviewees. It is evident that the financial crisis has affected the approaches taken towards PRP and other incentive schemes due to the fact that money is no longer available like it was throughout the boom years.

However, contradictions exist within the primary research findings in relation to the use of 360 degree feedback. All retail bank associates claim that 360 degree feedback is used throughout retail banks and is deemed hugely important. On the other hand LB claims that it is not used in reality. Therefore, diverse comparisons are made with the literature.

### **6.2.1 Approaches to PRP**

The literature suggests that there are many diverse types of PRP. Unison (1996) states that these approaches can be implemented in isolation or co-exist side by side within organisations. It is evident from the literature that different business sectors and specific organisations adopt certain types in order to suit their business needs.

The primary research findings suggest that all retail banks employ similar approaches to PRP and this concurs with the literature in terms of a specific sector. PRP, in its most contemporary form is utilised in all banks interviewed. LB states *'at the beginning of the process individuals set their objectives...during the second interim they are reviewed and employees if eligible receive PRP'*. This statement correlates with the literature as Unison (1996) discusses how PRP is based on an appraisal of an individual's performance against previously set objectives.

An interesting point was highlighted by LB, that *'employees in retail banks receive four appraisal meetings per annum'*. However, on average throughout retail banks in the

past number of months it is evident that employees receive 2-3 meetings maximum. This may suggest that since the economic downturn the same emphasis has not been placed on performance management appraisals and this may be potentially due to the fact that the same amount of money to reward employees is no longer available.

Other types of PRP and incentive schemes were mentioned by the interviewees such as share option plans and share bonus schemes. However, these incentives were employed throughout the boom years and are not on offer today.

To conclude, it is evident that PRP exists in isolation within retail banks today, and even this form of incentive scheme has been affected by the recent financial crisis but it is not completely diminished and is said to recover in the near future.

#### **6.2.2 360 degree feedback**

The Institute for Corporate Productivity (2007) indicates that in order for an organisation to adopt 'best practice' performance management in their organisation they must follow defined steps. 360 degree feedback is deemed an important step in this process. The literature states the performance appraisal should include information other than just the primary judgement of management.

The primary research findings suggest that all retail banks interviewed use 360 degree feedback. The feedback is gathered both on a formal and informal basis through many channels such as, mystery shoppers, colleagues and peers and customers. This correlates with the literature as 360 degree feedback is deemed essential within the retail banks.

However, the research findings presented by LB contradict with the literature as he states that 360 degree feedback is used in theory within banks, but not in reality. He suggests that all feedback is strongly related to management views. Therefore, a mixed view stems from the primary research in relation to the use of 360 degree feedback.

### **6.3 Potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment**

A strong concurrence exists between all interviewees that the financial crisis has created many challenges within retail banks surrounding PRP and employee satisfaction. All participants also highlighted the use of non- financial rewards as a means of motivating employees and conquering the existing challenges.

### **6.3.1 Effects of the financial crisis**

Watson Wyatt (2009) stated that over half of US based organisations have frozen salaries and reward programmes as a result of the financial crisis. This concurs with the primary research findings as all participants mentioned that incentive schemes such as elaborate PRP and share options schemes are currently no longer available to employees. The findings suggest that because of the lack of rewards on offer motivation is low and there is potential for poor performance to grow.

It was also mentioned in the primary research that the financial crisis has also had a psychological effect on employees. Employees are witnessing 'hardship' on a daily basis from good customers from the past, which are now in financial trouble. This is something that is not addressed in the literature.

An interesting point was made by LB he stated that no trust exists between management and employees in banks. He believes that the union has a major role to play to represent staff in this process of change. Therefore, the tables may have turned. If PRP has diminished, employees will become less satisfied and may potentially turn to the union. The union in the past was threatened to be ruled out by management, with an attempt to individualise the employment relationship with the use of incentives such as PRP. This is something that is also not addressed within the literature. This may prompt management to be more responsive and proactive in terms of supporting employees now and after the financial crises.

### **6.3.2 Managing and conquering the challenges**

The literature indicates that potential conflicts currently exist in the area of performance management. Employees are required to work harder in order for the organisation to

survive the downturn, whilst organisations can not afford to provide attractive monetary rewards to entice high performance (Krotz, 2010). Research conducted by the CIPD (2009) highlights that 90% of respondent's surveyed for their research state that organisations need to be more creative about how they reward performance and implement non-financial incentives.

The primary research findings concur with the literature. It was mentioned that *'it is hard to motivate workers to work harder for effectively less in return'*. An interesting finding was in relation to 'survivor syndrome'. All interviewees mentioned that employees are happy to have a job in the downturn and this is a reward in itself. Other responses, not mentioned in the literature, but suggested by the respondents included a nice pleasant work environment, two way communication and non-monetary rewards. These are seen as being essential in conquering the challenges left by the financial crisis.

#### **6.4 The future of PRP within the retail banking sector**

A strong concurrence exists between the literature and the primary research findings. It was widely accepted that PRP has a reduced status within retail banks but it will have a role to play in the future. All candidates offered their perspectives on the changing aspects of PRP going forward and these were also emphasised in the literature review findings as being fundamental in the future success of PRP in the retail banking sector.

##### **6.4.1 Moving forward – PRP**

The literature indicates that if PRP is effectively managed and utilised, it can prove to be a value adding tool for the organisation. However, the disadvantages are also evident within the literature, especially in the retail banking sector. The Covered Institution Remuneration Oversight Committee (2009) suggests that if PRP is to play a future role within banks, the management of it needs to be reviewed. It is also stated within the literature, that by deferring rewards over a long term horizon opposed to short, employees are encouraged to balance risk with return. Broderick (2009) mentioned that the approach to PRP within the banking sector in the last number of years is no longer

sustainable. A new framework needs to be adopted moving forward. The Hay Group (2009) present eight principles that aid management within retail banks to effectively manage reward strategies and PRP going forward.

Finally, in a report commissioned by the Minister of Finance, Brian Lenihan (2010) it is stated that 'incentive pay' is a huge area under investigation and a contributor to the financial crisis in Ireland. This is an area that needs to be monitored going forward. Banks such as AIB have cut staff costs by 9% and one way they achieved this was by cutting PRP.

The primary research findings correlate with the literature. Interviewees mentioned that PRP has a reduced role to play within banks today. PRP is no longer widely employed or utilised throughout the banking sector and the bonus structure for management and employees has been taken away in most cases. Interviewees mentioned that they look at the 'bigger picture' and ask where they will be in the next two years and remain hopeful it will be a better place where incentives and PRP can be re-introduced. The eight principles presented by the Hay Group (2009) would be an effective way for retail banks to get to that 'better place'. The consensus is that PRP will play a role in the future *'when we are back in a money making scenario'* (RB2).

An interesting point noted by LB was that the unions are currently reviewing all elements of pay, reward strategies and HR policy within retail banks. The union have a huge impact on the future of PRP. However, it is known that PRP will have a future. At this time it is difficult to see what role exactly it will have. This was an aspect that was mentioned within the literature.

#### **6.4.2 Aspect of change**

It is widely accepted within the literature that PRP is to be reviewed and amended going forward. CIPD (2010) have published ten strong principles devised by experts in the field of reward management with the objective being equitability over the long term. These principles were particularly aimed at retail banks and include changes such

as; reward strategy and business strategy being aligned, incentives being in tandem with achievement of business objectives, incentives and performance being measured over the long term etc... In addition to this the Hay Group (2009) have devised eight principles to help managers and organisations align their reward strategies to their overall business strategy.

The primary research indicates that PRP will not be given the same degree of freedom to 'evolve'. Interviewees all agreed that short term aspects will need to be changed in to more long term elements within the scheme. One point made by a participant was in relation to individual ratings, 'the bar will be lifted, employees will have to work harder for longer for the same reward – self generated effort'. Overall, a strong correlation exists between the literature and the primary research findings, it is observed that PRP will be transformed and watched closely within retail banks in the future. However, at this time it is unknown by the retail banks what exact changes these will be.

## **6.5 Conclusion**

This chapter discussed the findings obtained from the primary research in order to highlight the similarities and differences that exist in relation to the academic literature. The vast majority of the findings were consistent with the literature reviewed by the author. The following chapter presents the conclusions of the study and provides recommendations for both practitioners and researchers in the field.

## **Chapter Seven**

### **SUMMARY AND CONCLUSIONS**

#### **7.0 Introduction**

This final chapter summarises the main objectives and themes which were established throughout the research process. It outlines how each of the research objectives has been addressed to answer the research question. Recommendations are offered to retail banks, the management of retail banks and finally, the management and unions associated with retail banks. The chapter concludes by recommending possible areas of further research, the limitations of the research and presents some concluding comments.

#### **7.1 Research objectives of this dissertation**

The main aim of this dissertation was to provide a study to investigate the purpose, practice and future of PRP within retail banks in Ireland. To help with this investigation, four main objectives were formulated. The four objectives are outlined below:

- To investigate the rationale and outcomes of PRP within the retail banking sector
- To identify the approaches taken in relation to PRP within the retail banking sector
- To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment
- To investigate the future of PRP within the retail banking sector

These objectives were dealt with in the themes presented in the findings and discussion chapter.



## 7.2 Research objective one – Summary

### To investigate the rationale and outcomes of PRP within the retail banking sector

The first objective of the study explored the purpose of PRP within retail banks and the recent outcomes which have been witnessed over the last number of months. The perspectives of management and Mr. Larry Broderick, General Secretary of the IBOA were compared. The main findings and recommendations are outlined below in Table 7.1.

Key Findings	Recommendations	Comparison with Literature Review
Fair and positive approach to rewarding employees		Correlation
Identifies 'high performers' and motivates employees		Correlation
Transfers an element of control from management to individual employees		Correlation
Centered on short term results	Implement a long term incentive strategy	Expanded upon in primary research
PRP is no longer part of business and reward strategies within retail banks	Re-introduce PRP into the reward strategy but place a focus on other elements such as 'compliance' and 'customer service' – not just the 'bottom line'	Not discussed within the literature
Individual greed at the expense of the organisation – Theory X employees	Motivate employees by using 'soft HR' practices such as implementing commitment strategies and more face to face communication. Offer non-monetary rewards and monitor employee behaviour more effectively.	Not discussed within the literature

*Table 7.1 – Table addressing the details of research objective one*

### **7.2.1 Recommendations for the retail bank**

From these findings, it is recommended that retail banks incorporate a more long term focus on their performance management systems and rewards strategies. Pfeffer (1998) identifies that pay contingent to performance will lead to a higher committed and motivated workforce but also the utilisation of more 'soft HR' practices can be highly motivating for employees. Therefore, it is recommended that retail banks employ more 'soft HR' techniques such as; trust, collaboration, skill development and recognition as opposed to 'hard HR' strategies. 'Hard HR' strategies tend to have a strong emphasis on the quantitative, calculative and strategic aspects of managing the 'bottom line' within their HR and business strategies. By implementing both 'soft HR' and 'hard HR', an appropriate balance to reward strategies may be achieved.

Further to this, it is recommended that management within retail banks analyse the research conducted by the Hay Group (2009) which details eight principles of effective reward, one of which discusses 'total reward' packages, with an emphasis on both monetary and non-monetary rewards. Finally, these findings also suggest that if PRP is to be an important aspect of strategy within retail banks, then it is recommended that other strategic aspects such as compliance and customer service need to be considered. It would be recommended that a reward strategy is aligned appropriately to the overall corporate strategy of a retail bank. Research conducted by the Hay Group (2009) reiterates the importance of adding measures around long-term thinking, teamwork, building human capital and customer loyalty and incorporating all of these into their business strategy.

### 7.3 Research objective two – Summary

#### To identify the approaches taken in relation to PRP within the retail banking sector

The second objective of this study aimed to investigate the different types of PRP and the approaches that are taken towards PRP within Irish retail banks. Table 7.2 outlines these approaches.

Key Findings	Recommendations	Presence in existing literature
Retail banks all employ similar approaches		Correlation
PRP is based on an appraisal of an individuals performance against set objectives		Correlation
Average 2-3 appraisal meetings per annum	Employees should receive at least 4 appraisal meetings per annum to properly assess their performance motives and to allow for face to face communication which is very effective	Expanded upon in primary research
Evidence that PRP is diminishing as an incentive scheme	PRP needs to be tailored to suit the current environment. It should be prevented from diminishing completely as it is a potentially suitable method to motivate and incentivise employees	Not discussed within the literature
360 degree feedback used in theory – not in practice within banks	Feedback obtained within banks should be more formalised and not be so dependant on management views. It should be inclusive of 360 degree feedback which includes more formal feedback from peers and customers.	Not discussed within the literature

*Table 7.2 – Table addressing the details of research objective two*

#### 7.3.1 Recommendations for management within retail banks

From these findings it is recommended that employees should receive more feedback on an annual basis from management. This may ensure that employees and management are involved in two way communication and adequate feedback is

frequently gathered. PRP has a decreased presence within retail banks today and it is recommended that management continue to employ this performance management tool as it has proven to be successful in the past. However, it does need to be closely monitored in the future. Finally, it was suggested in the findings that 360 degree feedback is not formally used in retail banks. Therefore, it is recommended that more assessors should be involved in the performance evaluation process and management should not make all the decisions. This could potentially lead to a more equitable and fair system of reward and measure PRP more effectively.

#### **7.4 Research objective three – Summary**

##### **To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment**

The third objective of this study aimed to investigate the current management challenges surrounding PRP within retail banks in Ireland. Table 7.3 presents these challenges.

<b>Key Findings</b>	<b>Recommendations</b>	<b>Presence in existing literature</b>
Psychological effects are existent. Employees are witnessing 'hardship' from the customer base as an outcome of the financial crisis.	Offer employees counselling sessions. Operate an open door policy so that management are accessible to employees whenever they need to voice any concerns	Not discussed within the literature
Employees turning to unions for support due to the uncertain banking environment.	Management need to communicate all issues with employees and manage change appropriately. Otherwise employees may feel threatened and as a result turn to trade unions for support. This has the potential to cause additional tension within the workplace.	Not discussed within the literature
Potential conflicts exists – employees have to work harder for less in return		Correlation

*Table 7.3 – Table addressing the details of research objective three*

##### **7.4.1 Recommendations for management within retail banks**

From these findings it is recommended that management must ensure that employees can voice their concerns to counsellors or mentors within the workplace as they are witnessing increasing levels of 'hardship' from customers who are struggling with bad debt and arrears on a daily basis. It is also recommended that management operate an open door policy for employees as well as communicating to employees details of the ongoing change within the sector. This may be important as employees may otherwise turn to the union for support and this has the potential to create conflict between employees and management within the organisation. Finally, it is recommended that management recognise the increased efforts from employees. Even though, it is not feasible to offer monetary rewards at this time, research from the Hay Group (2009) suggest that small efforts such as engagement and recognition of hard work from management has been proven to encourage and motivate employees.

## **7.5 Research objective four – Summary**

### **To investigate the future of PRP within the retail banking sector**

The final objective of this study aimed to investigate the future of PRP within the retail banking sector. Table 7.4 summarises the key findings and recommendations.

<b>Key Findings</b>	<b>Recommendations</b>	<b>Presence in existing literature</b>
PRP has a future within retail banks, if there is a return to profitability.		Correlation
Elements of HR policy, reward strategy and pay are being re-examined	Management need to ensure that employees are content within the workplace and with working arrangements as unions are reviewing all HR policies. The union involvement may potentially have a significant impact on the future role of incentives such as PRP.	Not discussed in the literature
Alignment of reward strategy and business strategy- the use of incentives is in tandem with the achievement of business objectives		Correlation

*Table 7.4 – Table addressing the details of research objective four*

### **7.5.1 Recommendations for management and unions within retail banks**

From these findings it is recommended that management work closely with employees. This will help ensure that they are satisfied in relation to their working practices and working policies. This is fundamental as unions are currently re-examining all aspects of working agreements and they have a huge impact on the future of pay and incentives such as PRP. Therefore, as management and unions have a huge input, it is recommended that both parties try and work together as the common denominator is the employee and this allows scope for collaboration. Finally, in relation to aligning reward strategy with business strategy within organisations it is recommended that management look at the research conducted by the Hay Group (2009) as it offers eight principles to effectively achieving this.

### **7.6 Limitations of the study**

The author faced a number of limitations while undertaking this dissertation. The first restriction was sampling. Due to the time constraints it was not possible to carry out an extensive amount of research in retail banks. As a result, a sample was selected. The author feels this sample may not truly represent the entire population. Another limitation faced was in relation to the reliability of the study. The reliability depended on the accuracy and honesty of the answers given by the respondents in the interviews. The author feels that some respondents may potentially have been less engaging and open in their response due to the sensitivity of the research content. A qualitative methodology approach was chosen rather than a quantitative approach as in-depth analysis was seen as the crucial advantage. Therefore, the quantitative aspect of this study could not be examined. Finally, as the author employed QDAS as a method of data analysis this presented advantages but also challenges such as the task of manually transcribing the interviews with respondents.

### **7.7 Further Research**

This study has identified the following areas that may be considered for further research:

- This research was qualitative in nature. Quantitative research in this area is needed to accommodate for breadth, as a wider range of respondents may broaden the understanding of the purpose, practice and future of PRP within retail banks.
- A qualitative study similar to this research in the future could re-examine the changing nature of PRP. This would be an interesting area to conduct research as the financial crisis will have progressed and the future of PRP will be more established.
- It would be interesting to conduct research on the purpose and practice of PRP in other business sectors rather than just focusing on the retail banking sector.
- Furthermore, an investigation into the employees perceptions on the purpose, practice and future of PRP opposed to a management and union perspective may be a suitable area for research.

## **7.8 Concluding Comments**

The study set out to explore the purpose, practice and future of PRP within the retail banking sector in Ireland. It is felt by the author that management and unions perceptions of PRP are slightly varied regarding some aspects of this performance management tool. The retail banks researched for this study are currently facing changes that will affect the future practice of PRP. However, the primary research findings suggest that they are moving forward to try and achieve a 'best practice' PRP system. It is hoped that this study has outlined the purpose and practice of PRP and offered views on the future of PRP within retail banks in Ireland.

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## **APPENDIX 1**

The research process for me began on the first day of the Masters programme when it became apparent that I had to complete a dissertation. I immediately began thinking of potential research topics and areas of personal and academic interest. A learning experience which I have taken from the past whilst completing my under-graduate dissertation, is to choose a topic of interest. I have learned that completing a dissertation is a long journey that requires patience, commitment and confidence. Therefore, I choose PRP within the retail banking sector as it has received recent media attention, the topic has been the subject of recent literature offerings and it was an area of interest for me. These factors acted as a huge source of motivation for me whilst researching my topic, conducting my interviews and in writing the research.

There are many stages throughout the research process. I found it helpful to construct a research design template and this acted as a 'roadmap' for me throughout the entire process. The first stage of the research required me to write a literature review. During this stage, I learned to acquire an academic style of writing. It was essential during this phase to remain organised. This was extremely difficult at times as huge volumes of data were being analysed on a daily and weekly basis and the references needed to be kept up to date. This helped me develop my organisational skills. During this phase, I quickly learned how to examine journals, books and other secondary sources of data, which were of a credible nature. I also developed a skill for speed reading and this was beneficial as I had the ability able to preliminary scan the data without spending too much time reading. This saved a lot of valuable time and helped me to avoid getting lost in detail and going off track.

I found it interesting to compare this part of the research process to taking a picture on my digital camera of a designer dress. It was essential to take long shots to allow the reader to have background knowledge on the topic and to see the dress in full view. Middle distance shots were needed to get closer to the topic and provided the reader with the key principles, figures and theories surrounding the topic, bringing them closer to



view. Finally, the close up shots were used to precisely focus on the main points that the author wanted to get across to the reader and zooming in to expose the specific detail of the dress. I learned that all aspects and shots were essential in order to get a fully comprehensive view of the research topic.

The next stage of the research process for me was formulating and specifying my research objectives. This required a lot of thought as these had to form the basis of my complete dissertation. A skill that I certainly developed at this point was critical thinking. I believe I developed a critical mindset. Following this, I devised my research methodology and collected my primary research data. As I interviewed four senior retail banks managers and the General Secretary of the IBOA Mr. Larry Broderick I developed interviewing skills. Along with this, my interpersonal skills were strengthened as the majority of my interviews were conducted face to face. Face to face interviews were another valuable experience as I learned how to read body language and conduct myself in professional surroundings. Finally, I believe this part of the process enabled me to build a network of contacts in the retail banking sector.

The next vital stage in the research process for me was analysing, discussing and presenting the findings. This required me to perform an in-depth analysis of all my primary research findings from the five interviews conducted. There was a huge volume of information and it was a difficult task to prioritise the information gathered and condense it to fit within the word count. Therefore, I further developed my critical mindset and developed my decision making skills.

Although completing the research process has offered me valuable learning experiences and allowed me to develop many skill sets, there are things that I would do differently if I had to start the process all over again. Firstly, from the offset I would dedicate a two hour period per week to researching journals, books and other academic sources. This would consistently have built up a solid amount of current data surrounding my topic at an early stage and would have allowed me to have saved time later on. Some days I found myself spending endless hours researching. These occasions always seemed to come in tandem

with project deadlines and exam timetables. I would also keep a more accurate reference system in place. At the end of the research process when I double checked my references some were not available and it took many tedious hours to retrace them. Upon completion of my exams, I would stay more focused and spend a couple of hours per day on my research. This was something that I was not too concerned about at the beginning of the summer. However, the summer goes by very quickly and I feel that if I had of done more at an earlier stage it may have been less stressful and demanding towards the end.

Looking back at the end of the research process I have acquired many skills and learning experiences that can be transferred into the workplace and thus, are invaluable for my future HR career. These skills include organisational skills which are essential for any professional and I hope to put them to good use in an organisation in the future. The development of interviewing skills will be very useful going forward into my HR career as this is something I may be involved in on a daily basis. Another skill which I have derived and may prove useful going forward is interpersonal skills. HR personnel are labeled as 'people persons' and having this skill is essential in order to effectively communicate with employees and potential employees, if in an interview situation. In interview situations, effective decision making is crucial as the right employee has to be employed. Therefore, my developed decision making skills and critical mindset will be put into good practice. I have learned how to conduct myself in a professional environment and this is a fundamental skill for any graduate entering the workplace. Finally, from the completion of interviews during the research process I have successfully secured a credible network of contacts which may also benefit my future career.

## APPENDIX 2

Total Bank Group Employment in Rep. Of Ireland ('000s)	
1997	25.4
1998	29.4
1999	31.4
2000	32.7
2001	36.1
2002	36.8
2003	36.0
2004	35.6
2005	37.7
2006	41.0
2007	42.0
2008	41.0
Note: Employment figures include full-time and part-time staff working in the Republic of Ireland with IBF-member institutions and their subsidiaries. For 2004, source is the European Central Bank.	

**Source** – Irish Banking Federation (2009), Banking Statistics – Employment, [online] (cited 27<sup>th</sup> November 2009) Available for <URL: <http://www.ibf.ie/researchset.html>

## **APPENDIX 3**

### **Interview Transcript – Retail Bank 1**

#### **Objective 1**

**To investigate the rationale of PRP within the retail banking sector and the outcomes of this**

#### **Q1 – What is your feelings or attitudes towards PRP?**

I think PRP is centered on short term results. I think globally it is destructive and it is based on 'obsessive bonuses'. It is very individualistic approach to rewarding employees. For example look at Goldman Sachs, traders in New York! What is the relevance of that all they do is trade commodities and receive colossal rewards? 2 years ago they were so caught up in the money making ethos derived from the likes of PRP and other incentive and bonus schemes and were gambling on shares. Results in huge decrease in pension funds and ultimately the shareholders dividends are gone all because the share price in the bank dropped. When I come in after Christmas in January each year the race starts again, the race of profit

#### **Q2 – What do you think the purpose of PRP is within your organisation?**

PRP has a number of purposes and factors. Firstly, it increases the performance of individual employees. Secondly, it increases the financial performance of the company. It has certainly changed expectations within banks. For instance, 20 years ago before PRP managers had to push employees to reach targets now this push and responsibility has been shifted to the employee through incentive schemes etc.. Therefore it is more individualistic. 20 years ago juniors would of perceived profit making activities the responsibility of management alone.

#### **Q3 – When do you feel PRP grew and became a significant performance management tool within your organisation?**

Within our bank (Bank A) PRP has been used for the past number of years. 'Career Framework' was introduced as a performance management tool 3-5 years ago. Before this framework bonuses and incentives were only offered to management. However, after the roll out of this, almost 90% of the employees within the banks had access to PRP. PRP is used within this framework. This is something that works well within our bank. The figures are positive.

**Q4 – Is the use of PRP in line with the long term strategy of the organisation?**

Yes. In our bank PRP is very strategic. There is an annual review where management review the year past. Employees set objectives. Throughout the year there is an interim review in both May and September. These are opportunities for management to monitor employee performance and ensure that individual employees are reaching their objectives. Also, if employees are under-performing this is a chance for management to pin point areas where for instance training may be needed or areas where problems lie for the specific individual. Without these interims a lot would go unnoticed. Finally, when employees are performing high and have achieved their objectives in the year past PRP is rewarded.

**Q5 – Why do you think PRP is adopted by organisations? (in the retail banking sector)**

I think it is solely to do with making money, the bottom line and profit! It all boils down to figures. In a bank its all about making money day in day out. I think its profit driven as ratings are very individualistic and not purely based on performance in my opinion, personality comes into it. It's also a way of creating competition between branches within a bank. This in turn drives up figures. Banking is all short term. If anyone tells you any different they are lying.

**What do you mean by competition?**

Every couple of months usually bi-annually a forum is held where all branch management attend and performance management and ultimately PRP is discussed. This puts huge pressure on each branch as the best and worst performers are revealed. This

results in the branch management relaying the message back to their specific branch and its all focus on figures then. PRP helps incentive these individuals to perform high and achieve high numbers in the books.

**Q6 – What do you think the advantages of using PRP are within your organisation?**

In the boom years it enabled banks to increase and generate high profit. It allowed employees have access to bonus and incentive schemes. Employees were able to participate in these systems. In the sense that the message was there that if you perform well you will be monetarily rewarded for it. Overall, I think the biggest advantage is motivation. In our banks throughout the boom years there were 3 forms of this incentive PRP pay.

1. Bonus – Increase in salary
2. Share Options/Salary forgone
3. Share Bonus

**Q7 – What do think the disadvantages of using PRP are within your organisation?**

This is simple for me to say here today. It is greed! Greed leading to unethical work practices. There is a narrow short term focus, and huge loss of teamwork.

**How do you mean loss of teamwork?**

For instance, if one employee has the chance to sell a product even if their colleague has more knowledge and expertise within the specific area this will not matter as selling the product and receiving bonus pay was the objective. Employees are out for themselves and act and work as individuals all the time.

**Objective 2**

**To identify the approaches taken in relation to PRP within the retail banking sector**

**Q8 – What type(s) of PRP or performance management approaches do your organisation utilise?**

This is covered in question 6.

**Q9 – Is this type of system consistently utilised across the whole organisation?**

Yes! These options are the same and if you went to a branch in Dublin and then to Waterford an employee would have the same options and incentives. All branches mirror each other. 'Career framework' was implemented nation wide.

**Q10 – How often do employees within your organisation obtain feedback from management and thus, receive PRP for high performance?**

On an annual basis each employee receives feedback 3 times.

1. Annual review – Setting of objectives
2. Interim review – May
3. Interim review – September

On account of the crisis it is hard to achieve objectives that once were met in the past. Therefore, individual targets are not as common its usually a branch objective.

**Q11- Do the appraiser(s) get appraised?**

Yes the appraiser will go through the same sequence of events as the individual getting appraised discussed previously.

**Q12 – Is 360 degree feedback used throughout the performance review process?**

Yes. The interim reviews can be used to ask all employees on how there are working within their team on the ground and this is an opportunity for them to speak of their colleagues if they feel they need to. This is informal and extremely confidential. Also, mystery shoppers are used within our bank. On an annual basis we expect at least 12 mystery shoppers and there examine and cover a variety of topics and products. We also have a rigorous system in place for complaints. This is a mechanism that works extremely well with customer complaints. If the customer logs a complaint then the back has a strict turn around time of only 5 days to correspond back to the customer to investigate the complaint. We are in the customer service industry we have to keep close to them.

**Q13 – Are employees within your organisation motivated more by monetary or non-monetary rewards?**

Not purely by monetary. I think both! Especially in these challenging times employees are aware that monetary rewards are few and far between. Currently what is a huge motivator is our offer of flexible working hours. Our offer is a 3 day a week/ job sharing plan. Different options motivate at different times. 3 years ago my answer would be solely monetary. This is popular with for example a mother with 2 young kids.

**Q14 – Aside from recognising and rewarding good performance, is there any system in place in the organisation to recognise and resolve poor performance?**

As previously mentioned in question 4 we have interim reviews and these are used to identify poor performance. They identify where the weaknesses are, training needs. Another aspect of it is the financial regulator making huge changes in terms of everyone having up to date training and qualifications. Employees can not even have a conversation with a customer about a mortgage unless they are deemed qualified and certified. In my day this was not the case at all.

**Objective 3**

**To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment (day-to-day challenges)**

**Q15 – According to many theorists PRP was originally implemented within retail banks to align managements' interest with shareholders – high performance and value creation. Do you think this is being achieved within your organisation?**

In the past this was the case. Also within the theory this supposedly is the case. But today, in reality this is something that is difficult to achieve. As everyone is aware shareholders are not happy people they believe that management hold very different interests. 4 years ago our bank share price was 25euro today it is 1.50 euro. This is what I mean about short term. I think and believe strongly that the trust is gone. This is the core issue. It will take a long time and it will be a long road to recovery of this issue and this trust. Obligation is risk.



**Q16 – How do you ensure that employees know their roles and responsibilities and remain accountable for these on a daily basis?**

Within my bank there is two elements and these ensure that employees know their responsibilities and roles.

1. Retail banking – this is a more straight forward section and deals with mortgages, deposits, investments, lending etc... These functions are highly supervised by management and the review and interim system keep a regular tab on these roles and ensure they are being met.
2. Sector teams – Our bank have set up what are called sector teams. This can also consists of people like yourself 'graduates'. This teams hold bigger responsibilities for example they work with hotels and companies etc... Again these functions are highly supervised and roles and responsibilities are always reinforced.

**Q17 –How have the recent changes (financial crisis) affected employees in the organisation? (for example: are they less motivated)**

Yes, to a degree. The banking working environment is not a pleasant one. Good customers from the past number of years are now under huge financial pressures. There have been situations where we had to make decisions to bounce these customer cheques. This is hard and tough to do. Our employees are witnessing this hardship on a daily basis so staff morale is low at the moment. 10 years ago our customers has a relationship with our management now they call our team 'credit managers'.

**Q18- If so, is this a challenge for managers within the organisation?**

Yes it all boils down to our management team. We are the enemies. Other examples would be this year we had to cancel the Christmas party and this was a huge dent in morale in the workplace. It is currently really hard to motivate workers to work harder for ultimately less in return. Another slant on this situation is the fact that us bankers cant even be seen to enjoy ourselves anymore. A number of years ago it would be regular to go for Friday evening drinks. This is also gone.

**Q19 - How do you manage and conquer these challenges and motivate employees on a daily basis to deliver their objectives?**

I think that deep down our employees are happy and that they feel as if they are 'lucky to have a job'. Survival syndrome is high at the moment. Also we offer some of our senior bankers early retirement options. Finally, there is and has been a number of redundancies in the past number of months. This takes the form of 'LIFO' – last in first out. Therefore, with all this going on in the workplace employees are accepting and happy that they have a job.

**Objective 4**

**To investigate the future of PRP in the retail banking sector**

**Q20 - How has the recent financial crisis affected performance management within your organisation?**

Firstly, there is no money in the pot in terms of rewarding and incentivising employees. Therefore, performance management has to take a new focus, non-monetary rewards and recognition and praise as discussed earlier. This has and will continue to happen every number of years I witnessed similar in the 1980's. Things will pick up and change will occur in the future. It is cyclical. Banks do have money, just nobody wants it. When they start wanting it again we will offer it and things will turnaround. The race starts again.

**Q21 – Given the recent financial crisis and the witnessed cutbacks within many organisations nationally, how do you think PRP in your organisation will be affected by this?**

As I mentioned funds in this area are few and far between. So from a motivational point of view, it is very difficult and has negatively affected PRP in the bank. PRP is gone out the window at the moment. No bonuses, pay freezes. Even in relation to the interims I spoke of earlier, these have dropped in most cases to just one in September. Therefore, I don't like to admit it but poor performance from employees could increase within banks adding to the already existing challenges.

**Q22 – Do you think PRP has as important role to play in the future within your organisation?**

Yes it has worked well. It will play a future but I don't think it will be given as much 'freedom' to evolve and takeover. It will exist but not to the same degree. It is important because it is a huge motivator. People are always interested in being recognised for their performance and improving themselves.

**Q23 – If so, what changes, if any, will be made to PRP?**

Like I said it will be watched more closely. Short term aspects of it will have to be dismissed. I think that more long term aspects should be introduced into the scheme.

**Can you give me an example of what kind of long term aspects could be introduced?**

Nothing has been rolled out or even suggested as of yet. Maybe rewards after a longer period of time depending on the product sale etc.. Offer them shares that are locked in to a five year plan. There are lots of options that could be implemented I think.

**Q24 – Is people management and career development a priority within your organisation?**

Yes this is as important to us as it is to our staff. We are still providing huge amounts of training at this time. Also employees doing exams are offered attractive study leave options.

**Q25 - If so, does PRP play any role in this?**

Yes, high performers are recognised through performance management which PRP plays a role in. These are the employees we offer training and career progression to. These to us are the 'high potentials'.

## **APPENDIX 4**

### **Interview Transcript – Retail Bank 2**

#### **Objective 1**

**To investigate the rationale of PRP within the retail banking sector and the outcomes of this**

#### **Q1 – What is your feelings or attitudes towards PRP?**

They would be quite positive. I think PRP gives people something to work towards. It gives them credit for the effort and work they have done that has contributed to the success of the organisation. It also allows management and the organisation to reward fairly and equitably. Finally, I think it provides a distinction between the average worker which is classified 9-5 and the high performing worker who may do 12 hour days, 5 days a week.

#### **Q2 – What do you think the purpose of PRP is within your organisation?**

I think PRP encourages people to work to the best of their ability. It allows the organisation to evaluate the variation of their workforce and the individual worker ability. What I mean by this is that the rating system in our performance management process provides us with statistics which then enable us to identify 'high performers' and consequently the 'low performers'.

#### **Q3 – When do you feel PRP grew and became a significant performance management tool within your organisation?**

It became a hugely significant performance management tool after the merger in 2002. I would say in 2005 it was completely rolled out. TSB adopted Irish permanent HR practices and PRP was a huge element of their reward strategy.

**Q4 – Is the use of PRP in line with the long term strategy of the organisation?**

At the moment it is not. Our organisation is in survival mode. 3-5 years ago it was as our strategy was to make money and we were making a lot of money so PRP was helping to achieve this. Today, PRP does not have such a role as it has been eliminated and our workers are currently not receiving it. However, we don't know where we will be exactly in one years time, and PRP could again be in line with our strategy.

**Q5 – Why do you think PRP is adopted by organisations? (in the retail banking sector)**

PRP essentially incentivises employees within organisations to work harder. It is a huge motivator and thus it motivates employees to reach targets and beyond at times. It is human nature to work harder if a reward is on the table. People like a challenge and PRP allows them to have it.

**Q6 – What do you think the advantages of using PRP are within your organisation?**

As I mentioned in the previous question, I think it is a huge motivation. PRP is an individual concept therefore, it encourages each individual within the organisation to work harder. Management do not have to be responsible for all targets. PRP effectively will spread the control and this is very effective. In our organisation this is something that is very beneficial and it is favoured by the workforce.

**Q7 – What do think the disadvantages of using PRP are within your organisation?**

A huge disadvantage is greed. Individuals can just be out for themselves and become almost obsessed with performing short term to receive recognition and reward. For some employees it can create huge pressure to conform, this can affect their personal life too. Our banks try not to give too many individual targets as far as possible as we feel that you will always have the young and inexperienced versus the old and experienced. We feel that we have to protect employees. PRP has many dangers if not managed properly.

## **Objective 2**

**To identify the approaches taken in relation to PRP within the retail banking sector**

### **Q8 – What type(s) of PRP or performance management approaches do your organisation utilise?**

In relation to PRP we have individual and team targets and when and if these are reached we offer monetary or non-monetary rewards. Currently rewards are not too available with the economy where it is at. But we do try to offer incentives like flexible holidays and some of the younger staff have the option to go on secondments and travel, in some cases at their own expense but they are happy to do this and come back to their job in a couple of months when things may have picked up.

### **Q9 – Is this type of system consistently utilised across the whole organisation?**

Yes, all banks are currently offering non-monetary reward and PRP is not being utilised at present.

### **Q10 – How often do employees within your organisation obtain feedback from management and thus, receive PRP for high performance?**

In our bank we do 2 appraisals each year. Therefore, there is a half year performance review and a full year review. Additional to this we have an open door policy where employees can come to management if they have an issue affecting their performance that they need to discuss outside the review meetings which are held bi-annually. The employee then receives PRP after the yearly review; this depends on their performance rating.

### **Can you explain how employees are rated on their performance?**

This rating scale is from 1 to 5.

1. Very Poor
2. Poor
3. Good/Average
4. Performing high

## 5. Outstanding Performance

Consequently, any employee rated above 3 (4 + 5) is deemed 'high performing' or a 'high potential'.

### **Q11- Do the appraiser(s) get appraised?**

Yes within our organisation this is common. This ensures that the performance management system is equitable and deemed fair.

### **Q12 – Is 360 degree feedback used throughout the performance review process?**

Yes, this is commonly used. In our organisation we have what we term a 'customer service index'. This is where we store all feedback from customers from all branches of the bank. We ask questions such as; how did you find branch knowledge? How did you find the response time? Etc. These customers are carefully selected. This gives our organisation huge feedback on how we are doing. After all we are a customer driven business it is in our interest that they are satisfied. Also we have mystery shoppers throughout the year. We are unaware of their visits and employees who tick of the boxes in terms of customer service receive recognition and a small reward for this. We occasionally seek feedback from peers and colleagues but this is something that has to be done in the strictest of professionalism and confidence. This is a very sensitive area that has to be treated properly.

### **Q13 – Are employees within your organisation motivated more by monetary or non-monetary rewards?**

I would think the response to this question would change in line with the economy. 3-5 years ago employees in our organisation were motivated by monetary rewards simply because the money was available and employees expected to be. However, today it is a different story. I think employees currently are motivated by non- monetary rewards. I think this is the case in all organisations even outside the banking sector. I mentioned earlier that our bank is in survival mode well I think our employees are too. They are happy to be receiving a basic pay packet each week.

**Q14 – Aside from recognising and rewarding good performance, is there any system in place in the organisation to recognise and resolve poor performance?**

Yes. I mentioned the rating scale earlier. Within this scale if employees are ranked 1 or 2 they are deemed to be under-performing. In order to resolve this level of poor performance we offer training and support.

### **Objective 3**

**To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment (day-to-day challenges)**

**Q15 – According to many theorists PRP was originally implemented within retail banks to align managements' interest with shareholders – high performance and value creation. Do you think this is being achieved within your organisation?**

I don't think this is exactly reality at the moment. I think both parties have the same urge to create value and be high performing. But I think they have different agendas. I think management in the past proved they may want short term results whereas shareholders want long term returns. Like I said PRP is not being used at present in our organisation therefore our employees are loyal by striving to survive without it.

**Q16 – How do you ensure that employees know their roles and responsibilities and remain accountable for these on a daily basis?**

All employees are given duties at the start of the year by their management. Employees depending on their level of performance in the past can apply or volunteer for extra roles or responsibilities. Enthusiasm is very important. In our branch we have 3 managers and each have a number of juniors and associates to provide and support. Also, the performance review meetings allow management to inform and remind employees of their roles and responsibilities.

**Q17 –How have the recent changes (financial crisis) affected employees in the organisation? (for example: are they less motivated)**



Like every other organisation and I say this again, even outside the banking sector all employees have been put on pay cuts and their bonuses have been taken away. This is damaging and not motivating for organisations. However within our bank we have experienced huge loyalty from our employees. We have two main categories of employees the old employee with 25 years plus service these have witnessed these hard times before so they get through and on with it. The new and younger categories of workers which have on average 3-5 year of service are keen and enthusiastic. These employees are in survival mode where they are happy to be still employed , they witness the reality of redundancy job losses each day in the media so they are loyal. Also in addition to this there is a huge stress factor which affects our employees. Each day they are forced to see mortgage holders in debt and huge arrears. These are all affects of the financial crisis.

**Q18- If so, is this a challenge for managers within the organisation?**

Yes, this has proven to be a huge challenge for managers. Management need to look after the organisation. Employee performance ratings are not supposed to go under 3. This can be a huge responsibility for management if employees are not motivated. Employees are required to work hard and in tough conditions for less. Also in some cases, not in our specific branch but in Dublin for instance redundancy programmes have been rolled out. This is a challenge for management as they have to select the candidates and ensure it is as easy and as stress free as possible for the workers.

**Q19 - How do you manage and conquer these challenges and motivate employees on a daily basis to deliver their objectives?**

There is not a whole lot that can be done. But in my experience it is the simple things that make a difference. For example, providing a nice and pleasant as possible working environment for employees each day. It is important that employees are supported throughout times like this. On some occasions we would present employees with non-monetary rewards e.g. have a raffle for two GAA or football match tickets. These all make a difference and can help motivate employees to meet and deliver their objectives on a daily basis.

#### **Objective 4**

**To investigate the future of PRP in the retail banking sector**

**Q20 - How has the recent financial crisis affected performance management within your organisation?**

Quite negatively. The bonus structure for people especially managers, but also employees have been taken away. We deal with this by looking at the bigger picture. Where will we be in 2 years time. Hopefully we will be in a better position.

**Q21 – Given the recent financial crisis and the witnessed cutbacks within many organisations nationally, how do you think PRP in your organisation will be affected by this?**

PRP is completely affected by this. They are less PRP rewards if any at all. This will be the case until we are back in a money making scenario.

**Q22 – Do you think PRP has as important role to play in the future within your organisation?**

Yes, despite its small presence at the moment I do believe that it will role in the future. However, banking will never offer the attractive rewards as it did so in the past. But I feel in time our reward strategy alike other banking organisations will develop again.

**Q23 – If so, what changes, if any, will be made to PRP?**

PRP will never be at the scale as it was in the past. It will have a close eye on it going forward. There will be a lot more notice paid to it.

**Q24 – Is people management and career development a priority within your organisation?**

Yes it is a huge priority. Even in these difficult times we offer our employees training and this will stand to them when things begin to pick up, which they will in the future. Unfortunately, at this time there are no promotions or career ladder opportunities etc...on the table for employees. Again, this will change going forward.

**Q25 - If so, does PRP play any role in this?**

PRP does have a link to this, as the rating system discussed earlier is very closely linked to promotion. By this I mean that high performers who achieve, for instance, a 3 or 4 on the performance rating scale will be considered high potentials for career development going forward and more than likely can develop as a result. Informal appraisals are now more commonly used as this is something that the unions want, they do not want formalisation. They want employees to set out their own objectives.

## **APPENDIX 5**

### **Interview Transcript – Retail Bank 3**

#### **Objective 1**

**To investigate the rationale of PRP within the retail banking sector and the outcomes of this**

#### **Q1 – What is your feelings or attitudes towards PRP?**

They would be positive. My feelings on PRP are that it is part of an overall remuneration package offered to employees. It is underpinned by basic salary. I think it is an extremely good tool to reward different levels of performance within the organisation. It identifies the high potentials in the organisation.

#### **Q2 – What do you think the purpose of PRP is within your organisation?**

I think it is a method that allows management to buy performance from employees. It certainly increases the level of performance. It rewards 'discretionary' effort and helps identify this also. It gives employees in the organisation control as they can link what they do to what they earn. In my organisation employees like this concept and it really motivates them to push harder.

#### **Q3 – When do you feel PRP grew and became a significant performance management tool within your organisation?**

There are different elements I would discuss here. But speaking solely of PRP I believe it became widespread in our organisation approximately 10-15 years ago. It introduced a more individual approach to managing employees, a transfer of control. Individual PRP is prevalent in the last decade.

#### **Q4 – Is the use of PRP in line with the long term strategy of the organisation?**

Yes in the past it most certainly was. Employees were rewarded strategically and in tandem with the profits of the organisation. It was all influenced and dominated by the

'bottom line'. However, today this is not as true as strategies have changed in the banks and PRP has diminished. I believe people are just happy and lucky to have a job. That is the main thing.

**Q5 – Why do you think PRP is adopted by organisations? (in the retail banking sector)**

Most certainly to increase performance and effort from employees in the bank. PRP rewards employees on specific objectives. Employees are rated on a scale in our bank.

1. Poor
2. Average
3. Good
4. Excellent

This allow us to identify our employees this is very important for us. Also this can be used as a developmental tool also.

**Q6 – What do you think the advantages of using PRP are within your organisation?**

I think PRP discriminates in a positive way. As I said it identifies 'high potentials'. It allows for flexibility. It rewards and motivates those employees that are doing well for the organisation. I think it is a very equitable way of sharing rewards those who do more receive more. Hard workers get rewarded. It pushes lower performers too.

**Q7 – What do think the disadvantages of using PRP are within your organisation?**

One disadvantage is that it is heavily based and determined on the quality of assessors. This creates a space for biases, greed or inequitable work practices. It can become too individualistic and people can work for themselves and not for the good of the bank. This is witnessed in the past number of months.

**Objective 2**

**To identify the approaches taken in relation to PRP within the retail banking sector**

**Q8 – What type(s) of PRP or performance management approaches do your organisation utilise?**

The main approach taken is as follows; PRP forms part of the basic salary. This % is dependant on the rating that the employee receives from its performance management appraisals. Also employee bonus share schemes are widespread throughout our organisation, nationwide and globally.

**Q9 – Is this type of system consistently utilised across the whole organisation?**

Yes each branch of the bank effectively mirrors each others 'best practice'.

**Q10 – How often do employees within your organisation obtain feedback from management and thus, receive PRP for high performance?**

In our bank we have two informal interims. We call these 'touch points'. Apart from this and dependant on these there is an 'annual appraisal'. In this annual appraisal the employees rating is determined. Following this rating and further review 'high performing' employees receive PRP.

**Q11- Do the appraiser(s) get appraised?**

Yes, this ensures consistency throughout the bank. It allows our performance management system to be fair and accurate. The quality of the procedure etc.. is also checked.

**Q12 – Is 360 degree feedback used throughout the performance review process?**

Yes this plays a strong role in the performance review process. For example, we have customer surveys and mystery shoppers. Each of our branches has targets in relation to this. Also, colleagues and peers play a role. This aspect can be very difficult to manage. It can be an extremely sensitive area. Has to be managed very carefully.

**You mentioned targets what do you mean by targets?**

Basically to ensure that our customers are happy and these surveys provide statistics for us.

**Q13 – Are employees within your organisation motivated more by monetary or non-monetary rewards?**

In the boom years and the Celtic tiger it was money. People were money rich and time poor. Money back then was a huge motivation. Benefits were taken for granted. The tables have certainly turned. Now having a job is motivational. People are feeling lucky to even have a job

**Q14 – Aside from recognising and rewarding good performance, is there any system in place in the organisation to recognise and resolve poor performance?**

Yes these issues of poor performance are usually resolved in the 'touch points' / 'interims'. These employees identified as 'poor performers' are then supported by training and identifying the issues at hand. Action plans are drawn up where short term objectives are identified could be monthly. In some instances we offer coaching or mentoring to these employees.

**Objective 3**

**To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment (day-to-day challenges)**

**Q15 – According to many theorists PRP was originally implemented within retail banks to align managements' interest with shareholders – high performance and value creation. Do you think this is being achieved within your organisation?**

It extends beyond management. People should not be in management if their interests are not in line with the shareholders. Management through people is how it works. Value creation is still huge, shareholders still exist therefore there is truth in this. People are watching more closely especially shareholders. Banks are in a 'survival mode'.

**Q16 – How do you ensure that employees know their roles and responsibilities and remain accountable for these on a daily basis?**

This is achieved through our performance management process. Employees have their objectives and during the interim reviews management can help to reinstate these roles and responsibilities. Each employee has their roles set out and they are aware of them.

**Q17 –How have the recent changes (financial crisis) affected employees in the organisation? (for example: are they less motivated)**

Of course, the financial crisis has affected everyone. Everyone is disheartened and less motivated. However, there is a level of appreciation from employees in terms of them having a job. It may be more challenging, more focused but each employee is aware of the value of their job and this can be motivating in itself. Again I use the term 'survivor syndrome'.

**Q18- If so, is this a challenge for managers within the organisation?**

Yes at times it can be very difficult to keep staff enthusiastic and moving forward. But it is a similar story in most other organisation. Our employees are aware of that.

**Q19 - How do you manage and conquer these challenges and motivate employees on a daily basis to deliver their objectives?**

We tend to focus on things that influence rather than things that do not. I use the quote to my employees 'how do you meet an elephant? In small pieces'. It is very important that employees are supported and not worry about next quarter but today and now.

**Objective 4**

**To investigate the future of PRP in the retail banking sector**

**Q20 - How has the recent financial crisis affected performance management within your organisation?**

It has certainly made it a lot more difficult. The levels of activity have changed. There is an invisible presence in the organisation. It is important that we ensure to support employees and keep our heads up. Employees have to work twice as hard for less incentive. That's the reality.



**Q21 – Given the recent financial crisis and the witnessed cutbacks within many organisations nationally, how do you think PRP in your organisation will be affected by this?**

It will be hugely affected. I think it will be suspended, well it currently is at present, it will have to be revamped and also refused within the organisation.

**Q22 – Do you think PRP has as important role to play in the future within your organisation?**

Yes, however I do not know when it will be in a position to do so. It is a great tool and it will have a future. It will definitely be closely watched and different levels more justified.

**Q23 – If so, what changes, if any, will be made to PRP?**

I don't think reward will be as widely available. In relation to individual ratings I think the bar will be lifted. People will have to work harder and for longer stints of time for rewards. 'self generated effort'.

**Q24 – Is people management and career development a priority within your organisation?**

It always has and always will be. It is a lot more difficult now, NAMA for instance and other constraints make it more challenging. There is the same levels of training available but no funds anymore so its basically the necessity and fundamental training offered to employees. This is more slow to occur and a lot less formal.

**Q25 - If so, does PRP play any role in this?**

Ratings reflect performance and when the opportunities arise in the future for reward high performing employees have more of a chance of receiving PRP.

## **APPENDIX 6**

### **Interview Transcript – Retail Bank 4**

#### **Objective 1**

**To investigate the rationale of PRP within the retail banking sector and the outcomes of this**

#### **Q1 – What is your feelings or attitudes towards PRP?**

I think PRP is a good technique to have in an organisation. It allows the organisation to link pay to each individual employee's progression. It helps management identify their worker ability. However, I strongly believe it has to be managed effectively. It is a reward system that could be abused quite easily. This is something well documented throughout the last number of months in banks and other organisation also.

#### **Q2 – What do you think the purpose of PRP is within your organisation?**

I think it allows management to provide payment to employees determined and dependant on their results. Therefore, it is a system that finances itself at times. It encourages staff to work harder and it has the potential to create a competitive advantage through high performance and good customer service. I believe that if employees are happy in the organisation then this reflects in their work practices and ultimately the customer receives good service. At the end of the day we are in the business of customer services.

#### **Q3 – When do you feel PRP grew and became a significant performance management tool within your organisation?**

In terms of managers PRP has played a role for I would say the last decade. Management always received bonus payments for the overall performance of their bank. However in the last 4 to 5 years employees were also introduced to PRP. This is because now it is not only management that have control over the 'bottom line' but employees are responsible for it too. Therefore, they need to be rewarded. But yeah, in the last 5 years I would say

most employees are receiving PRP and it is within this timeframe also that PRP became a significant management tool within our bank.

**Q4 – Is the use of PRP in line with the long term strategy of the organisation?**

It is hard to answer this question at the moment as PRP is not currently being used to the same degree as before. But I would say it once was in line with the long term strategy of the organisation but at the moment it is not. I can't say for definite, but I think it will play a future role in our strategy going forward. After all, banking is about making money and this is our strategy, PRP is a good way to ensure that employees work hard and push up the figures. This is why I see in the future of the organisation.

**Q5 – Why do you think PRP is adopted by organisations? (in the retail banking sector)**

Overall I think it is to drive performance. Banking is about making as much money as possible and PRP motivates employees to perform to the best of their ability. When employees are reaching the top then so are our figures. At the end of the day that is what it is all about. I would be lying if I said otherwise.

**Q6 – What do you think the advantages of using PRP are within your organisation?**

PRP helps identify the various categories of employees within the organisation. This is very beneficial and in redundancy situations like now and in the past number of months it allows the organisation to retain their key talent and select poor performers for potential selection. It's also a good way to reward fairly. Employees who perform to a higher standard receive a higher reward than does that do not.

**Q7 – What do think the disadvantages of using PRP are within your organisation?**

One of the main disadvantages of using PRP is that it can create a mismatch of interests between individuals and the organisation. What I mean by this is that individuals become too obsessed by making individual rewards that benefit them opposed to the organisation. On occasion, from my experience, PRP can cause stress for employees if targets are

unattainable. Employees can get very stressed if they are not performing as well as their colleagues and peers.

## **Objective 2**

**To identify the approaches taken in relation to PRP within the retail banking sector**

### **Q8 – What type(s) of PRP or performance management approaches do your organisation utilise?**

Basically employees all receive a basic wage dependant on their job description and role within the organisation. In addition to this basic rate each individual employee receives PRP as a % of their performance. We examine their performance % by using the performance rating scale which goes from 1 to 5.

### **Q9 – Is this type of system consistently utilised across the whole organisation?**

Yes every branch of our bank uses the same system consistently.

### **Q10 – How often do employees within your organisation obtain feedback from management and thus, receive PRP for high performance?**

In our organisation we have a rating system it is on a scale from 1 to 5. The employees are rated annually and on the basis of this rating they receive PRP. In terms of feedback this is received by employees from management throughout the year. We have 3 performance management meetings during the year. These are formal between management and employees. However, if employees have an issue outside these meetings in relation to their work performance they can come to management informally or arrange to meet up to in a formal setting.

### **Q11- Do the appraiser(s) get appraised?**

Yes throughout all our branches appraisers get appraised. This helps us to ensure that our system is reputable and credible.

**Q12 – Is 360 degree feedback used throughout the performance review process?**

Within our organisation we don't only depend on management to review an individual employee's performance. To a degree I suppose it is used. We have mystery shoppers send down by head office. This is a method of assessing customer service which is very important to us. We would often use telephone surveys on our customers, this is also a good way to obtain information on how we are performing and meeting their specific needs.

**Q13 – Are employees within your organisation motivated more by monetary or non-monetary rewards?**

I think pay is a big motivator for all employees besides just within my organisation. However, at the moment there is no money available so employees I feel have shifted from monetary which 3 years ago they were highly motivated and almost dependant on, to non-monetary rewards. Individuals who are employed with us today are happy to be and that is essentially enough for them as many people whom they are related to and know are unemployed. That is the attitude I am experiencing in my organisation. I would be confident that it is the same in many other organisations also.

**Q14 – Aside from recognising and rewarding good performance, is there any system in place in the organisation to recognise and resolve poor performance?**

The same system that is used to recognise high performance is used to detect poor performance. If employees score low on the performance level ratings then this is a huge indicator for us that they are poor performers and we can then resolve this by offering training and support.

### **Objective 3**

**To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment (day-to-day challenges)**

**Q15 – According to many theorists PRP was originally implemented within retail banks to align managements' interest with shareholders – high performance and value creation. Do you think this is being achieved within your organisation?**

I think this is true but I spoke of mis-match of interests earlier. I think this may be the case here also. From what we see in the media, banks provided high performance and also value creation for shareholders but only on a short term basis. This is where the mis-match lies. Shareholders are in it for the long haul they want long term profitable returns on their money and this is not what they have received. Share prices in all banks have hit an all time low in the past 12-18 months.

**Q16 – How do you ensure that employees know their roles and responsibilities and remain accountable for these on a daily basis?**

Every employee in our organisation is 100% aware of their specific roles and responsibilities. In the annual review meetings, management along with revisiting their set objectives usually see if employees are meeting their job criteria and if they are no it would be on this occasion that they are reminded of what is asked of them on a daily basis.

**Q17 –How have the recent changes (financial crisis) affected employees in the organisation? (for example: are they less motivated)**

Initially when we first came up against the financial crisis and that word recession all employees put their guards up against management in the organisation. At this time pay cuts were rolled out and pay freezes were the norm. However, when the situation became more apparent and we discussed the circumstances with employees their attitudes changed. I feel as if employees in my organisation are even more motivated and by less now then they were in the past. Like I mentioned they know they are lucky to be employed and that means a lot to them.

**Q18- If so, is this a challenge for managers within the organisation?**

At the start it was a challenge, but communication was key. Once we began to discuss the issues etc... With employees and allowed them to communicate their concerns to us it was less challenging. I think two way communication is very important and also trust should be kept, this is something we try to ensure in our organisation, as far as possible.

**Q19 - How do you manage and conquer these challenges and motivate employees on a daily basis to deliver their objectives?**

I think listening to their concerns and act upon them. It is important to let them have a voice within the organisation.

**Objective 4**

**To investigate the future of PRP in the retail banking sector**

**Q20 - How has the recent financial crisis affected performance management within your organisation?**

Essentially it has taken away our means of rewarding high performing employees. The money is not there as readily as it was in the past. Therefore, what once was the main motivator (money) is no longer. We have had to and will have to continue to think of additional way to reward employees. This all affects our performance management system.

**Q21 – Given the recent financial crisis and the witnessed cutbacks within many organisations nationally, how do you think PRP in your organisation will be affected by this?**

It has been directly affected by this. PRP is currently frozen within our organisation, no employee is receiving it. In terms of bonus schemes and share option schemes the same applies. All reward schemes have been directly affected by the financial crisis.

**Q22 – Do you think PRP has as important role to play in the future within your organisation?**

Yes, it will have and has proven to work well in the past. It will have a role but I reckon it will never play such a dominating role again as it did in the last number of years within banks.

**Q23 – If so, what changes, if any, will be made to PRP?**

It definitely needs a more long term focus. Maybe a more team orientated focus to take the urge of greed and temptation from an individual to work inequitably to receive a bonus payment.

**Q24 – Is people management and career development a priority within your organisation?**

Yes it is a strong priority in our organisation.

**Q25 - If so, does PRP play any role in this?**

I suppose it does as the identified high performers are the potential developmental pool of individuals we choose from when looking to develop our employees.



## **APPENDIX 7**

### **Interview Transcript – Larry Broderick- General Secretary (IBOA)**

#### **Objective 1**

**To investigate the rationale of PRP within the retail banking sector and the outcomes of this**

#### **Q1 – What are your feelings or attitudes towards PRP?**

In my opinion PRP is an instrument used by management within organisations. I do believe it is a positive tool and it aids development of individuals. However, I do have strong concerns about 'situations' that can emerge from the use of PRP. What I mean by the word 'situation' is what we are witnessing now- excessive bonus and incentive packages that individuals have received off the back of schemes alike PRP. Therefore, I think PRP systems need to be well managed and there needs to some form of 'protection' in place.

#### **Q2 – What do you think is the purpose of PRP within organisations?**

I think the main purpose is to reward high performers in organisations. It is an incentive used to push people to work harder to achieve bigger and stronger outcomes and results. However, I strongly believe that it is a divisive strategy and can hugely undermine teamwork. It can lead to favouritism from management within the workplace. This can be intimidating for employees that do not perform as high as their colleagues. I also think PRP can be very easily abused in the workplace. Therefore it is fundamental that the PRP system in place is equitable.

#### **Q3 – When do you feel PRP grew and became a significant performance management tool within retail banks in Ireland?**

I think it grew and became significant in the late 1980's, early 1990's. I think banks made the decision at this time to entice management out of the IBOA. They did achieve this by offering an immediate increase in salary bands. Also, cars and other desirable incentives

were offered within banks to management. From my knowledge PRP was then rolled out to employee level in the mid 1990's. This was an attempt to individualise the employment relationship between employees and management and rule out the union.

**Q4 – Do you think PRP should be in line with the long term strategy of the bank?**

Yes I do. But it does not. PRP within retail banks does not factor in important strategic elements such as customer service and compliance.

**Q5 – Why do you think PRP is adopted by retail banks?**

I think there are three main reasons why:

1. So that management level employees within banks will leave the union (IBOA).
2. To reward the high performing employees.
3. It is a device for managing change within retail banks.

**Q6 – What do you think the advantages of using PRP are within retail banks?**

Money and incentives are a huge source of motivation. People love to get rewarded for their work and effort. PRP offers this 'bonus' and individuals receive increases in pay and bonuses that they wouldn't otherwise receive outside of PRP schemes. Therefore this bigger push from individuals is a huge advantage for using PRP within banks. In banks it's all about money and this is a good way to impact the 'bottom line' – profit!

**Q7 – What do you think the disadvantages of using PRP are within retail banks?**

A huge disadvantage is that it is a short term tool and as a result the outcomes of it are in tandem, short term. PRP does not usually cater for teamwork within retail banks. As I mentioned earlier PRP is a very divisive strategy. It is not transparent.

## **Objective 2**

**To identify the approaches taken in relation to PRP within the retail banking sector**

**Q8 – What type(s) of PRP or performance management approaches are you aware of that retail banks utilise?**

It is a standard approach in all retail banks. At the beginning of the process individuals set individual objectives. These objectives are heavily weighted towards profit, growth and finally change. Throughout the process which is one year in length these objectives are reviewed by management. It is then usually during the second interim meeting with individuals that they receive a 'pensionable' increase in salary – PRP.

**Q9 – Is this type of system consistently utilised across the majority of retail banks?**

Yes!

**Q10 – How often do you think employees within retail banks obtain feedback from management and thus, receive PRP for high performance?**

As I mentioned earlier the process is based on an annual basis. Therefore feedback is received by individuals throughout this yearly period. There is 4 interim reviews throughout this timeframe.

**Q11 – Do you think 360 degree feedback is used throughout the performance review process within retail banks?**

In theory it is yes. But in reality it is most definitely not. I believe that all feedback is strongly related to managements views etc...

**Q12 –Do you think employees within retail banks are motivated more by monetary or non-monetary rewards?**

Individuals within retail banks are strongly motivated by monetary rewards. This is evident with what has gone on in the past.

**Q13 – Aside from recognising and rewarding good performance, is there any system in place within retail banks to recognise and resolve poor performance?**

Yes! There are 'depraisal' systems in place within retail banks. However, I believe that low performers within retail banks are identified and are pushed out of the companies. They are ultimately - fired.

**Do you think training is provided to these 'low performers' before you describe them as being pushed out of the organisation?**

Training is certainly offered, but working in banks is a money making business and individuals that are not capable of making profit and driving figures up are effectively not wanted.

### **Objective 3**

**To investigate potential management challenges in terms of policies and practices surrounding PRP in a retail banking environment (day-to-day challenges)**

**Q14 – According to many theorists PRP was originally implemented within retail banks to align managements' interest with shareholders – high performance and value creation. Do you think this is being achieved within retail banks?**

I do believe that there is an element of truth in that statement. But the model is too extravagant. It can never satisfy all parties. Someone all has to win and 'lose'.

**Q15 – How do retail banks ensure that employees know their roles and responsibilities and remain accountable for these on a daily basis?**

Being completely honest I do not know exactly how they monitor them and ensure that they know their roles and responsibilities but there should be built in systems and there is not.

**Q16 - How do retail banks manage and conquer challenges from the financial crisis and motivate employees on a daily basis to deliver their objectives?**

It is extremely difficult. I believe there is no trust between employees and management within retail banks today. I think the union has a very important role to play to represent staff in the process of change and conquer the challenges and fears they face. Finally, individuals within banks are now experiencing 'survival syndrome' 'anger'. I believe this all stems from the word 'Greed'.

**Can you give me an example of some of these fears?**

A big concern and fear for individuals is 'job security'.

#### **Objective 4**

**To investigate the future of PRP in the retail banking sector**

**Q17 - How has the recent financial crisis affected performance management within retail banks?**

Since 2008 staff within retail banks has received increased pay and thus PRP. The union are currently reviewing elements of pay and HR policy within retail banks. This is so individuals and their existing pay are protected.

**Q18 – Given the recent financial crisis and the witnessed cutbacks within many organisations nationally, how do you think PRP in retail banks will be affected by this?**

It will certainly be reviewed. Hopefully this review will result in a 'balanced' pay policy. This should be focused on long term interests of customers.

**Q19 – Do you think PRP has as important role to play in the future within retail banks?**

Yes it will have a future but what would really concern me is if it played a role like it has in the past. PRP needs a new ethos and culture. It needs to redeem itself.