PKO S.A. case study

**About the company**

Polska Kasa Opieki Spółka Akcyjna (Bank Pekao SA for short) is a universal bank, currently operating within the Italian UniCredit Group. The company is listed on the Warsaw Stock Exchange. It employs 17,000 people.

The two main pillars of performance management in the organization are results management or success management (performance management) and talent management (talent management). These are the basic components that create the culture of a high-performance, development-oriented company for its employees. These two comprehensive processes support the business.

By managing the effectiveness of an individual employee, the entire company's effectiveness is managed. Thus, these are truly business processes, although they are not always perceived that way by the company's internal customers.

**Assessment and development system**

An integral element, which is, so to speak, the base for other HRM mechanisms, is the employee evaluation system. It is used to assess competence and efficiency, provide feedback in response, and plan employee development.

The development system at Pekao SA is divided into three segments corresponding to individual employee groups. The first segment is for top management (Executive Development Plan), in terms of size it includes five hundred people. The second segment covers the management of employees with high development potential (Talent Management Review). This group is the narrowest - covering three hundred and fifty employees. The third, broadest segment, is the program for all other (seventeen thousand people) employees, integrally linked to the periodic employee evaluation system (SOOP).

**Evaluation scales**

Some differences can be noted in the way these processes are carried out. A traditional matrix is used - on one side potential, on the other results achieved. When dealing with both very good employees with high performance and those who do not fully meet expectations, a full scale is used. It is arranged in three grades. In the case of manager ratings, it includes:

● a middle value, which is the "as expected" category,

● the extreme value of "exceeds expectations,"

and

● the "below expectations" grade.

Given the discussions on the nature of the scales used, it was decided to use uneven scales. Since it is noticeable that there is always a tendency to seek a personal middle value, even when using even scales, three-element and five-element scales were considered most favorable. For all employees in the general group, a five-item scale is used, which includes an additional two intermediate indications.

Talent management is accompanied by the assumption that people who fully achieve the requirements placed on them are nominated for the process. Accordingly, the scale starts at higher levels than in other groups, that is, at the "as expected" level. The next stages to be achieved in this case are the level of "exceeding expectations" and "significantly exceeding expectations." In the case of potential, one can speak of stable, growing, or high potential. This part of the evaluation is not publicized later to employees.

**Performance distributions**

The dilemma faced by the organization when using a rating system was the question of whether to force a rating distribution. It was decided not to enforce a specific distribution, so as not to create procedures that would demotivate instead of help, which would also be associated with damage to the company's image. Instead, it was considered important to pay attention to the measurements, to show the grade distributions to managers so they could analyze why they look a certain way.

Bearing in mind the normal distribution curve, which shows an even distribution of employee evaluations on the scale, it should be remembered that this is usually not such a regular picture in organizations. A shift to the right side is not a cause for concern, as long as the company is meeting its business goals. Otherwise, it is necessary to juxtapose employee evaluations with what is observed on the business side, to examine the individual correlations of the separate parts. It is then necessary to check whether the department or business unit in which there are significantly elevated evaluations has indeed achieved excellent results. If not necessarily, then it would make sense to verify these evaluations, to establish with managers what made them inclined to give such and not other opinions.

**Evaluation processes**

The annual appraisal consists of an assessment of competence, commitment and achievement of goals, potential and an overall summary assessment. The vast majority of it concerns the future, which shows that Pekao SA treats evaluation as a typically developmental process. The entire process begins with a self-assessment, followed by an evaluation by a supervisor, then in turn any appeal processes take place.

The evaluation at the very beginning concerns individual behavior, while in the next stage an average is calculated, suggested as a baseline evaluation. The system automatically suggests a rating, while - in order not to incapacitate the manager - it is possible to change it. This is to increase the flexibility of the system, so that it is the manager, in dialogue with the employee, who issues a specific summary rating.

However, in order to avoid very large discrepancies between the evaluation of individual components and the final evaluation, this must be done taking into account suggestions from averages. The spread of evaluations does not represent more than one point down or up. A discussion between the manager and subordinates to determine the next steps for career development is extremely important.

**Management by objectives**

Starting with defining the strategy of the entire group within which the company operates, the cascading of goals begins. The next levels are the bank's strategy, the next levels of management, and at the end of the cascading, goals are set for individual subordinates. This allows employees to know and understand how their actions are linked to the strategy of the entire organization.

There are different practices in the market for defining goals, ways to separate additional goals in evaluation processes and the context of these processes. In some organizations, in addition to accounting for the goals achieved in a given year, attention is paid to the stability of the results achieved over a longer period than one year.

**Creating expectations**

The whole philosophy of managing a company on the basis of performance management is founded on devising expectations for employees. First, goals are set - in a very specific way - and then the desired competencies and attitudes are defined. The definition of behavioral requirements, i.e. desired behavior and attitudes, must be a direct derivative of the company's values.

Communicating goals to employees should be combined with setting specific tasks, checking that all elements are definitely understood. It is also necessary to illuminate the issues of why such and not other requirements are made. It is important to make sure that the goals are accepted and that the person expresses the initiative to achieve them.

The goal of this process is to bridge the gap, the gap between defined expectations and work results. Understanding and accepting the goals are key to starting without delay. The manager is required to clarify any doubts, to motivate action, as well as to support the development of the competencies and skills needed to fulfill intentions. Last but not least, it is important to check that everything has been implemented as intended.

**Consequences of evaluation**

You can't just end up noting the fact that a person in a particular position has received a certain evaluation. The whole process is not only limited to appraisal, it has implications for salary, development strategy. It is the first basis for planning development activities, for career planning. The consequence of the evaluation is, among other things, the verification of managers (EDP), as well as the development activity plan for all employees (SOOP).

Constant monitoring of the results that employees achieve and the behavior they exhibit on a daily basis is very important. A check is made on how much of who is an individual, how well they cooperate in a team. It is an ongoing process of comparison with expectations created at the beginning of the year.

**The role of the manager in planning the development of subordinates**

In planning the development of each employee, the role of the manager, who constantly works with his subordinates, cannot be overestimated. He provides feedback, takes stock of the past, also keeping in mind the future of the people he evaluates. He has the tools to influence his subordinates on a daily basis through conversation, motivation, promotions, raises. He is the first to be able to see what an employee's motivation is, whether he is fulfilled in what he does, or whether he would prefer to deal with something other than what he is currently doing. With the results of the assessment, the manager makes decisions in an easier way, because he has clues on how to spot potential, how to spot burnout.

A person who manages a team of several to twenty people is not someone randomly thrown in at the deep end. By definition, these are people who have already gone through a solid management career path and manage a large team in a flat structure. In Pekao SA bank, these are teams of about ten people on average, although there are places in the country where there are very small branches of a few people.

**Employee development is company development**

Focusing on the company's development planning requires a series of decisions on how to develop employees, how to plan their careers for this year, next year or in the perspective of several years. Development plans and how they are defined affect the implementation of the company's strategy. The development plan includes: development of skills, knowledge, competencies. If employees are successfully developed in these areas, they become professionals. When there are professional employees in a company, it usually affects the efficiency of processes, which translates into lower costs and higher employee productivity in retaining customers, in acquiring new ones. There is also an increase in employee satisfaction, which is reflected in better results in achieving individual goals. Consequently, this results in higher financial efficiency in achieving strategic or operational priorities.

A remarkable supporting value is the ability to gather additional information from employees and managers. These can include mobility, language skills, aspirations. This contributes to better matching the employer's offer programs (in the context of career development and planning) to the expectations expressed by particular groups of employees.

With a scale of several thousand employees, computer systems serve this purpose. After the completion of this year's (2010) edition of periodic employee evaluations at Pekao SA, the level of return of evaluations completed on time out of the seventeen thousand employees evaluated was 94 percent.

**Development needs analysis**

Training needs analysis for competency needs is closely integrated with periodic evaluation. Typical professional needs are subject to a separate diagnosis - this applies to training assigned to job descriptions (technical, banking law, etc.). In the assessment process, all indications of competency gaps are actually an analysis of training needs in soft, interpersonal, cataloged skills (language course, computer program course).

Two competency models have been developed for the basic level: sales and specialized, and each model contains six competencies. In addition, there is also a third competency model - managerial. Each of the competency groups is assigned six specific behaviors that are expected of an employee. Competencies here are a category of typically behavioral indicators and concern behavior - such as communication. Skills, on the other hand, are understood as technical knowledge - such as the ability to speak English.

**Development activities**

Bank Pekao SA does not leave employees alone in their development planning, but provides them with a range of training courses, including international programs. In addition to the typical self-development planning tools to which everyone has access, the company also has a so-called "Development Guide." This is a set of prompts for various types of activities, sometimes very simple guidelines. The employee can mark them, export them for evaluation. They are reviewed by the manager, who can then also give feedback on how the subordinate is doing in implementing these activities. Some of the data can be left only for review by the employee himself, who wants to implement them on his own, without involving the supervisor.

**Talent in the organization**

Issues that also directly arise from performance management are succession and talent management. The manifestation of talent management is not a one-time action, but working every day with your employees. All participants in the Talent Management Review program at Pekao SA know that they are in this group and are aware that they are capable of making a significant career move in two years.

The talent feedback does not set rankings so as not to fuel additional competition. By showing everything in numbers, it is possible to visualize grade distributions and observe what has happened to individual talents. It also flows information about the age distribution of talent in a department. If any age structure group significantly dominates, one may be tempted to make some modifications.

**Talent at the heart of succession**

Succession management begins at the talent identification stage. This means that one of the first criteria for reviewing talent is to specify the position for which the person could be a successor in the short or long term. As part of the review, the company's entire succession plan is reviewed. Practical succession management is the joint work of the company's management and the HR division treated as a business partner. Representatives of these bodies, as the people who know the organization best, in consultation with managers from individual departments, identify talent and classify the entire process. The different parts of the bank's organizational structure have their HR business partners, who together with the manager make all key decisions.

Those who were found to have high or very high potential during the assessment process, people with the highest achievements in SOOP, are enrolled in the succession program. Those who have participated in the Executive Succession Program (EDP) also participate. It is important not only to assess how the person has functioned in business so far, but above all to diagnose what lessons the person has learned from what he or she has experienced. The ability to learn from one's experience, in a variety of situations, is examined. Special talent identification forms are helpful in drawing appropriate conclusions about a person.

**Calibration through discussion**

One of the most essential elements of management is calibration sessions, and this year some 80 sessions were held with directors of all departments and senior management. Of the total sessions, about 60 were held at the departmental level, ten within a division, one at the company-wide level and one at the level of the entire UniCredit group.

These sessions have two main tasks. On the one hand, the effect of such a session is to confirm the evaluation and its criteria for individual employees, as well as on the other hand to confirm succession plans. The most important effects of calibration are the commonality of the evaluation scale and criteria across the company.

The standard structure of such meetings includes a discussion with managers about each employee. The immediate supervisor acts as the main facilitator, and the discussions are led by the HR business partner. The discussions, which last several hours, include a summary of the results, the employee's strengths, areas for development, next steps in the career, and a possible position in the succession plan. These discussions are essential to be confident in the quality of employee evaluations. Through such sessions, managers' commitment and awareness of their impact on the development of employees and the company as a whole grows.

Sessions with managers can be held in groups or individually. Group processes, which can involve several executives responsible for different areas discussing their direct reports, are much more dynamic than individual processes. There is a much higher quality of meetings, the participants inspire each other. They share insights not only from the perspective of day-to-day work, responsibilities carried out, but also from the perspective of working on projects, actions in various circumstances where others have not had the opportunity to see the person in question.

**Main objective: strategy implementation**

All the processes included in performance management, results, provide the basis for regulating salaries, guiding development and planning recruitment. On this basis, decisions are made about who to say goodbye to, who you need, when to hire. It is the basis for all subsequent actions taken in the organization. It is a tool for implementing strategy.

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