

ISSUES OF HUMAN RESOURCE MANAGEMENT AT THE BANK OF ALBANIA

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Keywords

- Human resources - Performance evaluation - Ethics code - Training - Staff motivation -

Human resource management (HRM) is the main direction of work and the reason for the existence of Human Resource Division (HRD) under the Legal and Human Resource Department of the Bank of Albania (LHRD).

There are many definitions on the role, purposes and goals of HRM, on the whole. And many of these definitions will be, naturally, applied without too much theoretical difficulty even in the role they play or should play – in the HRM at the Bank of Albania. A simple and concise definition on the main goal of HRM in the Bank of Albania would be “to ensure that from - staff relations – to the Bank of Albania, both parties earn the possible maximum from each-other”.

It is a simple definition for this difficult duty, especially in those numerous cases when the interests of the Bank of Albania and its staff are reverse. For example, the classical contradiction between the employee’s interest to work less and be more paid and employer’s interest (the Bank) to offer as much more work and pay less is verified in practice that it cannot be effectively resolved only through the legal sanctioning of the 8-hour work, the technical supervising of the bank hours, etc. You can forbid the employees to get outside the Bank edifice during the 8-hour

work (8.00-9.00 to 16.00-17.00), denying them from the typical pleasure of Albanians to fill the leisure time with informal talks at a Bank's bar, only through an administrative guideline, but this would make them replace the pleasure of drinking a coffee outside the Bank edifice with playing computer games in the office. What is really needed in this case is a better management of bank working hours from directors, through job descriptions, requiring an 8-hour work coordination into working groups, so that individual's work results be directly dependent on a working group (this sets the employee under the pressure of colleagues connected to terms, quality and the quantity of work), etc., and the association of performance evaluation with the pay, making the employee really interested in working and not simply staying at the old-fashioned and monotonous environments of the Bank.

Naturally in finding a balance between the interest of the Bank and the staff, HRM intends to reach a "golden average", which is never perfect, in fact.

As indicated from the Bank of Albania current practice, the above description on the main purpose for the HRM existence assigns a difficult duty, which could be hardly attainable only through the good knowledge and application of economic science of management and direction, the psychology and ethno-psychology, particularly as one of the many fields of knowledge - and not the only one - that a human resource manager or any other director or chief having other staff subordinate must use to successively perform the duty. HRM has got the employees as subject of its work and it is evermore intended that the HRM establishes personal contacts of managers and directors to every employee. For example, it is very interesting what is recommended by a foreign human resource advisor to the Bank of Albania specialists of this area in particular and the Bank of Albania managers and directors in general. The advisor recommended that when the director addresses to his subordinate for not meeting the tasks appropriately, he/she should begin his conversation with praise for the good deeds, to further fall on criticisms for the weak points observed. Criticisms must be so that the employee gets

the right message of criticism, that he/she must improve work in general and not get, because of lack of tact, the wrong message that the superior is fighting him/her, is prejudicing him/her, etc. One way of expressing it may be "if you do much more of these good things, your job would be much more useful and interesting for the Bank of Albania". This would be gentle and polite and would have a better effect than simply "improve work!" what's worst uttered with a high and arrogant tone.

The Albanian psychology that "the dessert is the last served at a table" which the Bank of Albania superior would instinctively aim to practice in his conversation to his subordinate is mistaken in HRM. "Desserts" in a conversation with the subordinate must be said right from the start so that the employee is provided with a good predisposition to receive well any criticism or suggestion the superior has reserved after "the dessert".

Of course, there is an unlimited number of comparable examples on how a little care on superior's behalf in relations to his subordinate creates such positive effects that otherwise could not be obtained.

HRM good practices are first of all dependent on the good knowledge of economic science and the human resources, particularly. The success of these practices hangs relatively on a large number of criteria, variable from the theoretical knowledge of human resources on such "fine" educational factors such as the group collective or individual "culture" evermore studied and applied at HRM in the West. HRM is evermore evolving from pure economic discipline to an interweaving of different disciplines. HRM is evermore growing, as an area giving a way to fantasy, creative work and unfortunately to speculation - human resource directors). These unlimited opportunities for creative work – but also a speculation – comprise a cause why the HRM is an area that is currently living an explosion in the West.

HRM also has a typical feature that discerns it from other directions of the Bank of Albania operation: HRM can successively meet all the targets, if the Bank of Albania directors

are well-informed and apply good practices of HRM. Therefore, the duty of a human resource manager at the Bank of Albania is to evermore coordinate with other Bank directors to transmit good practices of staff relations to them.

Employee relations to the Bank and colleagues are rather arranged by the regulation “Rules on work relations for the Bank of Albania personnel”. This regulation together with the Law “On the Bank of Albania” comprises the main legal basis where LHRD and other Bank departments base their operation. Until now this regulation has reflected a good functioning. However, some recently evidenced ambiguities in this regulation have conducted the need that this regulation be changed or redone. More concretely, Article 33, point 1 b of this regulation stipulates that “When a Bank of Albania employee has completed less than one year of work, his/her paid annual payable leave is determined in ratio to duration of legal work relations”. This definition is unclear and serves as a source for contradictions instead of as a solution to them. As it has been written, the clause is much more to the advantage of the employee than the precedent. New bank recruits having less than a year of work in the Bank can receive annual payable leave at no less than $21X/12$ days in year (where 21 days is the annual payable leave for him/her who has completed a year of work, X represents the months of work and the formula is worth for $X < 12$) and the given compensation equals a monthly payment (a bonus that must be given at the starting point of the annual payable leave – either partial or complete – is payable). According to the precedent, annual payable leave is totally accorded to those who have completed a year of work. Subsequently, new recruits lose their annual payable leave in the year they have been employed. Otherwise said X days leave in a year is applied for X days leave for every two years indeed. The inconsistency between the legal interpretation and the precedent is sufficient for the LHRD (Legal & Human Resources Department) to undertake the initiative to change the regulation. It is precisely this that must be done in the months to come, so that the LHRD performs its job as perfectly as possible, i.e., the harmonization of bank and staff interests based on clear and honest laws and regulations.

Performance evaluation undertaken once a year is one of the most interesting and the most fruitful directions of HRD job potentially (Human Resource Division). The essence of performance evaluation consists in setting a "mark" to every employee for his duties performed throughout the whole year, based on a number of common criteria for all staff, consolidated in a standard form (performance evaluation is given for every employee by direct superior). Directly depending on "the mark", on clearly defined limits in the respective guideline, the superior proposes an increase of payment for his employee.

Performance evaluation is a relatively new practice applied for every Bank of Albania employee. LHRD has been working very hard for its conception and application, also getting the opinion from relevant Bank departments or individual staff. However, there has been gained a sufficient experience to assess the good and bad aspects of personal valuation in the form it's currently performed at the Bank of Albania. Concretely, based on informal talks and formal remarks (verbal), the majority of staff considers the process of their performance evaluation by their direct superior as subjective. It is interesting to be evidenced that the most voiced criticisms on the performance evaluations arrive not only from those getting a low "mark" and a not-so-high addition of salary, but also from those receiving a good "mark" and a high addition of salary subsequently; they all consider it subjective and excessive anyway.

There are some reasons for what above mentioned. Concretely, the used criteria in the standard form of personal valuation, although creating a higher flexibility in the estimation of staff compared to the existing form, I do think that they are more numerous and more complicated than they should be. Also, performance evaluation is out of the attention of the employee and his superior throughout the year, because the evaluation process is actually carried at the end of the year and only in a few days. The solution? We must work to prepare a simpler, a more straightforward and functional form of performance evaluation. The number of criteria must be reduced. These criteria must be simplified, avoiding scholastic and unpractical criteria, such as

“the capacity to adapt to different situations”, etc, criteria which are considered by the HRD as triggering staff’s private opinion on performance evaluation as subjective.

The best communication between the superior and his subordinate is the kernel of improving performance evaluation efficiency, the best way to get an improved “image” of staff performance evaluation. More precisely, through contacts with bank managers and directors, the HRD aims to instigate them to improve communication with their subordinates. Performance evaluation form will be filled in by the superior at the presence of the employee in the future. Every criterion will be discussed and there will be also suggestions and proposals. It is a very simple measure on which the HRD has hung hopes for improving efficiency of performance evaluation. It is also intended to put the issue to the attention of the personnel, changing it from “a matter of one day in a year”, into the performance evaluation made throughout the year, through discussions of the respective superior to his subordinates, where the dialogue is focused on staff performance along the whole year, based on performance evaluation criteria.

The Bank of Albania centralization decreases performance evaluation efficiency. Moreover, the superior has the right only to propose changes in the salary of his subordinates, based on performance evaluation. The Governor is the authority that changes or approves changes in the salary. Sometimes, the increase of salary approved by the Governor is different from the one proposed by the direct superior based on performance evaluation. This lowers staff confidence in performance evaluations. The solution? The decentralization of competencies on increasing the salary is based on the received performance evaluation. These competencies must be transferred from Governor to the direct superior or it might be considered the possibility of taking consensual decisions between the governor and the direct superior.

There are many recommendations, sometimes even contradictory opinions, on how performance evaluation should

be improved. The British advisor, Mr. Iain Thomson, underlined in a workshop organized on HRM by the Bank of Albania and the FSVC on April 11, 12, 2002, that subjectivism is the most diffused opinion on performance evaluation in the Bank of Albania, and also based on the British experience, it must be removed! At the same time, the American advisor, Mr. David Shanon, was in the opinion and recommended that the performance evaluation should not be removed but, on the contrary, it should be further improved, evermore-relating payment to it.

The above instance indicates that, as to the nature of work itself, there are no academic standards for many problems of HRM. It is the duty of HRD to adapt those solutions for various problems the HRD considers rational and practical.

Ethics is mostly neglected by the LHRD. This department and the HRD particularly have considered - ethic criteria to be met by the Bank of Albania staff until now as a much more legal category than an object of work of HRM, requesting not only legal but also human commitments by HRD managing specialists. The current regulation describes many more duties and restrictions than rights for the Bank of Albania staff. This makes conflicts of various reasons of the Bank of Albania staff, for instance be handled as matters requesting a legal engagement, drafting a detailed material on the conflict from the HRD and its consignment to superior authorities to set the penalty, briefly a solution that does not solve the conflict. In this way, the solution for such cases creates an excessive bureaucracy, loss of time and reduction of work efficiency for all the staff involved.

In the future, it will be worked to 1) prepare rules on Ethics code so that it is more precise and adequate. 2) get the staff as much more aware on the Ethics Code as possible through workshops or round talks 3) study the causes leading to conflicts and the ways to get away from them (a better coordination of work between the different departments will contribute to evading ambiguities about the competencies and duties of every department, ambiguities which frequently lead to conflicts; 4) apply new methods on the solution of conflicts, preferring

individual human contacts between the parties and the solution of conflicts between them, with the intermediation of HRD specialists turning back to administrative penalties required under the regulation, only in extreme cases.

In preparing the new Ethics Code, real ethic problems encountered at the Bank of Albania during its operation should be taken into account. It is very easy to take an Ethics Code from the west, translate and adapt it for the Bank of Albania. However, such a code will be unreal and non-functioning for the Bank of Albania. Thus, in terms of a similar economy to that of Albania, based on cash rather than on bank transactions, the statement of assets (equity) on behalf of Bank of Albania's staff and further depositing the respective forms at the HRD, and the trustworthiness of these statements is, for many reasons, difficult to be verified. For these and other reasons, the new Ethics Code, instead of trying to "keep" in these directions the integrity of the institution through bureaucratic and non functioning practices such as the statement of income (possessions), it should try to find ways on how to discourage the staff shouting in the corridors, etc. Such ethical problems do not exist at the Bundesbank or the Bank of England for instance.

Training with the current ways and procedures followed by the Bank of Albania does not meet the functions it should carry out at a central bank.

HRD has turned into a division that only administers tickets or other similar procedures related to training inside or abroad the country. There are no exact, clear and practical criteria on whose basis the HRD applies a filter and not only that – for the staff and departments' applications for training. There are no accurate and clear procedures to measure the efficiency of training. It is difficult for somebody to contest with arguments the disseminated opinion amongst the bank staff that two or three days trainings abroad are simply tours – in most cases these are considered (short-term trainings abroad) as such by the bank staff.

Not only short-term trainings but also the long-term ones are carried out at the absence of any criterion to measure the efficiency of training. For example, it is actually impossible for the HRD to, based on an elementary logic, forbid an employee, who with the permission or recommendation of his superior, goes for a second or third master, while his superior has got no master degree. Important questions “who goes for training” and “why” are questions actually receiving formal answers, while these questions and many others must be raised at the standards of the adequate clear and honest criteria in the framework of a strategy for training.

HRD has drafted initial proposals to construct a strategy for training. They have been handed out for suggestions or opinion to relevant departments. For the future, it is suggested that based on these initial proposals, a simple and effective strategy be drafted on the basis of a software that will mend the kernel of currently observed deficiencies.

The training strategy will resolve the main part of the problems but not all of them. The training efficiency will mostly depend on the superior-subordinate communication. The simple question, apparently simple, the superior must address to his subordinate after his returning from the latest training is “What changes would you suggest for improving your work at the Bank of Albania, based on the experience you got from training?”. It will have more value than any other strategy, whatever sophisticated or academic this training strategy will be. Naturally in the future, the HRD should encourage the bank directors and managers to give more importance to the above communication, so that the Bank of Albania staff would benefit more from the trainings with the homologue institutions in the West.

Naturally, LHRD and HRD as well as other bank divisions or departments function on the basis of a respective long-term strategy. These strategies serve at least theoretically as a guide to the operation of the division or the department over a long-term period. This is actually a very big problem, which is simply under the stage of scrutiny. A lot of work with much more

input is needed from the Bank of Albania managers to fix this problem. The main reason for the need to coordinate different bank departments' strategies is that strategies are fruit of a tremendous creative work and because of lack of coordination among them most of strategies are not applied in practice, a fact that reduces considerably the bank's efficiency. The solution is very simple – frequent contacts and straight communication, group meetings among directors and employees dealing with the compilation of strategies at each division or department.

Every institution functions on the basis of certain standards. The LHRD at HRD, like other Bank departments and divisions, evidences deficiency of appropriate standards and procedures. Subsequently, many employees mostly lose their time with improvising standards that however are temporary and not applied by the rest of the staff. The Bank of Albania must be aware of the unpleasant reality that it is still in the stages of institution building and must take the initiative to remedy this problem. For instance, the standardization of bank papers was an as much important step as it appeared small and insignificant – it avoided chaos in conceiving documents that lowered the work efficiency. But this is only the first step to be followed by many other very important steps. The staff requests for annual leaves, actually taking unnecessary time for employees to compile and for the HRD to process them (because any requirement addressed either from LHRD or other departments' staff is a "composition", in a certain form and style, and even in uneven dialects to one-another) must be standardized. This would relieve the bank staff from extra and unnecessary work, leaving them more time to creative work. The Bank of Albania staff must stop losing time with improvising standards for their daily job at the bank. This is one reason - but not the only one – for the need of standardization and further computerization of bank operation. More laws, standards and regulations, especially adequate, clear, simple and practical laws and regulations do not necessary mean more bureaucracy! On the contrary! It is the constant effort of the Bank's staff to improvise standards that mean creative but unnecessary work, without long-term results, compromising the idea of creative work and thus create more bureaucracy and paperwork.

The solution referring to the above is raising a workgroup to deal with the problems of Bank standardization and computerization. This workgroup must do a great deal of work, especially that of conceiving the job, delegating the implementation of special parts of the project to other bank departments or divisions.

Another way to resolve the above problem would be carrying out an idea that has been circulating at the bank for a long time: the Bank of Albania should establish privileged relationships with a powerful western bank (i.e., Bundesbank, as the champion of the perfect organization and standardization and the foundation of the European Central Bank (ECB) where the Bank of Albania aspires to participate), which should take over Bank of Albania's reorganization according to its own image, observing the specific conditions of Albania. (If the point is for "approach" "twinning" or "patronage" of the Bundesbank for example, this does not depend on Bank of Albania's good will or its maximum commitment to this direction, as it is a condition that must be "sourced" from an agreement between the Government and the EU, that's why the idea can be expressed in another form).

As highlighted by the British specialist in HRM area, Mr. Iain Thompson at the workshop he organized for Bank of Albania directors and administrators, "in the past, many organizations had the tendency to be much more hierarchic, adopting an utterly commanding and supervising stand. Today, organizations are simpler and give more power to the staff. The central bank is not a business firm based on profits and here it differs from commercial banks. Central banks carry out a large number of research type activities, normally exercised by the private sector. However, central banks are much more hierarchic than commercial banks and overcharged with administrative rules and regulations". Such thing bears the risk, which is more evident at the Bank of Albania in fact, that human resource managers - not only – be much more engaged with and be more interested in implementing the procedures and regulations than dealing with the staff and human relations at the bank.

Staff motivation includes a core element of HRM and consequently it comprises, or more accurately it must comprise a core direction of HRD work. It is already known that the main reason - but not the only one (and in a few cases, however interesting, the wage is a secondary reason) – why people go to work is the wage. Since budgetary restrictions of every institution and of the Bank of Albania consequently enforce limits up to where the wage or rewards can be used as monetary motivation for the staff, the non-monetary motivation assumes a great importance. It must be stressed that the non-monetary motivation is one of the main directions of work for the human resource manager, whose success is not so largely dependent on what the manager has studied at school about HRM but moreover on the ability of the human resource manager to know the staff necessities or wills and on his fantasy to conceive and partly implement different programs for non-monetary motivation of employees. Theoretically, these programs may be detached or may be part of a long-term plan / strategy, prepared in advance and approved in details. Drafting a preliminary long-term plan for these activities, which is annually renewed at certain periods of time, is preferred to special and detached programs conceived in a different way each year, because of the preliminary individual time planning for each staff member, as it relieves the work of the LHRD for the management of activities, etc. More concretely, successful practices of developing some cultural-sports activities (such as a football match, for instance), celebration of some holidays (such as the New Year Eve), tour travels to or abroad the country, etc, exist at the Bank of Albania; however, it is an important duty for the future to include these activities in a long-term plan, which is periodically repeated every year, and not improvise similar activities year on year.

The Bank of Albania – and its building located in the envied address “Scanderbeg Square”, is as nice from the outside as uninhabited from the inside. Not only its architecture is over 60-years, but also the work conditions in it are unfortunately similar with the work conditions of 60 years ago. As frequently evidenced from foreign visitors at the bank, it (the Bank) resembles a far west American bank of a century ago.

Work conditions comprise a powerful means of motivation or demoralization. Unfortunately, the current work conditions at the Bank of Albania demoralize its staff and this is for 1) the architect conceiving the edifice, not built around the individual and his requirements (the main criteria of modern architecture), but the glorification of a certain ideology of the time that regardless of what it was, it represented an ideology, which raised in cult the group ignoring individual demands; and 2) the amortization of the building. Thus, the current bank building has wide halls – but small workrooms, attractive and impressive facade but dark corridors, all these contradictions deriving from the designing of the building as “glorifying for the community and dispossessing for the individual”. The above defects and other deficiencies, such as lack of air-conditioning, non-economic office equipments, elevators, etc., are expected to be partly mended very soon after the complete reconstruction of the bank building.

LHRD role as above mentioned has mainly consisted in delivering opinions about the conception of offices and other bank environments after the reconstruction, suggestions on the need for setting up a restaurant (amid others, with lower prices than those of the market), and other recreation environments, etc., aiming at making the new offices and new bank environments more practical and gratifying. This has been done even after the consultations with the Bank of Albania staff.

Actually the contribution of the LHRD, the legal division, is determinant in the managing procedures that will enable the performance of the complete reconstruction of the bank. HRD contribution is finally reduced in its desirable but not excessive role of the frequent “sensitivity” (at the lack of a more precise term), of relevant departments and of the Bank of Albania Administrators for the very high importance of radical improvement of work conditions at the Bank of Albania.

It is a fact that after the powerful and straight intervention of the Bank of Albania Governor, Mr. Cani, the problem of the complete reconstruction of the bank is put under the right way.

The cooperation with Albanian intellectuals that are actually in emigration comprises a new and interesting initiative of the HRD. The project consists in identifying Albanian specialists at relevant fields, currently in emigration, the creation of database with collected data and later on, the use of this database from departments and interested staff at the bank. Work conceiving is already terminated and there are found the ways how this idea can be practically implemented at the bank, aiming that either the bank or its staff be treated of one more opportunity, not one more bureaucracy.

David Shanon, former manager of Human Resources at Fed, visiting Albania on May 2002 to offer his help for the LHRD, when was asked from the Bank of Albania LHRD specialists on the concrete procedures for processing the ample information of the Fed, continuously stressed that "again we have software for that". No bank department, no division and no bank employee can do his job appropriately and reach the maximum efficiency without the help of the Information and Technology Department. Such help has been great so far, but the adding quantity of information to be processed from the LHRD makes necessary bigger assistance to resolve this problem from ITD to LHRD. The rising aid from ITD does not merely mean increasing the number or the quality of PC's currently used as typewriters by bank staff. Naturally, the first to be assisted from the bank is ITD and particularly the LHRD, so that this department has possibilities to assist other bank departments, including the LHRD as well. So the employment of new staff, programmers - not only - (the process where the LHRD has crucial role) would help the ITD with the completion of its role.

Finally, I believe that a considerably high academic potential of the Bank of Albania staff may be used to a greater extent - the main preoccupation of HRD - if the bank a) improves working conditions, b) takes measures to complete computerization of the bank, for the best management and the standardization of the majority of work at the bank currently, asking for more improvisation, spending more time and efforts, discouraging in this way the staff dealing with creative work.

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