Performance Analysis for Corporate and SME Credit Analysts: Proper and efficient completion of a comprehensive and consistent Credit Assessment Memo (CAM)

## Part 1: Background of the Project

The first part of this report constitutes two subsections. The first section reflects the background whereby it highlights the purpose of the project and the personnel whose performance is the subject of the project. The second section describes in detail the research approach adopted in analyzing the performance of personnel subject to the assessment.

### A. Background

The purpose of this project is to analyze and enhance the performance of Corporate and SME Credit Analysts at First Local Bank by suggesting improvement, if needed, to the process of completion of Credit Assessment Memos (CAMs). CAMs are essential documents including data crucial in guiding lending decisions. The project's end goal is to deliver standardized CAM completion processes, equipping analysts with the skills to complete the process effectively and efficiently. First Local Bank has initiated this project to elevate decision-making and improve the bank's credit portfolio by reducing non-performing thus, reinforcing its financial stability and market reputation

### B. Research strategy

To conduct the performance needs analysis, I researched different sources to have an objective look at the difficulties that credit analysts at a bank commonly face. This allowed me to figure out areas where performance normally requires further enhancement. I better understood the challenges encountered within the process of preparing credit assessment memos (CAMs) in the banking sector by combining what I read in academic literature, regulatory guidelines, and the credit policy and procedure applied by First Local Bank. This comprehensive research approach is what the subsequent performance needs analysis will be based on. Thus, allowing for the necessary support provided to credit analysts to conform with both industry standards and the needs of their jobs at First Local Bank.

i. I thoroughly reviewed the credit policy and procedure set by First Local Bank to have an in-depth understanding of how a CAM is prepared and processed in terms of the required information, sources of such information, and the workflow of the credit request subject to processing. The review of the credit policy and procedure familiarized me with the internal and external databases that credit analysts need to consult and to what extent such consultation affects their performance and production of a comprehensive and coherent CAM.

ii. The second component of my research approach was examining regulatory mandates and circulars issued by industry legislators, and seeking guidance from professionals in the sector. I meticulously examined the instructions and regulations provided by the central bank and the guidelines and recommendations put out by professionals within the banking industry. Keeping up with changes in the sector and understanding the rules that govern it were essential in establishing what credit analysts needed to apply within their designated responsibilities.

iii.    Literature Review: To develop a thorough performance analysis for credit analysts on correctly and efficiently completing a credit assessment memorandum (CAM), I conducted a review of academic literature in the field of finance, with a specific focus on credit. In addition, I attentively read literature and academic works authored by experts in the field of banking. The information provided valuable insights into established standards and key factors to consider while drafting credit assessment memos. The primary focus of my research was to determine the basic information needed in a credit assessment memorandum (CAM) as well as the fundamental responsibilities and obligations of the credit analyst during its preparation.

iv.     In a normal course of work, I would have interviewed subject matter experts (SMEs) within the bank, specifically the credit department head and credit risk heads who possess hands-on experience. Additionally, I would have sought advice from human resources specialists. This analysis would offer realistic perspectives on typical obstacles faced in the credit industry and other demographic diversity aspects, including levels of expertise and educational qualifications.

## Part 2: Report the Needs Assessment

This part constitutes many sections and subsections starting with the request as stated by the client and the business need behind the request. This is followed by detailed information about the organization and an in-depth analysis of the current and ideal performance of personnel subject of the project along with influences affecting them. Additionally, this part delves into analyzing the risk factors affecting performance improvement and various constraints facing the implementation of the project.

### A.  Restate the request

"In response to difficulties encountered by the Heads of the Corporate Credit and Credit Risk Departments in making decisions on credit proposals due to incomplete, irrelevant, and inconsistent data, the First Local Bank has undertaken an initiative that entails a performance analysis to identify specific performance gaps and subsequent training needs if necessary. This project is an integral part of a larger program demonstrating the bank's commitment to addressing data quality issues and improving the overall credit assessment process." (Source: Sponsor, The First Local Bank).
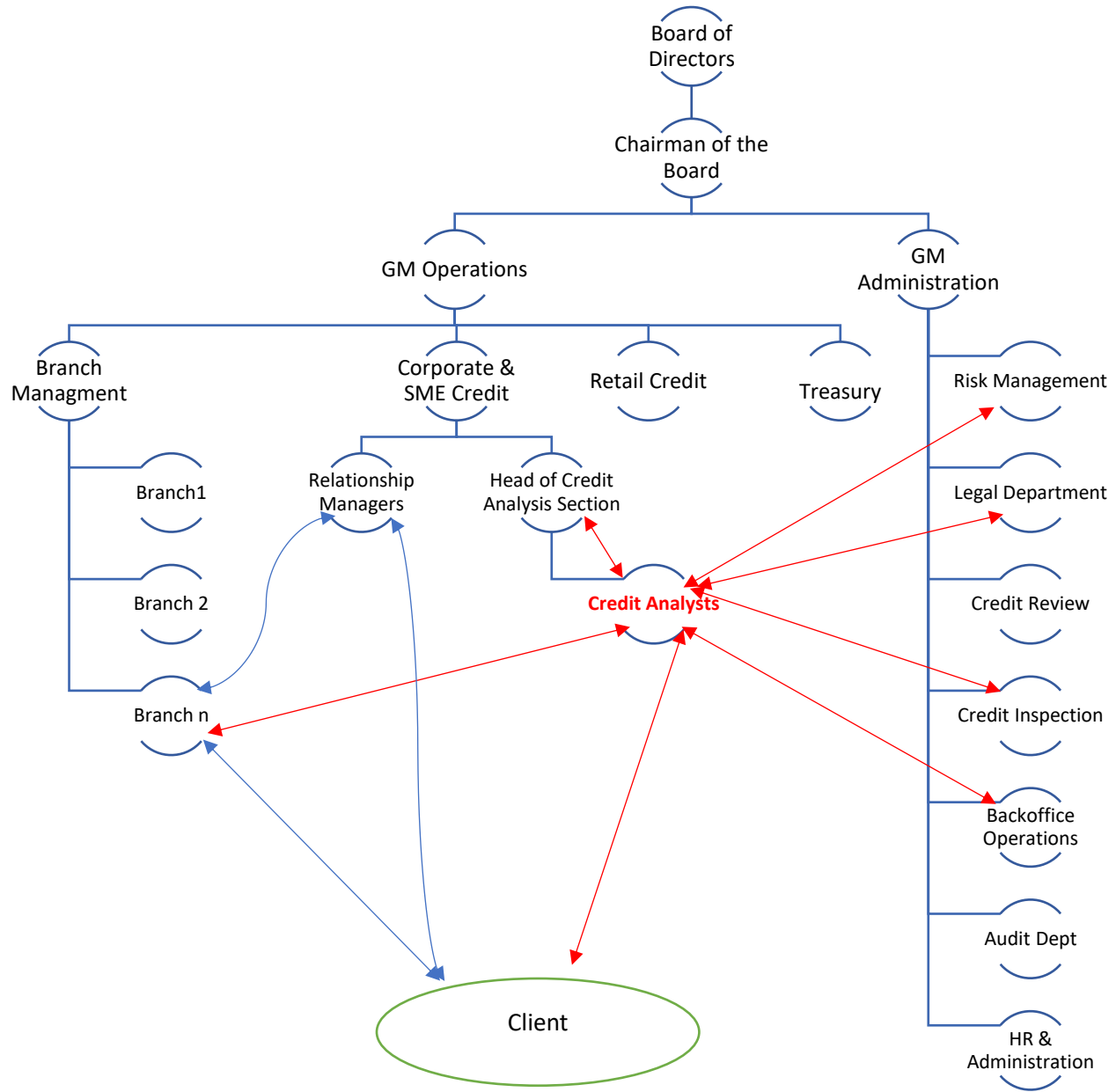
### B.  Business need

The main business need for this project is to optimize the decision-making process for credit approvals and reduce the First Local Bank's financial losses caused by non-performing loans (NPLs). This strategic endeavor aims to enhance the overall quality of the bank's credit portfolio by minimizing non-performing loans.

To achieve this goal, a central component of the project involves analyzing the performance of credit analysts to figure out the reasons behind submitting credit packages that lack the information necessary for informed decision-making. Improving the quality of credit assessment memos (CAMs) will enable senior management to make more streamlined and proficient decisions, ultimately reinforcing the bank's credit risk management and performance (Roeder, Palmer, and Muntermann, 2022).

### C. Organizational context

This section includes several sub-sections that describe the organization from different perspectives starting with the legal structure, and the purpose of it as reflected within its mission statement. It also describes the types of products and services it offers. This is followed by a detailed portrayal of its stakeholders both internally and externally.

i.   **Type**: First Local Bank was incorporated by a wealthy family as a Société Anonyme Libanaise, a joint stock company in 1991.

ii.  **The mission statement** for First Local Bank is to empower customers to prosper by catering choice, convenience, and tailored financial solutions. First local bank is committed to creating an empowering environment for their employees, enabling them to excel and leverage their strengths. Additionally, the bank attempts to provide sustainable returns to shareholders and is dedicated to building a legacy of positive change in the communities they serve.
The Bank's key strategic goal is to create quality financial products and services for diverse segments of the local community.

iii. **Key products and services**: The bank renders financial services to individuals as well as for organizations of various including but not limited to small businesses, corporations, startups, non-profit organizations, educational institutions, and healthcare facilities of various purposes, needs, and structures. These services include but are not limited to credit services, deposit services as well as investment services

iv.  **Organizational structure:**

   a.  At the top of the hierarchy is the Board of Directors which includes individuals of high expertise and wealth of knowledge in the financial sector as well as other industries whose role is to design the strategies of the bank and ensure that operations comply with regulatory and legal requirements. The Board appoints the executive management whose role is to supervise and run the operations of the bank. Underneath the executive management are the various business departments as well as branch networks and supporting units.

   b.  The below chart identifies the position of credit analysts within the organization chart of the bank and their relationship with other departments necessary to accomplish their duties.

Board of Directors

Chairman of the Board

GM Operations

GM Administration

Branch Managment

Corporate & SME Credit

Retail Credit

Treasury

Risk Management

Relationship Managers

Head of Credit Analysis Section

Legal Department

Branch1

Branch 2

**Credit Analysts**

Credit Review

Credit Inspection

Branch n

Backoffice Operations

Audit Dept

Client

HR & Administration

The below diagram reflects the relationship network that credit analysts have to build to assume their duties proficiently
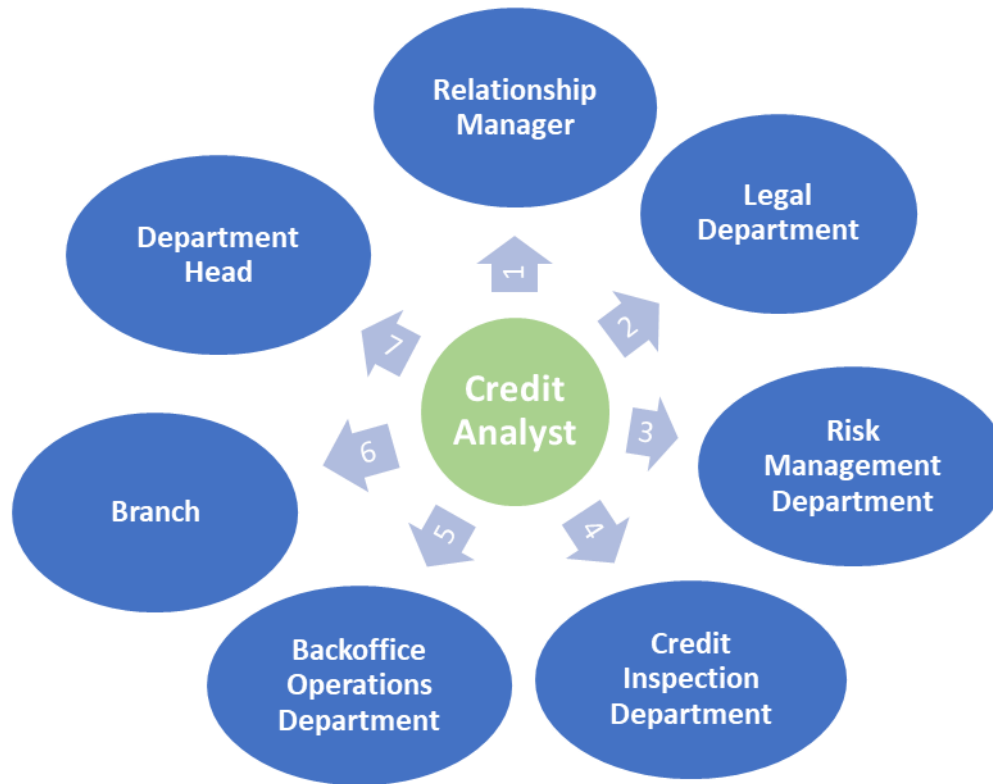
### v.  External Context:

First Local Bank operates in the Lebanese market which is considered an attractive financial hub in the Middle East despite the previous civil war and continuous political unrest which didn't affect the banking services mainly due to its banking secrecy laws as well as high-interest rates which attracted Lebanese and foreign investors in addition to diaspora remittances.

First Local Bank is governed by the monetary and credit law set by the central bank of Lebanon which adheres to domestic as well as international codes like Basel III related to capital adequacy, liquidity, and risk management. The Lebanese banking sector complies, as well, with the international accords of anti-money laundering best practices to prevent money laundering and terrorist financing.

Despite its small size, the banking sector in Lebanon is very dynamic and witnesses fierce competition in terms of striving for market share, variety of products as well as the quality of rendered services in terms of conditions and processing speed.

First Local Bank is engaged in its social environment by integrating environmentally-oriented thinking into its operations and lending practices, services, and products like extending green loans and taking initiatives and contributing to the local community.

### vi.  Internal Context:

First Local Bank is a medium-sized bank comprising 26 branches spread over the Lebanese territories and a headquarters where the credit department and credit services are centralized. The credit department is divided into two main sections, Corporate Credit and Small & Medium Enterprises credit both comprising 40 credit analysts.

The Bank has credit policies and procedures designed to easily and efficiently process customer's credit requests. Ideally, the credit requests follow a predefined workflow that involves the intervention or communication with other departments within the bank along with other concerned parties outside the bank like the credit inspection within the central bank. Although the set credit policy is clear in defining roles, responsibilities, and requirements to submit and finalize credit requests, often interdepartmental miscommunication takes place for a variety of reasons such as misinterpretation, lack of feedback, technical issues, inadequate communication…etc

The Bank's management cares for the social context of its employees and realizes the importance of fostering strong relationships and a supportive work environment. To encourage collaboration, teamwork, and solidarity among its employees, the bank carries out many initiatives such as:

- Social events, outings, and sports activities to foster communication among employees from different departments.
- Employee recognition programs to recognize employees' successes and as a means of motivation

### D.  Performance Problem

This section provides comprehensive information about the performance problem that triggered the project. It commences with presenting two scenarios portraying current performance compared to ideal performance. This is followed by a detailed list of tasks and sub-tasks carried out by credit analysts within each of the two types of performance. Subsequently, the report reflects a gap analysis concluded between the different types of performance.

i.   **Scenario of the current performance**

Adam, an established credit analyst at First Local Bank, has been assigned the responsibility of preparing a credit package for a company that is requesting financing for their business. Despite his expertise, Adam finds difficulties in effectively managing credit requests, especially during periods of heavy workload or intense pressure.

At first, Adam faces challenges in effectively handling his workload, particularly during stressful periods. He fails to prioritize tasks and frequently develops a feeling of being consumed by the huge amount of tasks and requirements. Such results in delays in gathering the necessary information and finalizing the credit package within the acceptable timeframe.

Furthermore, Adam encounters difficulties in maintaining efficient communication with other departments involved in the credit process. As a result of continuous personnel turnover or reorganization within the bank, Adam sometimes finds himself sending emails to contacts who have been reassigned to different departments. such, results in delays and confusion, since Adam may not speedily receive responses or mistakenly approach the wrong individuals for information.

Further, Adam is unable to assign some of his secondary duties to other junior officers due to his boss's disapproval. As a result, Adam is required to personally manage these tasks, which increases his burden and affects his capacity to concentrate on credit assessment responsibilities.

ii.   **Scenario of ideal performance**

Adam, an experienced credit analyst at First Local Bank has been assigned by his boss to prepare a credit file for a customer who is seeking business financing. Adam starts the process by collecting borrower and business information, financial as well as non-financial, from a variety of external sources. He ensures that the data collected includes prior financial records, market developments, industry norms (Allianz Trade, 2023), and qualitative data like the company's structure, management team, and competitive position. Also, Adam communicates and coordinates with other divisions within the bank to obtain extensive information about the client's history within the bank along with the nature, quality, and quantity of transactions concluded with the bank.

For this, Adam consults with the Relationship Manager assigned to the client to collect data relative to the client's past transactions with the bank, their specifications, and any other relevant details related to the credit request. Such communication guarantees that Adam holds an in-depth understanding of the client's current standing and previous records with the bank. Additionally, Adam coordinates with the Legal and Compliance department to make certain that all aspects of the credit request adhere to regulatory standards and internal regulations. This coordination supports the identification of any potential legal or compliance concerns associated with requested financing.

Furthermore, Adam consults with the Risk Management department to evaluate the bank's appetite for such transactions and exchange information related to financial data, risk assessments, and mitigation approaches to ascertain adherence with the bank's risk tolerance (Bouteille and Coogan-Pushner, 2022).

Also, Adam contacts the Operations department to obtain further information and documentation related to the credit request, including documentation specifications, collateral assessment, and payment schedules (Bouteille and Coogan-Pushner, 2022).

During the whole process, Adam ensures continuous and transparent communication with all relevant departments, facilitating the exchange of information, addressing inquiries, and integrating replies into the Credit Assessment Memorandum (CAM).

Having all the information on hand, Adam meticulously analyzes data to uncover financial ratios, trends, and risk indicators. To determine the borrower's capacity to repay the facility (Allianz Trade, 2023), Adam performs a rigorous financial study. He then evaluates the borrower's business plan and competitive edge while being attentive to any potential shortcomings or signs of concern. After this extensive study, Adam fills out a detailed CAM which includes his main findings in terms of financial assessment, risk assessment, and a well-reasoned recommendation that aligns well with his findings (Onyiriuba, 2016). Adam crafts the CAM in a clear and systematized manner, whereby he populates the CAM with relevant information in the appropriate sections. His CAM points out the borrower's strengths and weaknesses and financial soundness. It also suggests measures to mitigate risk factors (Onyiriuba, 2016). Within his recommendation, Adam suggests security measures or covenants to preserve the bank's interests if needed (Saliya, 2019). He then submits the CAM to the credit committee for approval, thus providing the committee members with a solid

### iii.  Tasks in current performance

### *End Result*
Completion of a comprehensive and consistent Credit Assessment Memo (CAM).

Main and supporting tasks
1. Meet with the Relationship Manager to obtain essential information about the borrower
   *Arising issues:*
   - in some instances, might miss asking necessary questions and obtaining relevant data
   - lack of clarity in providing information
2. Collect and validate documents to support the proposed credit
   *Arising issues:*
   - fail to collect a full set of necessary and relevant documents
   - disregards validating collected information
3. Liaise with other relevant departments to obtain information on the borrower
   *Arising issues:*
   - delay in obtaining replies due to unresponsiveness
   - queries were not expressed clearly
4. Conduct financial analysis (Grimste, 2022)
   *Arising issues:*
   - may present minor and insufficient financial ratios and indicators
   - may perform inconsistent and incoherent analysis from derived figures
5. Present a risk analysis and proposes risk mitigation factors (Roeder, Palmer, and Muntermann, 2022)
   *Arising issues:*
   - Insufficient risk assessment that might not cover all risk factors
   - Provide irrelevant mitigation factors
   - Proposed risk mitigants are inadequate
6. Solicit supervisor input
   *Arising issues:*

- May encounter delay due to supervisor absence or busy schedule
- Communication barriers
- Skill gap
7. Finalize a credit Assessment memo (CAM)
   *Arising issues:*
   - CAM may be missing crucial information to form an informed decision
   - Filled-out information may contradict
   - Information may be filled in inappropriately

## iv. Tasks in ideal performance

### End Result
Proper completion of a comprehensive and consistent credit assessment memo (CAM) that enables senior credit management to make sound and informed decisions.

### Main and supporting tasks
### Output 1: Obtain thorough borrower information
Task 1: Coordinate with the Relationship Manager to inquire about the credit request and its details and obtain all legal and financial data.
Task 2: Liaise with the credit inspection department to conduct preliminary market checking.
Task 3: Liaise with the credit inspection department to obtain necessary market checkings and with the back-office operations department to obtain information about commercial transactions concluded by the client  and the branch where the client holds account(s) to check the activity volume of the client's account(s)

*Current indicators of performance*: Timely collection of necessary and relevant borrower information.
*Performance with respect to indicator*: Effective cooperation with other internal parties.

### Output 2: Validate legal and regulatory compliance
Task 4: Check legal documentation with the legal department confirming the borrowing authority of management and validate their signatory.
Task 5: Verify with the Risk Management Department the bank's risk appetite and recommended risk mitigants.

*Current indicators of performance*: Compliance with legal and regulatory requirements.
*Performance with respect to indicator*: consistent with performance indicators whereby accurate validation of legal documentation is conducted aligning with the bank's policies.

### Output 3: Analyze financial data and risk factors
Task 6: Perform financial analysis (financial ratios, trends, and risk indicators). (Grimste, 2022)
Task 7: Assess the business plan and identify risk factors, mitigants, and adequate collateral(Roeder, Palmer, and Muntermann, 2022; Bouteille and Coogan-Pushner, 2022)

*Current indicators of performance*: meticulousness and thoroughness of financial and risk analysis.
*Performance with respect to indicator*: accurate and in-depth examination of financial data; recognition and emphasis of risk factors and corresponding mitigants.

**Output 4: Solicit input from supervisor**
        Task 8: Summarize and discuss findings.
        Task 9: Request feedback on tentative recommendations.
*Current indicators of performance*: Support and feedback integration.
*Performance with respect to indicator*: seeking support and guidance and incorporating feedback.
**Output 5: Finalize Credit Assessment Memorandum (CAM)**
- Task 10: Organize and fill in obtained data and analysis in the respective sections.
- Task 11: Formulate a conclusion and recommendation that are consistent and coherent with findings (Onyiriuba, 2016; Saliya, 2019)

*Current indicators of performance*: Coherence and completeness of CAM.
*Performance with respect to indicator*: CAM reflects comprehensive credit information that aligns with the bank's policy and procedure which enhances an informed decision by management.

*Arising issues under ideal performance:*
This may include:
-   Delays in obtaining documents or data caused by external parties and beyond the credit analyst's control
-   Unavailability of certain information

**v.   The Gap between current and ideal performance**
    The gap between the current and ideal performance lies in the failure to submit a complete and comprehensive credit assessment memo (CAM) whereby the memo lacks the necessary information that enables credit management to make an informed credit decision

   **E.  Performers and the Influences on Them**
    This section highlights the general features and characteristics of credit analysts with different expertise and performance levels. Additionally, this section delves into the targeted performers in terms of their demographics, previous knowledge, current skills, and other factors influencing their performance.

**i.   Personas**
  **a.  High maintenance**
    Normally this type of credit analyst is new to the banking sector in general and credit functions in specific. Highly likely they are either fresh graduates or have professional backgrounds different from banking. Although primarily they hold a minimum degree of BS in accounting, finance, economics, or money and banking their degree hasn't prepared them to delve that deep into the realm of credit they find difficulty in comprehending the significant amount of information and terminology within the context of credit. The process of preparing a credit package overwhelms them, especially with the number of stakeholders involved in the process. This job requires multitasking and is quite challenging for them. At this stage, this type of analyst requires direct supervision and close mentoring in addition to continuous support from their peers.

### b. Medium Maintenance

This type of credit analyst has spent quite a time in the credit department. Their professional credit experience exceeds 5 years and they either hold a graduate degree, planning for one, or even pursuing a technical certification like CFA or CMA. They are familiar with all the complexities involved in the preparation of a credit file. Typically, this type can handle relatively complicated credit files proficiently, however, they might get overwhelmed when challenged with multitasking which may affect their accuracy. In such situations, they either prioritize their tasks or ask for help from supervisors and peers. In certain instances, they seek advice from superiors when handling a complicated file but that does not affect their confidence in their expertise.

### c. Low maintenance

This category of credit analysts typically has extensive experience in the credit field that normally exceeds 10 years. They advanced their education to higher levels through technical degrees and graduate programs. They can handle very complicated credit files and can multi-task easily and smoothly. In challenging situations where they are overloaded with clients' inquiries, and follow-up on urgent matters from management besides supporting their fellow junior staff, this type of analyst remains calm and resilient.

## ii.  Demographics Information about Performers

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|---|---|
| *Demographics* | Credit analysts generally are:<br>– At the minimum, university graduates holding degrees in accounting, finance, or money and banking (Grimste, 2022).<br>– While experienced credit analysts are normally over 30 years of age, entry-level analysts might assume the function of associate or junior credit analysts.<br>– Males normally exceed females in this specific department.<br>– Senior credit analysts normally are in their mid-30s |
| *Previous Knowledge* | – Credit analysts are computer literate. They are proficient in using certain software such as MS Office, spreadsheets database management systems<br>– They are familiar with online search<br>– Understand financial and accounting terms and concepts<br>– At the minimum they are bilingual<br>– Their writing and other communication skills meet the minimum acceptable standard. |
| *Current skill level* | Skills level varies between junior analysts and seniors.<br>– While senior credit analysts typically demonstrate competent communication skills, junior officers are still cultivating those skills<br>– Senior credit analysts possess time management and delegation skills whereas junior analysts are still in the process of developing those skills<br>– Senior credit analysts can process any credit file regardless of its size, nature, and complexity while junior credit analysts struggle with the process of preparing a regular file. |

| | |
|---|---|
| *Influences* | – Technology and automation might influence analysts whereby they need to adapt to changing workflows<br>– Market conditions and economic situations that credit analysts are required to be aware of as such issues affect their analysis and subsequent judgment.<br>– The team culture within the bank affects the performance of credit analysts both novices who need mentoring and guidance by supervisors and other senior colleagues and senior analysts who need the assistance of novices when they are overloaded with work |

### F. Analysing the reasons for the performance gap and other project issues

This section follows Gilbert's Behavior Engineering Model (Crossman, 2010) to identify and analyze organizational and individual aspects affecting performance resulting in the performance gap.

*Gap Analysis*

Utilizing this model addresses the overall causes that affect the performance at the organization as well as at the performer levels. This model then delves into sub-causes under each perspective and details further to identify the specific reasons affecting the performance of credit analysts.

### i. Environment

| | |
|---|---|
| **Information** | – **Clear policy and procedure and expectation:** due to changes in credit policy and procedures which were not properly and timely communicated to credit analysts, they failed to adhere to and apply new requirements<br>– **Feedback:** though credit analysts receive feedback on their work, however, such feedback is not regular and sometimes lacks thoroughness due to the supervisor's workload<br>– **Accessibility of information**: credit analysts are not always able to access necessary information related to market trends, international economic indicators, industry trends, and sound and scientific forecasts which impede their in-depth analysis …<br>– **Bottom-up information**: sometimes supervisors disregard or overlook input from junior analysts based on seniority |
| **Resources** | – **Access to supervisor**: work overloads might hinder credit analysts from receiving prompt feedback from the supervisor. Additionally, supervisors might not adopt an open-door approach which makes it challenging for credit analysts to seek their advice on complicated issues<br>– **Working conditions**: work overloads, shortage of staff, insufficient workspace leading to intolerable noise resulting in lack of concentration to properly conduct a thorough analysis and produce a complete credit assessment memo.<br>– **Proper rotation**: Not subjecting recruits or credit analysts of no banking background to proper rotation including the departments that are interrelated to their job will affect their understanding and appreciation regarding the importance of these departments to their role. |

| Incentives | – **Negative reinforcement**: the negative reinforcement adopted by supervisors does not serve well in the context of encouraging a good performance by credit analysts whereby their achievements and hard work are never praised or recognized which results in a state of demotivation and ultimately results in less productivity in terms of quality and quantity<br>– **Lack of financial incentives**: despite their work overloads associated with a shortage of staff that did not insight management to reward credit analysts with bonuses or salary increments which discouraged them and led to less job satisfaction and accordingly lower performance<br>– **Overtime compensation**: despite covering the shortage of staff gap by spending long hours after the official work time, their efforts go unseen and they don't receive compensation for this sacrifice. Such results in low morale and less effort in terms of productivity. |
|---|---|

i.    **Performer**

| Knowledge | – **Deep understanding of credit policy and procedure**: credit analysts although have sufficient experience in credit, still lack to full understanding of the bank's credit policies, procedures, and relevant updated regulatory requirements.<br>– **Compliance awareness**: Credit analysts do not all hold similar educational and professional backgrounds accordingly their understanding of legal, financial, and regulatory issues differ the reason whereby<br>– **Content and skill transfer**: credit analysts are not receiving enough support from either their peers or supervisors to apply their expertise within their jobs. |
|---|---|
| Capacity | – **Experience**: not all credit analysts hold the same experience levels and relevant understanding of processes and workflows which creates an inconsistency in the preparation of the credit assessment memo (CAM)<br>– **Personality profile**: detail-oriented, analytical thinkers and time-management professionals are the basic personality traits that credit analysts should own. Such varies in credit analysts leading to inconsistent quality of CAMs<br>– **Hiring procedure**: the professional as well as educational background of some credit analysts reflect that not enough screening by HR was applied as some of them do not have the essential qualifications for the job requirement |
| Motivation | – **Self-efficacy**: some credit analysts may lack self-confidence in their ability to perform their tasks which results in hesitation and postponing thus affecting the efficiency of the credit process.<br>– **Attitude**: unclear processes, unreasonable work overloads, and lack of motivation often lead to a negative attitude which will eventually affect the quality of work |

### G. Risk factors for performance improvement efforts

| Issues | Type of Risk | Reason |
|---|---|---|
| 1. Strength of leadership support | High | The failure of leadership support in terms of providing clear directions and guidance will elevate challenges faced by credit analysts resulting in an inefficient. |
| 2. Strength of peer support | Medium | The impact of peer support is important as collaboration will enhance information-sharing and task delegation in stressful times but it will not prevent the credit analyst from completing his duties |
| 3. Variety of locations | Low | As credit services are centralized at the headquarters, this does not pose a risk. |
| 4. Variety of departments | High | This poses a high risk as coordinating with other departments and requesting information promptly is crucial for duly constructing an accurate and comprehensive credit report necessary for informed decision-making |
| 5. Barriers to implementation | High | Resistance to change is a type of barriers to implementation that can considerably affect and prevent credit analysts from properly and diligently fulfilling their duties. |
| 6. Ability to support technologically | Medium | This factor poses a risk as it impedes the work process but credit analysts can find alternative solutions and workarounds and still be able to perform their duties. |
| 7. Ability to support logistically | Medium | Similar to technological support, although the lack of logistic support can hinder the work of the credit analysts different approaches can be adopted to overcome its lack. |
| 8. Ability to support financially | Low | This does not pose a risk to credit analysts as they will be extracting information available within the system. However, the bank must allocate financial resources in terms of licenses to software that enhances the bank's operations. |
| 9. Availability of sufficient time | High | Time constraints can negatively affect the quality of the CAM in terms of comprehensiveness and accuracy thus leading to wrong decisions |

### H. Project Constraints
- The budget is limited to a ceiling of $x
- Training has a definite drop-dead deadline.
- Must include staff: Performance Consultant
- Conflicting requirements from different relevant parties involved in the analysis process, such as senior management and department heads
- Risk constraints such as data privacy concerns, confidentiality issues (banking secrecy), or reputational risks for the bank.

## Part 3: Requirements

This section outlines the business objective of First Local Bank and the requirements to achieve this objective in terms of competencies that credit analysts should possess to proficiently and efficiently carry out their tasks. The section proceeds to highlight measures indicating improvement in performance at employee as well as organizational levels.

### A. Business Objective

The ultimate objective of this performance analysis is to enhance the decision-making process to mitigate financial losses attributed to non-performing loans (NPLs) at First Local Bank. The enhanced performance will be confirmed by a minimum 10% reduction in non-performing for the first year and at a steady rate for the years to follow.

### B. Competencies to be addressed

**Competency 1: Obtain thorough borrower information**
A credit analyst is able to communicate with the Relationship Manager and obtain accurate and complete information about the transaction subject of financing from the first time. He will proceed to collaborate with other personnel in different departments to duly collect complementary information and validate documents in a short period.

**Competency 2: Validate legal and regulatory compliance**
A credit analyst is able to carry out legal validation of documents with accuracy and consult with risk management without procrastination

**Competency 3: Analyze financial data and risk factors**
A credit analyst conducts a thorough and accurate analysis of financial statements and is able to identify risk factors related to the transaction in a precise manner and suggest the necessary risk mitigants

**Competency 4: Solicit input from supervisor**
A credit analyst summarizes and communicates findings to the supervisor to seek input and engage in a meaningful discussion to ensure the development of an accurate and rational recommendation

**Competency 5: Finalize Credit Assessment Memorandum (CAM)**
A credit analyst can organize all obtained data in the credit assessment memo (CAM) accurately and subsequently formulate conclusions and recommendations that are consistent and coherent with findings reflected in the CAM

**Indicators of performance:**
- Familiarity with the bank's credit policy and procedure
- Demonstrate skills in information channels through proper access and navigation of sources
- Ability to seek information efficiently through meaningful and in-depth probing approach
- effective communication with other parties both verbally and electronically
- completing tasks within time frames.

### C. Performance metrics

The business objective of reducing non-performing loans by 10% for the first year can be measured using the Kirkpatrick evaluation model level 4 which evaluates how the performance of credit analysts has contributed to realizing the business objective both at individual and organizational levels:

### i.      At the individual level

- In 80% of transactions, credit analysts were able to obtain necessary information during the first attempt and with high accuracy.
- Legal documents validation was prompt in 90% of the transactions
- Accurate financial data analysis resulted in recognizing risk factors in 85% of credit requests associated with suggestions of proper risk mitigants.
- Timely communication with supervisors resulted in constructive feedback in 75% of interactions.
- Complete Credit Assessment Memorandums (CAMs) reflected consistency and coherence with findings in 80% of transactions.

### ii. At the organizational level

- Time to complete a credit file has decreased by 25%
- Efficient communication between departments has improved by 35% whereby information channeling has expedited
- Compliance with the bank's credit policy and procedure improved by 15%.
- Completion time for credit assessment memos (CAM) has dropped by 30 % as a result of improved communication.

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**Appendix A: Design Statement**

1)  My initial understanding and perception of Human Performance Analysis were that it is a systematic approach whereby I should follow a certain process in obtaining information, analyzing the information, and applying a scientific solution. However, through the very first readings and discussions, I discovered that it is a systemic approach that attempts to assess a performance problem for individuals holistically from different perspectives following a systematic approach. Those perspectives include organizational as well as individual factors. The individual factors are not exclusively related to a lack of certain skill(s) or underdeveloped areas of expertise but may arise from an array of inefficiencies, cultural issues, or resource constraints.

2)  The second issue that I pondered on is the organizational context and its impact and role in influencing the performance of the individuals subject of the analysis. It was apparent to me, especially after reading "Managing the white space training" by Rummler and Brache, that the organizational structure of an organization should reflect the what, why, and how to efficiently locate points of weakness and then address them.

3)  Another issue that shaped my understanding and helped me complete this assignment is what was explained to us during class regarding the distinction between Risks and Constraints. Constraints are issues impacting the projects that as a performance analyst, I have to deal with. On the other hand, risks involve issues related to the performers that may or may not happen and as a performance analyst, I have no control over them.

4)  During our Instructional Design course I didn't really pay attention to the importance of "personas" and actually confused it with the scenarios, however in this assignment, the understanding of the role of personas helped me significantly in better identifying the performance gaps. By empathizing with the personas we can understand their preferences and challenges and we will gain insights about their specific needs.

5)  The resource concerning "Use Case" shared on Moodle provided me with tremendous guidance in understanding workflow details within a certain performance context. This understanding supported my ability to construct a list of detailed tasks relative to the ideal performance, in a way that demonstrates performance issues more clearly.

6)  Comparing the two samples for CSTD drew my attention to the fact that too much information is not always good. When you dictate every detail to performers, in this way you are not only paralyzing their decision-making skills but also inhibiting their ability to take initiative and develop their performance by improving a process or doing things differently. Accordingly, the balance in providing information fosters a culture of innovation and creativity.

7) The assigned reading: "Towards a competency model: A review of the literature" provided a variety of definitions for the concept of competency which helped me differentiate it from objectives and outcomes. While the three incorporate factors related to improving performance, each has its scope with competency being of the broadest scope. Competencies provide the foundation for achieving objectives by enabling individuals to perform tasks effectively and help reach desired outcomes.