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NORDIC FINANCIAL UNIONS

DO YOU MEASURE UP?

A STUDY ON PERFORMANCE MEASUREMENT SYSTEMS IN
THE NORDIC FINANCIAL SECTORS

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1. ABOUT NORDIC FINANCIAL UNIONS

Nordic Financial Unions (NFU) is the voice of the employees in the Nordic financial sectors. We are an organisation for co-operation between trade unions in the bank, finance and insurance sectors in the Nordic countries. Through our seven affiliated unions in Denmark, Sweden, Norway, Finland and Iceland we represent 150 000 members – a vast majority of the employees in the Nordic financial sectors.

MISSION

NFU – Nordic Financial Unions is a lobbying organization promoting the interests of Nordic financial trade unions in Europe.

- Through a high level of competence and dialogue we contribute to shaping a sustainable financial sector, fundamental for job creation.
- NFU creates value for the affiliates by acting as a knowledge hub among trade unions in the Nordic financial sectors.

VISION

NFU strives to make the financial sectors prosper in a way that is sustainable for employees, companies, consumers and society.

- This is done through influencing regulation, framework conditions and business strategies that support job creation and economic growth.

2. KEY FINDINGS

MANAGEMENT AND PERFORMANCE MEASUREMENT SYSTEMS

- The systems can be useful as a part of providing constructive feedback to employees
- The systems are considered as more negative if they are used for pure control and ranking of employees

EMPLOYEES AND PERFORMANCE MEASUREMENT SYSTEMS

- There is a strong link between performance measurement systems and increased stress for employees. 54 percent of the respondents say that the systems increase stress levels
- The systems decrease the quality of work according to 44 percent of the respondents. 20 percent say that performance measurement systems increase the quality of work
- 42 percent of the respondents say that the performance measurement systems lead to increased administrative work; 17 percent that the systems lead to a decrease
- The Nordic bank sector is worse off compared to the Nordic insurance sector with regard to the systems' negative impact on stress, quality of work, and administrative burdens

CUSTOMERS AND PERFORMANCE MEASUREMENT SYSTEMS

- 29 percent of the respondents say that the systems' impact on information and advice to customers is positive and 22 percent say that the impact is negative
- It is more likely that the use of performance measurement systems decreases the time dedicated to customers than the opposite
- 45 percent of the respondents say that performance measurement systems give incentives to advice or sell one product over another. 38 percent say that they do not
- Systems that measure customer satisfaction and/or loyalty can be more positive for employees and customers than other types of performance measurement systems

3. INTRODUCTION

Performance measurement systems are part of a culture set by management, and they have an impact on the way employees conduct and carry out their work. There are many aspects that need to be considered when designing and working with performance measurement systems. It is crucial to make sure that the systems are designed to have a positive effect on employee well-being, customer satisfaction and, in the end, the way in which companies in the Nordic financial sectors conduct their business.

This report will publish results from a survey conducted by NFU investigating performance measurement systems in the Nordic financial sectors. The NFU survey concentrates on the systems' effect on employees' work situation, the employee-customer relationship, and on the role of management.

The aim of the report is to raise awareness on what to consider when designing and using performance measurement systems and their link to well-functioning and responsible financial sectors.

3.1 ABOUT THE SURVEY

The survey was sent to trade union representatives in the Nordic bank, insurance and other finance sectors who represent front office staff. Front office staff refers to customer-facing employees in the firm and includes the roles that focus on working with and for customers, rather than in support, risk, compliance and operation roles.

126 trade union representatives responded to the survey. The respondents cover a total number of 66 companies in the Nordic financial sectors, from the largest banks and insurance companies to the small savings banks, which give a broad representativeness. Some of the respondents are front office staff rather than trade union representatives. All respondents are members in a NFU member union. The insurance sector in Finland has not been surveyed.

A vast majority of the respondents are shop stewards and other trade union representatives. The views expressed can therefore be seen as representing most employees in the 66 companies surveyed, as the respondents are spokespersons for their members at the workplace. However, the survey

does not cover all companies in the Nordic financial sectors so the results should be seen as examples and strong tendencies rather than a complete and absolute description.

The survey questions were developed by the NFU Secretariat in cooperation with the NFU member unions. The questionnaire was furthermore based on the Norwegian research about performance measurement systems in the Norwegian financial sectors, in part conducted by the Finance Sector Union of Norway.¹

The survey questions and figures based on the responses are annexed to the report. For more information about the survey, please contact the NFU Secretariat.

4. PERFORMANCE MEASUREMENT SYSTEMS IN THE FINANCIAL SECTORS

4.1 OUR DEFINITION OF PERFORMANCE MEASUREMENT SYSTEMS

Performance measurement systems can be defined as systems that collect, analyse and/or report information regarding the performance of an individual and/or group. The systems could for example include and measure sales targets and/or customer satisfaction. This is the definition used both in the NFU survey and this report.

Performance measurement systems can also give incentives to employees and measure the outcome of employees' performance in relation to those incentives. This is not equal to remuneration systems. Incentives given by the systems do not necessarily mean fixed or variable pay, even though the systems *can* be linked to monetary incentives. The systems can in themselves provide incentives, both positive and negative, for employees to act in certain ways.

4.2 ABOUT PERFORMANCE MEASUREMENT SYSTEMS

Performance measurement systems are part of a company's corporate governance and management. Corporate governance sets the culture in companies and determines everything from risk management to information and consultation with employees. According to the Financial Stability Board (FSB), a positive culture stems from management's ability to motivate employees to act in a sound way. Incentives such as performance measurement systems are important in this regard.² The systems are not only a result of the company culture but are also important drivers of the culture in financial companies.³ The link between performance measurement systems and company culture means that the systems have an impact on employees' work and behaviour and, thereby, on the company's customers.

Employees are the ones who meet customers and advice and sell financial products and services to them. Employees are crucial for the quality of service, which is directly linked to customer satisfaction and loyalty - essential factors for any company engaging in financial services. In addition,

there is a significant positive connection between satisfied customers and service between four eyes, all according to an EPSI Rating Group's measure of customer satisfaction in the Nordic countries.⁴ It is obviously important for any company to provide employees with good working conditions to make them do their job as best as they can – and performance measurement systems are important in this regard.

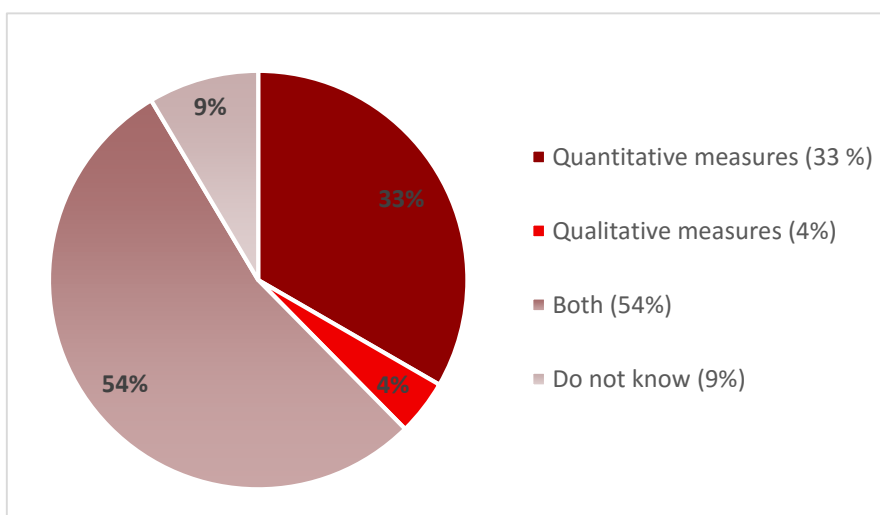
To ensure a good employee-customer relation, employees need to be supported by management and not be pressured by unfair sales targets, excessive administrative burdens and more. There are many reports and surveys that warn about the unhealthy levels of stress for employees in the Nordic financial sectors and the link to performance measurement systems. Research from a Norwegian study shows that finance employees work 15 days extra outside registered working hours in order to reach their targets.⁵ A survey from 2015 by the Financial Services Union Denmark shows that 1 in 5 finance employees are feeling so stressed that it can result in a health risk for them. To not have sales targets is said to prevent negative stress. The increased pressure also leads to worse consumer protection. Every fourth person in the Danish study says that the quality of their advice is compromised by the work pressure.⁶

Performance measurement systems can affect employees' ability to carry out their job and the employee-customer relation in a negative way. According to a Consumers International report about sales incentives, performance measurement systems can have a negative effect and cause an erosion of trust by customers. This might lead to customers not engaging with the financial system, with the consequence that they fail to take action which could improve their financial situation.⁷ It shows the importance of getting performance measurement systems right for the sake of employees, customers and the companies.

5. SURVEY RESULTS

Performance measurement systems are very common in the Nordic financial sectors. 90% of the respondents in the NFU survey say that the company they work for has performance measurement systems in place.

1. FOCUS OF PERFORMANCE MEASUREMENT SYSTEMS (NORDIC FINANCIAL SECTORS)



The survey tells us that the systems can measure quantitative measures such as time on the phone; number of products sold; time with customers; as well as qualitative measures such as customer satisfaction.

54 percent of the respondents state that the systems measure both qualitative and quantitative aspects of employees' work; 33 percent say only quantitative aspects; and 4 percent say that the systems measure qualitative aspects only.

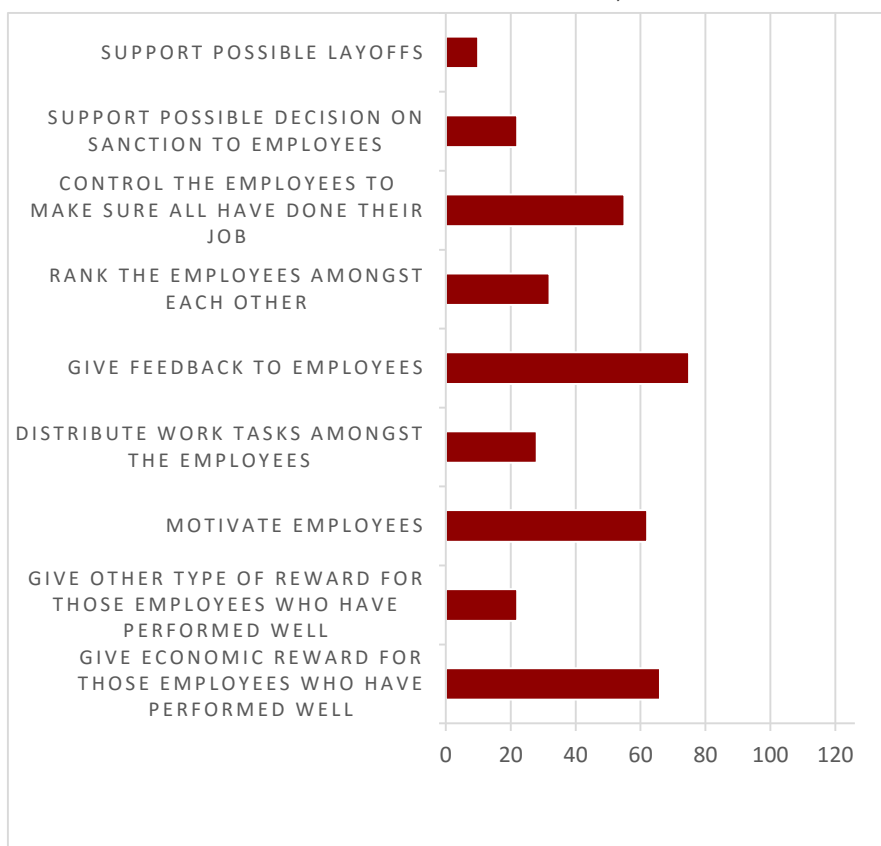
5.1 MANAGEMENT AND PERFORMANCE MEASUREMENT SYSTEMS

- The systems can be a useful part of providing constructive feedback to employees
- The systems are considered as being more negative if they are used for pure control and ranking of employees.

THE PURPOSE OF PERFORMANCE MEASUREMENT SYSTEMS

Performance measurement systems are put in place by management, but what is the purpose of measuring employees? According to the respondents in the NFU survey, management uses performance measurement systems mostly to give feedback to employees, give them economic reward, motivate employees, and to control employees to ensure that they do their job. Of course this does not mean that this is the purpose of using the systems, but

11. FOR WHAT PURPOSE ARE THE EMPLOYEES MEASURED? (MULTIPLE ANSWERS POSSIBLE - NORDIC FINANCIAL SECTORS)



it shows how they are perceived. The economic reward can be given both through variable pay or bonus or when negotiating or setting the wage for individual employees.

"Performance measurement systems can prove what you have achieved. If used for educational purposes, it can improve your skills"

- Quote from the NFU survey

The quotes concerning the purpose of the systems in the NFU survey suggest that the systems can be helpful in providing feedback and helping employees to focus¹. 60 percent say that the systems are used to give feedback to employees.

CONTROL RATHER THAN TRUST

Almost half of the respondents state that the systems are used to control the employees. Quotes from the NFU survey suggest that management's focus on pure control erodes the trust between management and employees. This is of course contrary to the core values of the Nordic model where a constructive and trustful relationship between managers and employees has built competitive and sustainable businesses.

"Most employees would like to get measured less. They feel controlled by management in an untrustful way"

- Quote from the NFU survey

One out of four says that the systems are used for ranking of employees. Quotes from the NFU survey suggest that this has a stressful effect on employees. In addition, almost a third, 28 percent, of the respondents say that results are made public among the colleagues. A report by Consumers International describes a case of public results, stating that "performance could also be monitored and reported within the bank using league tables, with employees placed under explicit or implicit pressure to improve their ranking by selling more products."⁸

¹ Some of the quotes from the survey are corrected grammatically in this report. The original quotes can be found in annex III.

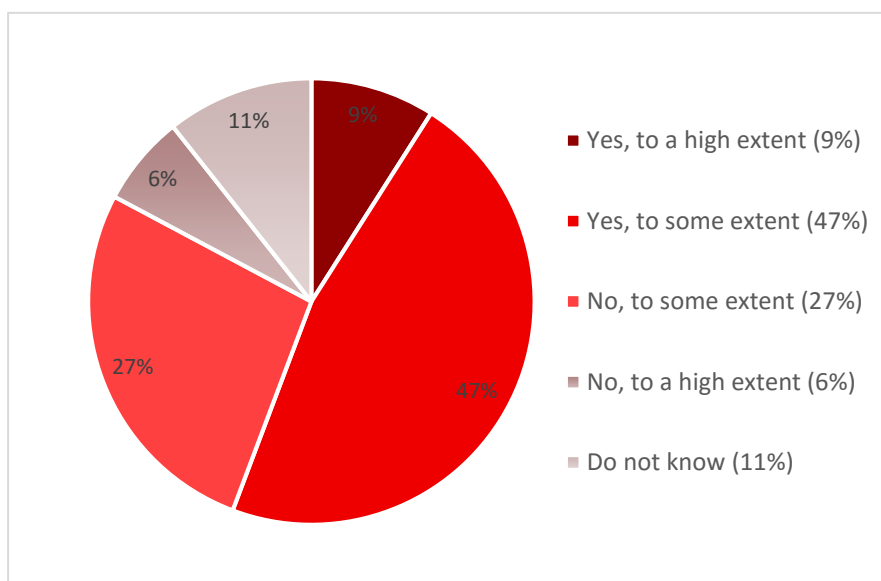
A main conclusion from the Norwegian study about performance measurement systems showed that when the employees are controlled to a large extent they feel supervised, but when they are included in the process they perceive the systems as more positive.

In a Swedish survey from 2013, 95 percent of the respondents felt that the working environment in the bank gets tougher. 56 percent said that they do not have support from management to handle it.⁹

ARE PERFORMANCE MEASUREMENT SYSTEMS FAIR?

Performance measurement systems are perceived as being fair to a higher extent than not. 56 percent of the respondents believe that the systems are considered to be fair by the employees, whereas 33 percent say that they believe that the systems are not considered to be fair.

12. DO THE EMPLOYEES CONSIDER THE PERFORMANCE MEASUREMENT SYSTEMS TO BE FAIR? (NORDIC FINANCIAL SECTORS)

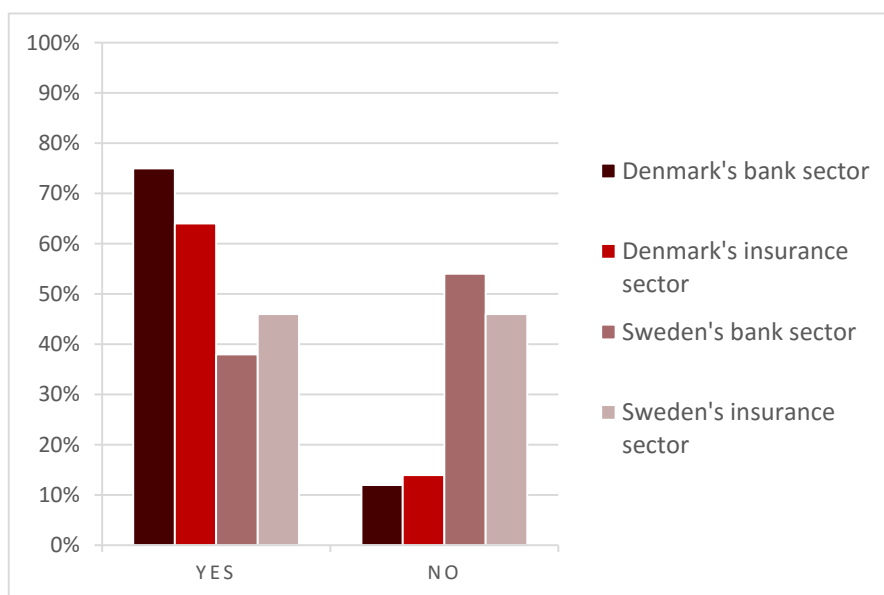


There are two clear outliers in the Nordic financial sectors. Employees in the Danish bank and insurance sectors believe that the systems are fair to the highest extent, whereas employees in the Swedish bank and insurance sectors experience the systems as the least fair.

There are some explanations to be found in the report to why there are such differences between Denmark and Sweden. When looking at the purpose of performance measurement systems, the Swedish bank and insurance sector

seems to perceive to a higher extent that the systems are used to control and rank employees. Respondents from the Swedish bank sector also report about a stronger link to increased stress levels, and higher administrative burdens but lower quality of work due to these systems. In Denmark, respondents from the insurance sector say that the systems are used less for controlling and ranking, and more for motivating employees compared to the other countries and sectors. Respondents from the Danish bank sector say that the systems are used for feedback to a higher degree than the Nordic average.

13. DO THE EMPLOYEES CONSIDER THE PERFORMANCE MEASUREMENT SYSTEMS TO BE FAIR? (COUNTRY SPECIFIC COMPARISON)



5.2 EMPLOYEES AND PERFORMANCE MEASUREMENT SYSTEMS

- There is a strong link between the systems and increased stress for employees. 54 percent of the respondents say that the systems increase the stress levels
- The systems decrease the quality of work according to 44 percent of the respondents. 20 percent say that performance measurement systems increase the quality of work
- 42 percent of the respondents state that the performance measurement systems lead to increased administrative work; 17 percent that the systems lead to a decrease
- The Nordic bank sector is worse off compared to the Nordic insurance sector with regard to the systems' impact on stress, quality of work, and administrative burdens

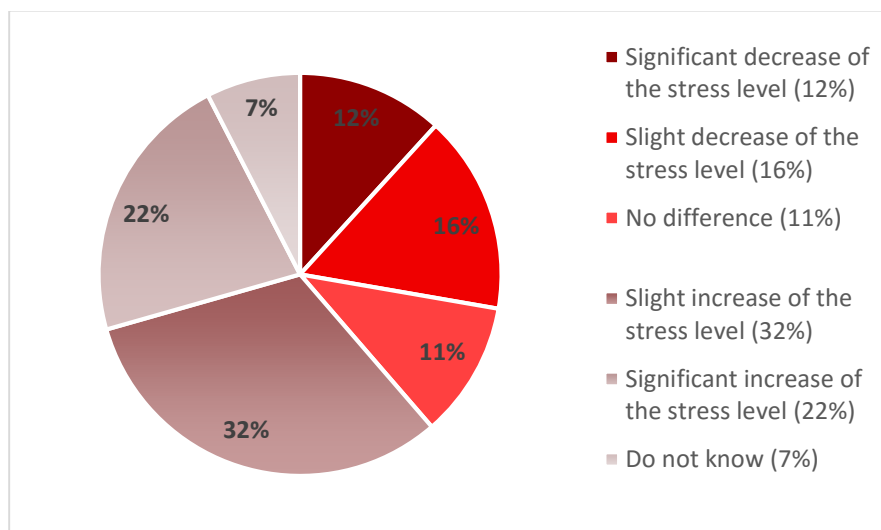
STRESS

The connection between performance measurement systems and increased stress is clear in the survey. More than half, 54 percent of the respondents, say that the performance measurement systems affect the stress levels of employees in a negative way. 22 percent say that they lead to a significant increase of the stress level; 32 percent to a slight increase. The quotes from the survey suggest that the stressful situation has an impact on employees' health, their quality of work, and eventually on customers.

"If performance measurement systems are used in an excessive way, they create negative stress which in the long run is bad for the company, bad for the employee and bad for the customer. There is also a risk that performance measurement systems create a selling behaviour that isn't to the benefit of the customer"
– Quote from the NFU survey

In the Nordic bank sector, the systems seem to be linked to increased stress levels; 60 percent of the respondents say that they lead to increased stress levels compared to 49 percent in the Nordic insurance sector. When looking at the results from the survey you can see that stress levels, lower quality of employees' work and administrative burdens are worse in the bank than in the insurance sector.

2. HOW DO PERFORMANCE MEASUREMENT SYSTEMS AFFECT THE STRESS LEVEL OF THE EMPLOYEES? (NORDIC FINANCIAL SECTORS)



However, performance measurement systems can in some cases also be perceived to lead to a decrease of the stress level, and interestingly, 28 percent or almost a third of the respondents' find that they do.

QUALITY OF WORK

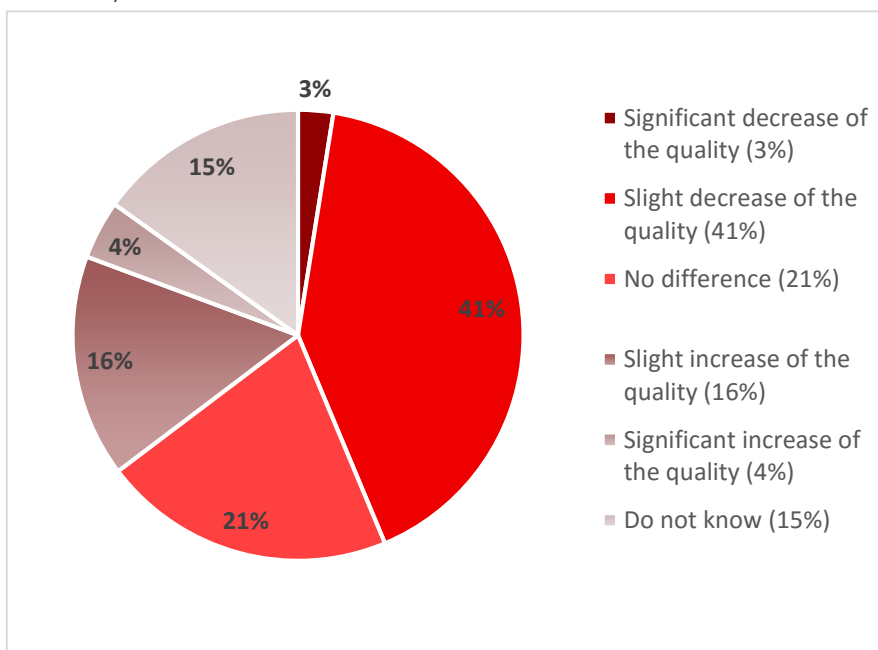
Performance measurement systems tend to lead to a decrease in the quality of employees' work. According to 44 percent of the respondents, the systems decrease employees' quality of work. It is a worrying number, and

"[The] negative side is when only speed is measured, people adapt to chase fast result and quality is reduced i.e "you get what you measure". Since 1,5 years back more focus is put on following up on quality but it can't be measured in the same way in our systems"
– Quote from the NFU survey

it raises questions about the impact of performance measurement systems on employees' possibility to do their best in carrying out their duties. Still, 20 percent say that performance measurement systems increase the quality of work.

The situation seems again to be a bit worse in the bank sector, where 49 percent say that performance measurement systems decrease work quality and only 16 percent that it increases the quality of work, compared to 41 and 23 percent in the insurance sector.

3. DO THE PERFORMANCE MEASUREMENT SYSTEMS DECREASE OR INCREASE THE EMPLOYEES' QUALITY OF WORK? (NORDIC FINANCIAL SECTORS)

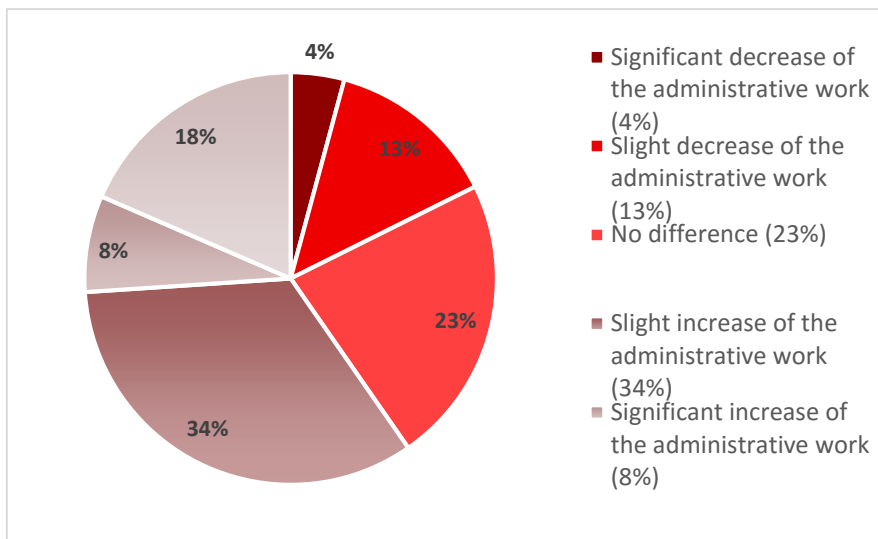


ADMINISTRATIVE BURDENS

34 percent of the respondents state that the performance measurement systems lead to a slight increase in administrative work and another 8 percent tell of a significant increase. In total, 42 percent of the respondents believe that the performance measurement systems lead to an increase in the employees' administrative work load.

This is a clear majority compared to the 17 percent stating that the administrative work has decreased, whereas 23 percent say that the systems make no difference in that sense.

4. DO THE PERFORMANCE MEASUREMENT SYSTEMS AFFECT THE ADMINISTRATIVE WORK (E.G. REPORTING) OF THE EMPLOYEES? (NORDIC FINANCIAL SECTORS)



Again the Nordic bank and insurance sectors differ from each other. 45 percent of the respondents from the Nordic bank sector say that performance measurement systems lead to increased administrative work, compared to 33 percent in the insurance sector. Around 20 percent in both sectors state that performance measurement systems can decrease administrative work.

"The problem now and then is that the employees in the costumer centre have to be on the phone all the time. Which means that they have very limited time to fix the administrative part afterwards"

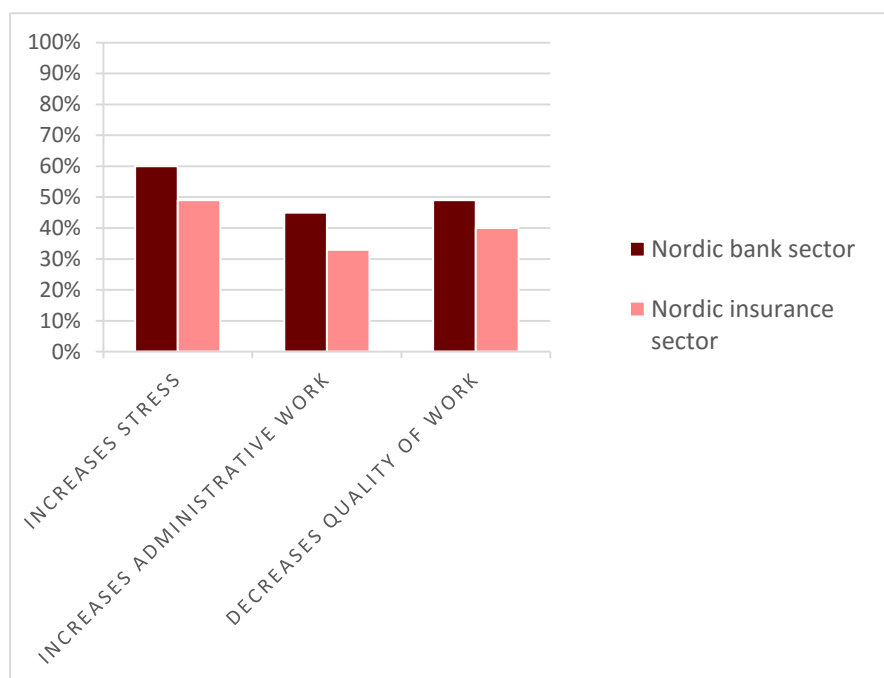
- Quote from the NFU survey

Administrative work is important to ensure a proper reporting, not least with regard to risk assessments and compliance with financial legislation. However, as can be understood by quotes from the survey, it is not efficient if the administrative work becomes a burden that leads to a compromise in the quality of the service provided and if it takes too much time from the staffs' primary work tasks of servicing and advising customers.

BANK SECTOR IS WORSE OFF

As described above, the Nordic bank sector is worse off in terms of increased stress levels, administrative work, and quality of work connected to performance measurement systems. The situation in the Nordic insurance sector appears to be better but is not without challenges.

5. IMPACT ON STRESS, ADMINISTRATIVE WORK AND QUALITY OF WORK. (COMPARISON NORDIC BANK AND INSURANCE SECTOR)



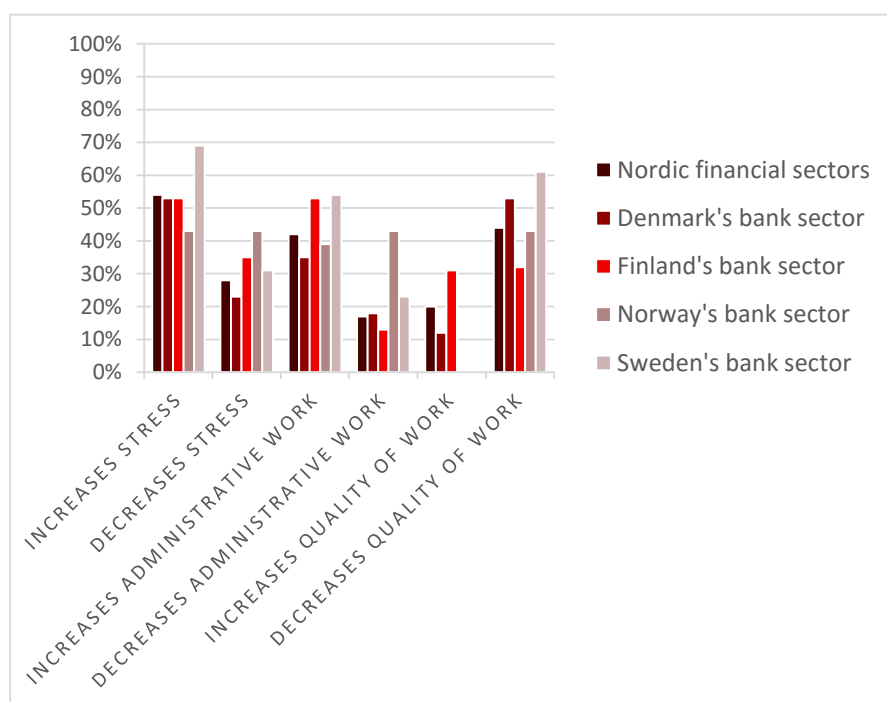
The Swedish bank sector tends to have performance measurement systems that are perceived as the most negative compared to the other countries and sectors when looking at stress levels, administrative work and quality of work. 69 percent of the respondents in the Swedish bank sector say that the systems lead to increased stress levels for the employees. 46 percent say that the systems lead to a significant increase of the stress level, which is the highest in the survey. Two out of three, or 61 percent of the respondents, say that the systems lead to a slight decrease of the quality. None of the respondents in the Swedish bank sector say that the systems lead to increased quality of the employees' work. Lastly, 54 percent say that the systems lead to an increase of administrative work – which also is the highest number compared to the other Nordic countries and sectors.

In the Norwegian bank sector there is a tendency towards the opposite, namely that both stress and administrative work decreases more in comparison with the aggregated results for the Nordic financial sectors. However, the perception of the effect on the quality of employees' work does not diverge from the aggregated results.

In the Danish bank sector, the quality of work is perceived to decrease more compared to the other countries and sectors, but there is no big difference with regard to administrative work and stress levels.

The quality of employees' work in the Finnish bank sector appears to decrease the least as a result of the systems, in a Nordic comparison. Nevertheless, the administrative work seems to increase to a high extent as a consequence of the performance measurement systems.

6. IMPACT ON STRESS, ADMINISTRATIVE WORK AND QUALITY OF WORK. (COUNTRY SPECIFIC COMPARISON)



The Danish insurance sector stands out as one out of three respondents say that performance measurement systems make no difference for the administrative work or quality of work. In comparison, one out of five in the aggregated results, for all sectors, state that the systems make no difference for the administrative work.

The impact on stress levels are however similar in the Danish insurance sector as in the Nordic financial sectors. This shows that performance measurement systems do not by definition have a negative impact on these issues.

5.3 CUSTOMERS AND PERFORMANCE MEASUREMENT SYSTEMS

- 29 percent of the respondents state that the systems' impact on information and advice to customers is positive, and 22 percent state that the impact is negative
- It is more likely that the use of performance measurement systems decreases the time dedicated to customers than the opposite
- 45 percent of the respondents state that performance measurement systems give incentives to advice or sell one product over another. 38 percent say that they do not
- Systems that measure customer satisfaction can be more positive for employees and customers than other types of performance measurement systems

TIME DEDICATED TO CUSTOMERS

Employees must have time and resources to be able to give information and advice to customers about financial products and services. This has a twofold purpose: to ensure that employees have the opportunity to do their job, and to help customers make informed decisions about their financial situation.

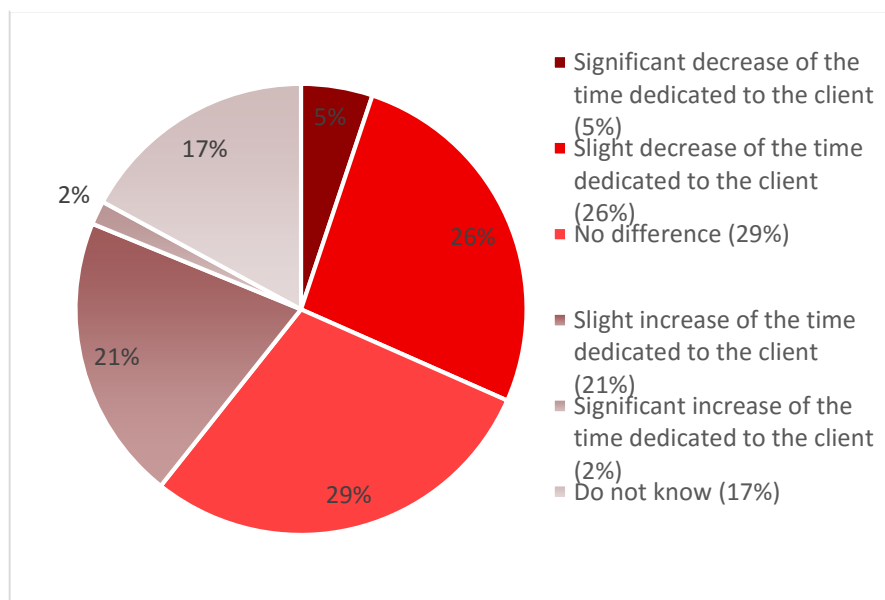
It is more likely that the use of performance measurement systems decreases the time dedicated to customers than the opposite, but the results are diverging. Every third, or 31 percent of the respondents, say that the time decreases as a consequence of the systems. 29 percent state that the systems make no difference and 23 percent that the systems increase the time dedicated to each customer.

"The agents will have to answer customers fast – and the faster you answer the more failures you make"
- Quote from the NFU survey

The results show that a decrease of the time dedicated to customers is more likely in the insurance sector compared to the bank sector in the Nordic countries. 37 percent say that the systems decrease the time dedicated to

customers in the insurance sector compared to 26 percent in the bank sector. In both sectors 6 percent say that the decrease is significant.

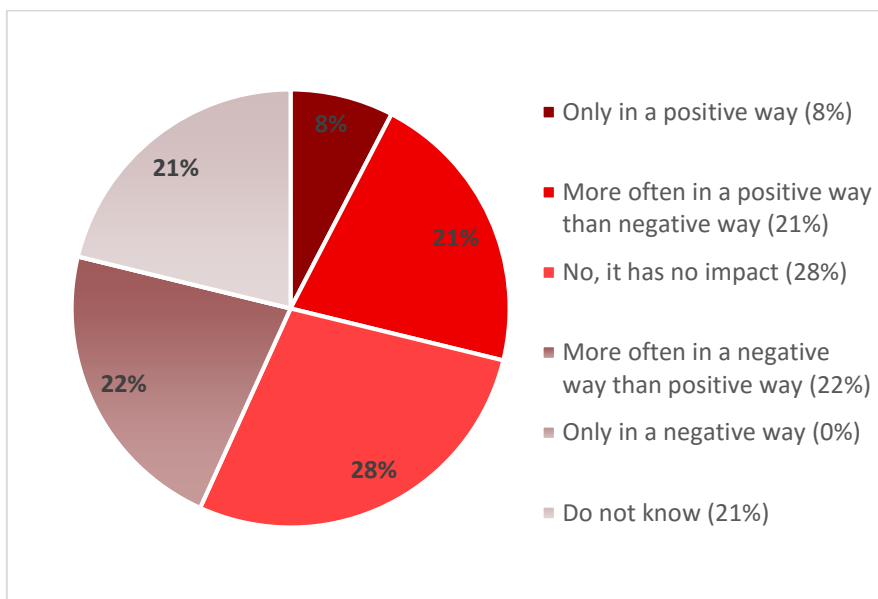
7. HOW DO THE PERFORMANCE MEASUREMENT SYSTEMS AFFECT THE TIME DEDICATED TO EACH CLIENT? (NORDIC FINANCIAL SECTORS)



INFORMATION AND ADVICE TO CUSTOMERS

The survey shows that the performance measurement systems' impact on information and advice to customers can be both positive and negative. 29 percent of the respondents say that the systems have a positive impact, 28 percent that they have no impact at all and 22 percent that they have a negative impact. No respondent say that the performance measurement systems are only having a negative impact on information and advice to customers. The results are very similar between the Nordic bank and insurance sectors.

8. DO THE PERFORMANCE MEASUREMENT SYSTEMS HAVE AN IMPACT ON INFORMATION AND ADVICE TO THE CLIENTS? (NORDIC FINANCIAL SECTORS)



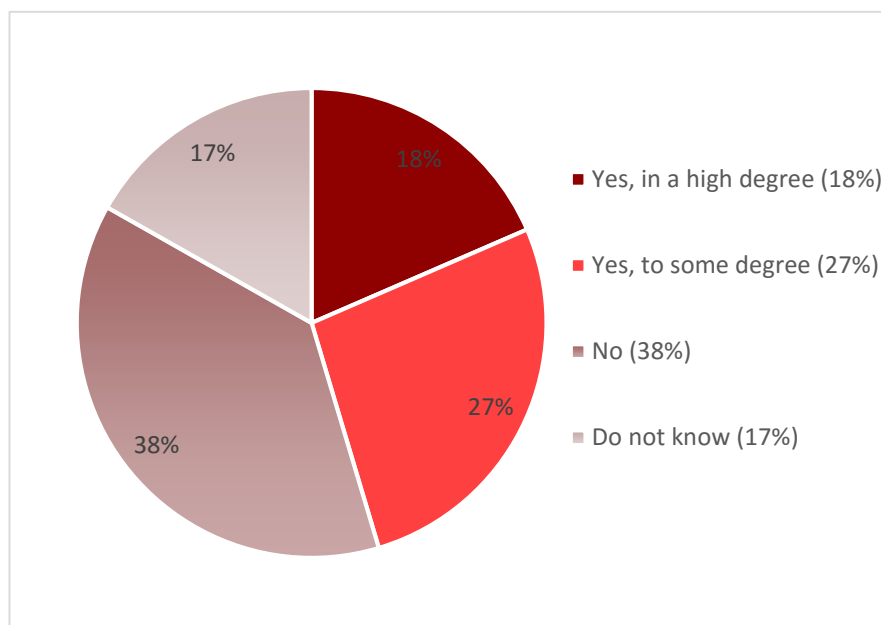
However, Denmark's bank sector stands out with more respondents saying that the systems decrease the quality of work and have a negative impact on information and advice compared to the aggregated Nordic results. In addition, the incentives to advice or sell one product over another are also higher. The Swedish insurance sector stands out as the systems there seem to have a positive impact on information and advice and also less impact on incentives.

CONFLICTS OF INTEREST

EU legislation stipulates that employees must not be given incentives to advice or sell one particular product where another might be more suitable to the client. Against this background it is cause for concern that 45 percent of the respondents state that performance measurement systems give incentives to advice or sell one product over another. Almost one out of five states that the performance measurement systems do this to a high degree. The phenomenon seems to be more significant in the Nordic bank sector,

where 58 percent of the respondents say that the systems give rise to such incentives, compared to 36 percent in the Nordic insurance sector.

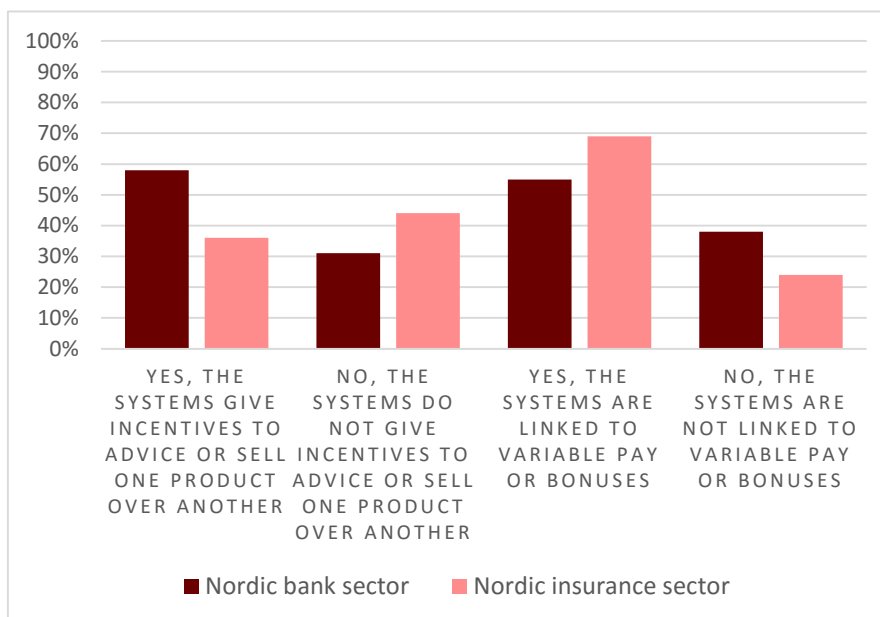
9. DO THE PERFORMANCE MEASUREMENT SYSTEMS GIVE INCENTIVES TO
ADVISE OR SELL ONE PRODUCT OVER ANOTHER? (NORDIC FINANCIAL
SECTORS)



In addition to the incentives to advise or sell one product over another, 60 percent say that the performance measurement systems are linked to variable pay or bonuses in the Nordic financial sectors. This does not however mean that variable pay as such is a cause for conflicts of interest, as evidenced by the comparison below. Performance measurement systems in the Nordic bank sector give incentives to advise or sell one product over another to a higher degree compared to the Nordic insurance sector, but it is in insurance where variable pay and bonuses are most common.

The lack of a clear link between incentives and variable pay and bonus is further evident if you look at the country specific cases. For example, only 18 percent of the respondents in the Danish bank sector say that the performance measurement systems are linked to variable pay or bonus. Still, 53 percent of the respondents state that the systems give incentives to advise or sell one product over another. The results are the opposite in Norway where 71 percent of the respondents say that the systems are linked to variable pay or bonuses but only 28 percent say that the systems give incentives to advise or sell one particular product over another.

10. INCENTIVES TO ADVISE OR SELL ONE PRODUCT OVER ANOTHER.
(COMPARISON NORDIC BANK AND INSURANCE)



Notably, the Finnish bank sector stands out in this regard. 75 percent say that performance measurement systems give incentives to sell or advice one product over another, and 100 percent of the respondents say that the systems are linked to variable pay or bonuses. This shows that performance measurement systems can both be closely connected to variable pay and bonuses and give incentives to sell one product over another, but that this is by no means necessarily the case.

The results do not mean to say that customers do not get the products that are best suited for them. However, there are examples of that as well – as revealed by quotes from the NFU survey.

"Of course the employee concentrates on the subject he/she gets rewarded for and may, if necessary, neglect others"
- Quote from the NFU survey

MEASUREMENT OF CUSTOMER SATISFACTION

Comments in the NFU survey show that some companies are moving towards measurement of customer satisfaction only.

According to the survey, at least two large companies measure only customer satisfaction. That kind of measurement seems also to be perceived more positively by the employees.

"Negative: you get stressed by always having to focus on which grade the customer will give you"
- Quote from the NFU survey

6. CONCLUSION

The result of the NFU survey suggest that performance measurement systems can be perceived as both positive and negative for employees' work situation. In conclusion, the main points to take note of are:

- Performance measurement systems increase employees' stress levels. 54 percent of the respondents are pointing out that link. 22 percent say that they lead to a significant increase of the stress level.
- Performance measurement systems give incentives to advice or sell one particular product over another, as evidenced by 45 percent of the respondents.
- Performance measurement systems decrease the quality of employees' work, as reported by 44 percent.
- Administrative work for employees increases due to the performance measurement systems. 42 percent of the respondents confirm that link.
- The time dedicated to customers decreases more often than increases as a consequence of the systems. 31 percent of the respondents say that.
- The impact on information and advice to customers is mostly positive. 29 percent of the respondents report a positive impact, 22 percent a negative one.

6.1 CONSIDERATIONS FOR THE NORDIC FINANCIAL SECTORS

The results show us that there are many aspects that need to be considered when designing and implementing performance measurement systems. The survey also highlights some key points that are important for the Nordic financial sectors to address.

Firstly, it is worrying that almost half of the survey respondents state that performance measurement systems lead to decreased quality of work. Employees are the key component of a company's social capital and central in order to provide good services and to ensure customer satisfaction and loyalty. It should be in the best interest of the companies to address the issue of the systems' effect on the employees' quality of work. Sound working conditions and employee well-being are conducive to the quality of services delivered, which in turn has a positive effect on customer

satisfaction and loyalty, and trust in the financial sectors. The way that performance is managed play a key role in this.

Performance measurement systems appear to give incentives to advice or sell one product over another in the Nordic financial sectors. This can have a negative impact on information and advice given to costumers. In addition, a third of the respondents say that performance measurement systems decrease the time dedicated to each customer. However, the NFU survey shows that the opposite case can also be true. But the results are worrying and raise a number of questions: are customers given the best opportunities to make informed choices? What happens to risk assessments if employees are pressured by time constraints? How will it be ensured that the employees are given sufficient time and resources to provide good advice?

Employees do want to do their best to meet customers' needs and demands, and customers are best served by employees who are allowed to provide high quality service. Performance measurement systems must not have a negative impact on the employee-customer relation as is sometimes the case in the Nordic financial sectors.

Performance measurement systems seem to affect employees' work situation in a negative rather than positive way. The survey shows that stress levels as well as administrative work increase as an effect of these systems in the Nordic financial sectors. As a result, employees face a tougher work situation. To ensure a good employee-customer relation, employees need to be supported by management and not be pressured by excessive sales targets and work pace or time-consuming administrative burdens. It is clear that companies and management need to make sure that performance measurement systems do not affect employees' work situation negatively. In the long run, a high degree of stress over an extended period of time is likely to have a negative impact on the employees' personal health. The need to address this issue is especially high in the Nordic bank sector, where 60 percent states that performance measurement systems increases the employees' stress levels.

In the end, it all comes down to the culture of a company, which is set by the "tone from the top".¹⁰ Performance measurement systems are introduced by management and have an impact on the culture of the company, and how employees are expected to act. When the systems give the wrong incentives they can create a culture of short-termism and undue pressure on employees. As the NFU survey has showed, when performance measurement systems are used by management to control or rank

employees the systems are negative for the employees and thereby the companies.

It is important that managers keep coaching and leading the employees, thereby helping them to do their best for the customers and for the company. When designed in the right way, performance measurement systems can be used as a tool for management but it can never replace good leadership.

As can be understood from the results of the survey there are many factors to work with to create good and fair performance measurement systems. It is clear that there is not one definition for what a good, or fair, performance measurement system is. Instead, companies need to look at the bigger picture in order to create fair performance measurement systems that support employee well-being and customer satisfaction as part of a corporate governance that supports responsible financial sectors.

7. REFERENCES

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