

# TRAINING PROGRAM FOR JS "INKO" BANK

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Client: Joint Stock "INKO" Bank

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FIELD STUDY PROGRAM / BUSINESS PROJECT

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## **TRAINING PROGRAM FOR "INKO" BANK**

### **EXECUTIVE SUMMARY**

#### ***PURPOSE***

The open market entry of Armenia has afforded many of its professionals the opportunity to begin business and professional relationship with individuals and organizations in the Western world. This is becoming a vital issue for Armenian banks. While the majority of bank employees are highly educated in their respective fields, they lack the theoretical and practical knowledge to effectively and efficiently implement Western and International banking practices. Many banks are recognizing this problem and are taking steps to improve the situation. This was the reason why the researchers has designed and implemented Intensive Training Program for the "INKO" bank.

#### ***Scope***

Based upon an identified need for training a bank staff this project was undertaken. This program was to provide in-service training activities for 12 participants of Joint Stock "INKO" bank through the planning and implementation of intensive basic advanced course Training Program. This program:

- Served in-service training program for bank personnel.
- Involved 12 participants including administrative workers and all employees of the bank.
- Included the preparation of appropriate lectures and computer training.
- Utilized on-the-job training.
- Utilized in preparation process quality control to assure maximum training program effectiveness.
- Included impact evaluation to Training Program achievements.

The training Program was designed for the "INKO" bank personnel to get acquainted with International and Western Banking, Finance, Computers (as users) and Organizational Structure/Human Resource Management. The preparation of appropriate lectures was based on the needs of the bank that was determined by the researchers and experts.

The **scope** and **depth** of the project consists of two parts: planning and implementation.

#### Planning:

In the first phase (analysis of needed lectures) the researchers figured out the needs and requirements in terms of knowledge to be offered in proposed project for training the "INKO" staff.

The second phase was the development of descriptive program materials by the researchers. This included preparation of expanded program descriptions incorporating suggested modifications by expert and field instructors.

#### Implementation:

In this phase the researchers conducted training courses for "INKO" bank. This preceded and followed by pretest and post-test evaluation, which served as an estimate of the project results (Appendix 3).

### **Importance**

Armenia is entering to open market economy; economy with different values and requirements. The new created environment poses its own criteria and characteristics for business world, and the entities operatin in that world - companies and organizations should be modified or changed in order to satisfy the requirements of the free market economy.

To successfully operate in a new environment and to start the business activities with overseas firms, the local organizations and associations have to adapt the new changes and the requirements. So the Training Program was designed to meet these needs and requirements. Besides the bank wants to expand its activities by establishing a

Foreign Exchange department. For this purpose the bank's staff has to pass qualification improvement courses. These Intensive courses allow them to get a license for establishing that department in a short time.

### **Methods**

The researchers implemented a system of on-the-job Training program for the "INKO" bank staff. Besides traditional lectures, the Finance and Banking courses included problem solving exercises, assignments. The computer course was conducted mainly through lab works. Organizational Behavior course included different experiential exercises, group discussions and case analysis. For each courses special syllabuses and all lecture materials were made and distributed among trainees in a form of handouts. The time schedule of classes have been revised several times to satisfy the bank's trainees' time constraints.

### **Results and Benefits**

After taking the Training Program course the administration and employees has gained several advantages over the other commercial banks by:

- applying the Training course, as there is no a similar program in use.
- fully utilizing computer capabilities.
- enriching the scope of the bank activities, which virtually will contribute to the growth of profits.
- improving the knowledge and practical skills of banking staff which increases the work productivity and capacity utilization.

So, the **presented project** - the planned activities and resources (lectures, computer labs, and discussions) gave the participants definite advantage.

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## 1. INTRODUCTION

### 1.1 Background

The Joint Stock "INKO" bank was founded in October 1992 as an affiliate of the Ukraine "INKO" bank. Its founding capital was 20'000'000 rub. In just over a six months, with no help from the state and no loans, the assets of the bank have grown up to about 386'000'000. Accordingly, the income went up from 3'000'000 to 13'000'000.

The Joint-Stock "INKO" bank shows financial support to small, medium-scale businesses as well as individuals. The bank offers the following services: guaranteed loans, foreign (Ukraine, Russia) and domestic transferring funds and letters of guarantee. The interest rate on deposits and loans is negotiated with each client and depends primarily on the term, the sum deposited or credited and the purpose of the usage. Currently it serves about fifty customers from which 99% are organizations. (Organizational Overview in Appendix 1). Although the bank exists only a short time it has established a good relationship with its clients such as "West Side", "MMC", "Narek", "Inkomreserv" (Ukraine), Commercial bank "Inkom" (Moscow), etc. These all is a result of the efforts of fourteen employees working in four departments: accounting, financial/crediting, money transferring and technical assistance. The average age of the employees is about 30. The executive team is comprises of young experts that report primarily to the headquarters in Ukraine.

The bank is regulated by the rules and legislation of both Armenian National and Ukrainian Central banks.

### 1.2 Problem Statement

The main **problem** of the Joint-Stock "INKO" bank was an ineffective use of its resources and capacities. As a matter of fact out of three bank computers only one was fully utilized. The next two were idle because the employees could not operate the

computers. Besides, the bank wanted to establish a Foreign Exchange department. However, to implement this idea, the bank's employees should have appropriate knowledge, which they do not possess at the start point of the Training Program. Also, to get the permission from the National Bank of Armenia, the bank's employees who were going to be in charge of that department had to pass qualification improvement courses. Besides, the bank offered a restricted amount of services since the managers of the bank were skilled in banking activities of planned economy. The staff was not acquainted with International and Western banking practices.

The problems of the "INKO" bank can be summarized as follows:

- lack of expertise in international finance and banking
- incompetence between the present economic requirements and the technical knowledge of the bank staff (contemporary banking system requires knowledge of software programs such as Lotus 1-2-3, Quatro, etc.).

### 1.3 Project Objectives

The purpose of overall project objectives and activities was to create a **System** of on-the-job **Training Program** for the "INKO" bank staff. The researchers strove to plan and implement a Training Program that was directly addressed the need for the "INKO" bank professionals to learn International and Western banking, Finance, Computer and Organizational Structure \ Human Resource Management. This program assisted the bank's staff to improve results and levels of professionalism in conducting business activities within Armenia as well as abroad. The focus of the Training Program was on providing **both** theoretical foundation, and practical skills in the above mentioned areas. Special emphasis was placed on making the participants computer literate. The Program intended to:

- foster the understanding of International Finance and Banking system among the staff of the "INKO". This will commit them to implement the International Finance and

Banking practices in their jobs and largely will facilitate the establishment of Foreign Exchange department.

- seek a technique which will enable the bank staff to provide a sufficient knowledge in computer usage.
- improve management skills of the bank administration.

#### 1.4 Scope and constraints

The project consists of two parts: planning and implementation.

- Planning

In the first phase (analysis of needed lectures) the needs and requirements were figured out in terms of knowledge to be offered in proposed project for training the "INKO" staff. The second phase was the development of descriptive program materials. This included preparation of expanded program descriptions incorporating suggested modifications by expert and field instructors.

- Implementation

In this phase the researchers conducted training courses for "INKO" bank. This preceded and followed by pretest and post-test evaluation, which served as an estimate of the project results.

Although the researchers successfully were keeping pace with preliminary determined schedule however there were some **constraints** such as:

- not permanent electricity supply ( computer classes were postponed and assigned according the electricity supply schedule).
- not convenient lecture room ( absence of projector, blackboard), despite that the bank has been offered to have lectures at AUA.
- time limitation. The researchers decided to conduct five week Training program however the unexpected business trip of the management and two of the employees inforced the researchers to reschedule it.



## **2. METHODOLOGY**

### **2.1 Defining the problem - criteria**

The first step of the research was defining the problem. The criteria for analyzing the "INKO" Bank was set and according to that the following information was analyzed:

- Banks assets: cash, accounts receivable, inventory, building and equipment's.
- Activities of the bank : what are the main activities of the bank, and what are their plans for the future.
- Knowledge and the number of employees: what are the employees potential and knowledge.
- Turnover : is the corporate culture in good level or not.
- Profitability : what are profits of the bank in current situation.
- Promotion : what are the main advertising tools and media of the bank.
- Competitors : who are the banks competitors and what are their strategies.

### **2.2 Choice of the solution**

The management of the "INKO" was certain that the main cause of the problem was insufficient knowledge of the employees, so they suggest to prepare and implement Training Program for the bank staff. Their first concern was about Computer course, which they believe would gave the employees sufficient information for fully utilizing computers. After observing and analyzing the problems of the bank the researchers confirm that the Training course will be beneficial for the bank and agreed to undertake the project. In addition to Computer course there were a suggestion to conduct also Introduction to Finance, Banking and Organizational Structure/Human Resource Management that would improve the practical and theoretical knowledge of the bank employees. For developing the Training Program, the researchers encounter new (internal) problems.

1. What are the subjects of the Training Program?

2. What is the degree of knowledge of the bank's employees in that subjects?
3. How intensive should the Training be (duration, frequency)?
5. What should be the way and methods of presenting the courses?
6. How many participants will be at each course?

The first question was discussed between the bank management and the researchers and four courses were chosen: Introduction to Computer, Introduction to Finance, Introduction to Banking and Introduction to OS/HRM.

While choosing the appropriate Training Courses the main emphasis was put on preferences of the bank management and the primarily needs of the employees. The answer to the second question was found with the help of pre-test questionnaire were given to employees to determine the level of knowledge in suggested courses ( Appendix 3).

Then the materials of the courses were selected from the textbooks and AUA lecture materials. The volume of the selected materials was adjusted to satisfy the intensity of the courses (duration of the course, time). After all the materials were selected the researchers started translation of that materials. This was done because there were no available Armenian books for the trainees that could be used during the Training Program. The translated materials were typed by the professional typist that was hired by the researchers. The selection and translation of the materials lasted about 3 months. This was the most time and effort consuming phase of the project.

The quality control of the translated materials was implemented both by the researcher responsible for the preparing of that special subject and by other researchers who were responsible for other subjects.

How intensive should the Training Program was decided by the bank management. At the beginning they requested the courses to be for a month, but as the training started they changed their opinion and wanted more intensive courses for a 10 days. The reason of this change, as they express, was that the main part of trainees had to be in Ukraine by

that time. So, the Training Program was postponed for a while and when all the trainees arrived the Program was resumed. As the researchers were quiet flexible they face no difficulties during this schedule changes.

The training program began on July 2 but the unexpected business trip of the management and two of the employees inforced the researchers to reschedule it till July 15. The syllabus of each subject is attached to the report. The syllabuses emphasizes the objectives of the courses, the grading policy, the schedule of the course, and ways of presenting the course ( Appendix 4). The main way of presenting the course materials was traditional lectures, however the researchers intensively used other methods of training. For example, the main part of computer course was conducted as lab courses. In other courses the researcher used group discussions and case analysis.

The researchers has conducted a pre-test and post- test evaluations which serve as a basis for improving the program in the future (Appendix 3).

### 3. FINDINGS

#### 3.1 About the Problem

The Training Program for the Joint-Stock bank "INKO" was striving to solve the following important problems :

- **INEFFICIENT USE OF THE RESOURCES (COMPUTERS, TIME, LABOR).**

As a matter of fact out of three bank computers only one is being used. The next two was idle because the employees could not operate the computers. This was lead to waste of the time of employees also, because the documents was not saved in the disk of the computers, but sometimes retyped from the beginning, instead of keeping that in the disk and then editing them.

- **LACK OF EXPERTISE IN INTERNATIONAL FINANCE and BANKING.**

The bank wants to open a Foreign exchange department. However to implement this idea, the bank's employees should have appropriate knowledge. In addition to get the permission from the national bank of Armenia, the bank's employees who are in charge of that department have to pass qualification improvements courses in International Banking and Finance.

- **BANK PROVIDES RESTRICTED AMOUNT OF SERVICES.**

The bank provides restricted amount of services. The services bank provides are not unique and the other banks of Armenia successfully provide the same services to public. The bank should enlarge its activities in order to compete with the other banks of the Armenia. Present economic requirements force the organizations to be more productive, use their resources effectively and be competitive in order to survive. The Training Program includes banking course which covers the section about the broad services.

### **3. 2 Subjects**

The development of the Training Program was designed so that the subjects cover the solutions of the bank's problem(s). There are many subjects that could be used to solve a particular problem. But the researchers were restricted by the bank, to choose a limited amount of courses.

Another important point is to what degree will the course solve the problem of the bank. There may be some problems which will require more than 10 hours courses to solve the problem. For instance, for the International Banking and Finance courses the researchers developed a course which lasts 10 hour (the management of the bank strongly recommended to limit the time and the schedule of the program to 7 - 10 classes). These were fundamentals of the courses.

### **3.3 Course Hours**

As a rule the classes began on 3.30-4.00 p.m. and lasted in 45-60 min. This is because the bank's employees have to work with their customers till 1 p.m.. However the results of the questioners showed that the employees would like to have the Training Program handed in the morning and support their opinion by the arguments that they are always tired after work and that they could not give full attention to the classes. There were suggestions to conduct the classes early in the morning.

### **3. 4 Number of Employees in a Group**

Another important question was the number of trainees in each group. The researchers observed that the trainees expect the effectiveness of the Training Program to decrease if the groups are too large. One of the reasons they brought was that if the group is small one each member of the group could have more chance of asking questions and taking more attention from the instructors. Another reason for not having more than

5-6 employees in a class was that "INKO" bank provided small rooms. So, even though the management of the bank had decided who should attend certain classes the researchers recommended that there were about 5-7 member in each class.

### **3.5 Presentation of the Courses**

The quality of any training program largely depends on the methods and ways of presenting the course materials. If instructors fail to teach the subjects properly, then the results of all training program will suffer a lot, even though it was well designed and organized. That is why the researchers paid high attention to this and strived to combine many beneficial teaching techniques in the Training Program. The survey showed that the trainees were most interesting in having free discussion form lectures and a lot of case analysis. So, the courses were organized mainly as "informal" lectures, where every trainee could interrupt the instructor and ask questions and make comments and discussions (this form of teaching is considered informal in Armenia because in most educational centers it is not allowed or accepted to interrupt the lecturer and ask question or discuss something. All questions that the students want to be answered should be asked at the end of the lecture).

### **3.6 Practices vs. Lectures**

Another finding of the survey was that employees of the bank would like to have more practical classes than formal lectures (discussed above). Practices are considered to be problems in computer courses, cases in OB, and problems in finance lectures. For the computer classes employees of the bank required more lab work rather than lectures. They thought that the computer lab classes were more interesting than the lectures. Taking into consideration the opinion of the trainees the problems of the computer classes were developed in a way that allowed each employee of the bank to work on his own in a separate computer. Employees of the bank enjoyed this way of solving problems.

However, for International Banking and Finance courses it was very difficult to reduce the lecture materials as it was very important to cover the appropriate theories.

### 3.7 Training Program Summary

The computer course was developed to solve the first problem from the above mentioned problems. Finance, Banking and OS/HRM courses were developed to solve the next two problems of the above mentioned problems. The brief summaries of the developed courses are in Appendix 5.

#### 4. CONCLUSIONS

The main cause of insufficient use of the bank's resources was that employees of the bank had not sufficient knowledge in computers. Therefore most of the time they did not use computers, and waste their time in manual jobs. The conducted Computer course contributed largely in improving the situation of the bank resource usage.

The experience of the training showed that employees of the bank learn more about computers by doing problems rather than learning the lectures. The practices are very efficient way of presenting the computer classes. The researchers concluded also that for the Finance and the Banking courses the most effective way of presenting the course is the combined method of presentation - lectures, cases and problems.

It is very important for the success of the Training Program that the management of the bank supports the program and explains the importance of the program to employees of the bank. It is most likely that employees of the bank will behave in such manner as the management treats the Training Program. Employees will not learn the courses if the management of the bank will not support the Training Program. So, it is very important to receive a thorough commitment of the management team.

In order to open an exchange office the bank's employees should had some knowledge in International Banking and Finance. The experience shows that most of the bank employees do not have sufficient knowledge in International Finance and Banking practices. The "INKO" bank could hire some specialists from outside to conduct the foreign exchange department activities or they could conduct Training Program to teach their employees the required materials. This two alternatives were available for the bank and the bank management chose the first one after evaluating the costs of two alternatives and the advantages and disadvantages. This means that the Training Program has real chances to be developed further and can be successfully promoted as an independent service.



The researchers conducted **pretest** and **posttest evaluations** (Appendix 3) and based on these results the following conclusions were made:

- International Banking and Finance course took 7 participants while in computers and OB were only 6 and 5 accordingly.
- The most effective learning forms preferred by the participants were group discussions(85%) and Laboratory training (83%).
- About 86% of participants were satisfied with the quality and the form of conducting the Training Program. However there were suggestions by the trainees for improving the quality by:
  - extension of the background of the Training Program by including Economics, Marketing, and etc..
  - more time allocation ( the pace was too fast)
  - using visual aids and appropriate classrooms for the Training Program
- Before taking the Training Program about 85% of participants were sure that it was impossible to apply the Western theories and practices in Armenian environment. However after the conduction of program this approach has changed and only 28% of the participants did not change their opinion.

in new market economy of Armenia is to enlarging the services they provide to organizational and individual customers. This strategy is very important for the new economy of Armenia. Enlarging the activities of the bank is one of the ways of improving the banking system of Armenia.

The demand for some services of the banks (saving boxes, international transfers, etc.) are continuing to grow. Enlargement of the bank's services means satisfying more customers and having more profits. The researchers can recommend all banks of Armenia and not only the banks to take Training Programs that will gave them sophisticated information about International and Western Finance and Banking practices, Macro and Microeconomics, Marketing and Computer Science and many other subject that will of interest of the client.

## **APPENDIX 1**

### **Organization Overview**

The "Inko" Joint Stock bank was established in October 1, 1992 as an affiliate of Ukraine, "Inko" bank. Currently it serves forty customers from which 99% are organizations. Just the few of them are J.V. "West Side", "MMC", "Narek", etc.. The bank spends a lots of money on advertising its services. People find their advertisements in popular newspapers such as "Yerkir" and "Azg". The bank's foundation fund was 10'00'000 rub. in 1992. The assets of the bank in November 31, 1992 were 10'000'000 and went up to about 386'000'000 by 28 February 1992. Similarly the income went up from 3'000'000 to 13'000'000. The bank is in one of the leading position in the list of the best commercial banks in Armenia in terms of the assets' size and income growth rate.

The president of the bank is, Avetis Baloyian, one of the bank's establishers. Although he has little experience in banking he is able to organize in a very professional way. He is rather organizer & manager than specialist in banking. We would mention Larisa Mshetsian who is the bank's most experienced person in banking field.

The average age of the employees are 28 years and about 70% of them are males

The corporate culture of the organization is the bank has very modern and appropriate technical facilities (3 computers, 2 faxes, 15 telephones, 4 typewriters, office supplies, etc.).

Currently there are 6 employees working in three departments : accounting (two employees), crediting department (two employees) ,money transferring department ( two employees) and three administrative officials.

The bank offers individuals and organizations the following services: guaranteed loans, foreign (Ukraine, Russia) and domestic transferring funds and letters of guarantee.

**APPENDIX 2**  
**Final Tests**

**FINANCE**

Name \_\_\_\_\_

1. What is the quick ratio for a firm whose current ratio is 3.2 and its current assets are as follows:

Cash	\$3,000
Accounts rec.	4,500
Inventories	8,000

- a) 2.07
- b) 1.55
- c) 0.48
- d) More information is needed.

2. A firm has a debt ratio of .57, current liabilities of \$14,000, and total assets of \$70,000. What is the amount of total liabilities?

- a. \$25,900
- b. \$24,600
- c. \$39,900
- d. \$53,900

Use the following information to answer the questions 3 and 4.

Average selling price per unit	\$16.00
Variable cost per unit	\$11.00
Fixed costs	\$800,000
Interest expense	\$50,000
Number of units sold	200,000

3. What is the break-even points in units and in dollars?
4. What is the degree operating leverage, the degree of financial leverage, and the degree of combined leverage at sales of 200,000 units?
5. When the financial ratios for a firm are compared to the financial ratios for the industry at the same point in time, this is called trend analysis.
  - a. true
  - b. false

## FINAL TEST

Organizational Behavior

NAME \_\_\_\_\_

What is the study of the Organizational Behavior.

Explain Maslow's hierarchy of Need's Theory.

Give an example of a conflict situation as it goes through the stages of the conflict process. What's it appropriate to use your conflict handling orientation.

List three ways that you can obtain power in an organization. Now list three bases of power that you CURRENTLY possess. Briefly explain why you have these power.

Research shows that almost every job has some element of stress. Research also shows that some people remain healthy and productive in stressful situations whereas other people suffer from the negative consequences of stress. Use what you know about the

four categories of occupation and Type A/B personality to identify the category of job that would be most suitable for an extreme Type A. Please explain the reason for your choice.

**Exam Sheet**

**COMPUTERS**

This exam consist of 4 True-False, 5 short answer, and 11 multiple choice questions, each worth 5 points. Circle the options in the bellow choices, and write a brief answer to the questions.

GOOD LUCK!

Name \_\_\_\_\_

Signature \_\_\_\_\_

1. True, False. When the power switched off, primary storage keeps the data and instructions which are currently in the memory. F

2. The MS-DOS command to prepare a disk for use is: D

- a. COMP
- b. TYPE
- c. DEL
- d. FORMAT

3. A byte is usually made up of \_\_\_\_\_ bits: C

- a. 2
- b. 24
- c. 8
- d. 1024

4. The greatest labor-saving aspect of the electronic spreadsheets is: B

- a. Word wrap
- b. automatic recalculation
- c. ability to label entries
- d. automatic error checking



5. In an electronic spreadsheet, the intersection of row and a column is called a(n): C
- a. block
  - b. cursor
  - c. cell
  - d. sector
6. To enter a menu mode in Quatro, you: C
- a. press the backslash (\) key
  - b. type "menu"
  - c. press the slash (/) key
  - d. none of the answers
7. True, False. When a formula has been entered into a cell in LOTUS, the formula itself displayed. T
8. Which of the following is valid formula in Quatro: B
- a. D2-E3
  - b. -30+D2
  - c. D2-30
  - d. D2\*30
9. The two major categories of DOS command are: C
- a. system and program
  - b. software and hardware
  - c. internal and external
  - d. machine and user
10. The F8 key in Norton Commander allows you to : A
- a. delete file(s) or directory(s)
  - b. copy file(s)
  - c. view the file
  - d. select the files
11. The most popular input and output device:
- a. printer
  - b. screen
  - c. scanner
  - d. mouse

12. True, False. The cold boot of the MS-DOS is done by pressing CTRL-ALT-DELETE keys

simultaneously.

13. What is automatic recalculation in Quatro?

14. Name the different levels of languages ?

15. Name three basic components of computer ?

16. What is bit, byte, and a word ?

17. How do you copy a file from disk c: to diskette a: in Norton Commander ?



7. How do you think, is it possible to implement Western theories in Armenian environment?

Yes    No    Do not know  
       

8. Have you any suggestions or comments about organizing the Training program?

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### POST-TEST QUESTIONNAIRE

(Please, check what applies)

1. Your position in the bank:

Staff      
Line   

2. What courses have you taken in the Training program?

International Banking      
Finance      
Computers      
Organizational Behavior  
Human Resource  
Management   

3. What form of Training Program was the most effective for your learning process?

Case analysis      
Laboratory training      
Group discussions      
Lectures   

4. How do you estimate the quality of the Training Program:

bad    good  
①    ②    ③    ④    ⑤

5. How do you evaluate your knowledge in the following courses after taking the Training Program (please, scale from 1-5):

International Banking      
Finance      
Computers      
Organizational behavior /

Human Resource Management

6. In what courses were you more interested (please, scale from 1-5):

International Banking

Finance

Computers

Organizational behavior /

Human Resource Management

7. Do you think, it is possible to implement Western theories in Armenian environment?

Yes    No    Do not know

8. Please, give any suggestions or comments about organizing the Training program?

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## **APPENDIX 4 SYLLABUSES**

### **SYLLABUS FOR ORGANIZATIONAL BEHAVIOR FOR INKO BANK TRAINING PROGRAM**

Summer, 1993

MBA student at AUA K. Sarkisian

#### **INTRODUCTION**

This course is designed to introduce the "INKO" bank employees to the study of organizations, management and behavior in organizations. To assist the manager and the members of the bank with understanding the management of people in organization. The objectives of this course are:

1. to enhance your perspective on individual differences and how they affect behavior.
2. to provide you with several theoretical frameworks that are useful for understanding, predicting, and managing the behavior of people in the organizations.
3. to give you an opportunity to apply some of the theoretical and conceptual tools that can be used to diagnose and understand the behavior of self and others.
4. to acquaint you with some of the factors within the organization that influences both behavioral and organizational effectiveness.

**REQUIRED TEXTS:** Translated material from Organizational Behavior, Third Edition Moorehead & Griffin, Houghton Mifflin Co., 1992

#### **COURSE REQUIREMENTS:**

Reading and Participation. This class will use a variety of techniques to cover the topics that are listed below. In addition to traditional lectures the class will include group

discussions, case analyses and experiential exercises. Participation is important in discussions, analyses and exercises require your input.

Final Test. There will be a final test. It will cover in-class discussions, the readings, lectures, and experiential exercises. The test will be composed of short answer and essay questions.

### COURSE OUTLINE

29	June	Introduction to OB Management and OB
13	July	Exercise: A Philosophy of Management and Assumptions about People at Work.
14	July	Learning, Perception, Attribution and Personality. Exercise: Locus of Control.
15	July	Basic Concepts of Motivation. Big Town Team Case Study
16	July	Stress Management Exercise: Assessing Personal Stress
22	July	Group Dynamics
23	July	Power, Politics, Conflict. Exercise: Orientation to Conflict
26	July	Final Test

**AMERICAN UNIVERSITY OF ARMENIA**  
**SYLLABUS FOR FINANCE FOR INKO BANK**  
**TRAINING PROGRAM**

Summer, 1993

MBA student at AUA N. Grigorian

**INTRODUCTION**

This course is designed to introduce the INKO bank employee to the study of International Business Finance and open market transactions. To assist the managers and the members of the bank to acquaint with the Western Financial Operations in organizations. The objectives of this course are:

1. to provide you with several theoretical frameworks that are useful for understanding and using Western financial operations .
2. to give you an opportunity to apply some of the theoretical and conceptual tools that can be used to day to day operations
3. to acquaint you with some of the formulas that will be beneficial in Armenian environment for financial operations and decision making.

**REQUIRED TEXTS:** Translated material from Basic Financial Management, Fifth Edition, Martin John D, Prentice Hall, 1991.

**COURSE REQUIREMENTS**

1. Taking notes especially formulas
2. Problem solving
3. Assignments



Final test. There will be a final test. It will cover in lectures, problem solving. The test will be composed of short answer and problems.

### **COURSE OUTLINE**

<b>Session</b>	<b>Date</b>	<b>Topic</b>
1	28 June	The Role of Financial Management
2	6 July	Mathematics of Finance
3	14 July	The Evaluation of Financial Performance
4	15, 16 July	The Analysis and Impact of Leverages
5	20 July	Short term Financing
6	21 July	Small Business Finance
7	22, 23 July	International Business Finance
8	26 July	Final Test

**AMERICAN UNIVERSITY OF ARMENIA**

**SYLLABUS**

**COURSE NAME : COMPUTERS**

Class Meeting : Monday-Wednesday at 3.30 to 5.00 o'clock.

Instructor : Vazgen Manuk-Hakobian

Course Objectives -

1. Understand the main principals of the computers.
2. Uses of computers in some applications.
3. Develop skills for independent work on the computers.

This Objectives will be Accomplished by the Following Steps

1. Lectures.
2. Students will work on the problems.
3. Final Examination.

Student Evaluation

Participation	20%
Exam	40%
Problems	40%

DATE	WEEK	TOPIC	TEXT	PROBLEM
July, 28	1	Introduction to Com. Hardware.	1	
July, 30	1	Computer Hardware.	1	
July, 5	2	Introduction to computer software. Programming, Computer, Languages. DOS.	2	
July, 7	2	Operation System DOS. DOS		DOS Problems DOS-C
July 12	3	Intro. to Quatro 123.	3	
July, 14	3	Quatro 123.		Lesson 1, 2, 3
July, 19	4	Introduction Norton Commander.	4	
July, 21	4	Norton Commander.		Lesson 1, 2

## **APPENDIX 5 COURSE SUMMARIES**

### **COMPUTER**

You will probably come to see software as the main thrust of the computer industry, but first you must understand, the physical equipment that makes up a computer system.

We began with the most important part of a computer system-the central processing unit. The minimized version of this key component-the microprocessor is fundamental to widespread computer power. In this part we considered the hardware components of a computer system, a chapter at a time: the central processing unit, input and output devices, and secondary storage devices.

#### **Central Processing Unit, Registers, Memory**

The problem-solving part of the computer is the central processing unit, made up of the control unit (which directs the computer system) and the arithmetic/logic unit (which controls arithmetic and logical operations). Memory holds data and instructions for processing. Registers, Addresses, Storage Capacity and types of Memory are also explained in the 1 part of the material.

#### **Input and Output, Data Given Information Received**

Input is the bridge between data and processing. Input devices include the commonly used keyboard and devices that collect data at its source. They include also devices like Mouse, Scanner, Bar code and Digitalizer. Some devices, such as Screens, are involved in both input and output. Output is the human connection with computing. Output devices include printers, computer output microfilms, and voice output. Specialized input and Output devices produce computer-generated graphics.

### **Storage Devices and File Processing**

Secondary storage allows data to be stored economically, reliably, and conveniently outside the computer itself, using magnetic or optical media. Ways of representing data, organizing it, retrieving it, and protecting it are described.

### **Understanding Software**

Hardware has grown in spectacular technological leaps. But hardware can be no better than the software run on it. In this section we considered what is necessary to produce good software. There are three parts in this section: beginning programming, languages, and operating systems. This section gives you an overview of the software aspects of the industry. The part of this section gives you an idea of what programmers do and whether someone would like doing it. The part on languages and operating systems tells someone more about programming tools and how to use them.

### **Beginning Programming**

Beginning Programming. In this part we described how programmers work: They define the problem; plan the solution; and code, test, and document the program. Some basic planning techniques- flowcharting and pseudo code- are also shown. These techniques can be used to represent the first draft of the program solution. The control structures of structured programming are introduced. A problem solution expressed in both a flowchart and pseudo code is developed into a program.

### **Languages**

Five levels of programming languages- machine, assembly, high-level, very high-level, and natural- are discussed in their historical context. Six widely used languages are surveyed: FORTRAN, COBOL, BASIC, Pascal, Ada, and C. Important features are pointed out, and samples of the languages themselves are presented.

## **Operating Systems**

In this chapter we described an operating system, the set of programs that allow the computer to control resources, execute programs, and manage data. We gave special attention to operating systems for personal computers. The set of problems was made which allowed bank's employees to have practice in main commands of the DOS operation systems.

## **Spreadsheets**

Many people work with numbers: analyzing, summarizing, and then presenting the results to others. In this section we discussed programs that make numbers easier: electronic spreadsheets. This programs have removed drudgery from the jobs of accountants, marketing managers, contractors, and other who work with the flow of cash in a business. The set of problems was made which allowed bank's employees to have practice in making spreadsheets, input data, and calculate the results by formulas, functions.

## **Norton Commander**

People like convenience and user friendly interface of the programs. In this chapter we discussed the program which makes work easy with the computer. This program allowed users to create, copy, delete, edit, sort, rename, and view the files. The set of problems was made which allowed bank's employees to have practice in main commands of the Norton Commander.

## INTRODUCTION TO FINANCE

### **The Role of Financial Management**

While the goal of the firm will be maximization of shareholder wealth, in reality agency problem may interfere with the implementation of this goal. The agency problem is the result of a separation of management and the ownership of the firm. Arbitrage is the buying and selling of like assets in different markets for profit. Under the efficient market, information is reflected in security prices with such speed that there are no opportunities for investors to profit from publicly available information. In effect, an efficient market is one characterized by a large number of profit-driven individuals who act independently of one another. Just how quickly and what types of information are immediately reflected in security prices determine how efficient the market is.

### **Analysis and Impact of Leverage**

This chapter is about the process of arriving at an appropriate financial structure for the firm. Tools that can assist the financial manager in this task were examined. The main concern was assess the variability in the firm's residual earnings stream (either per share or earnings available to the common shareholders) induced by the use of operating and financial leverage. This assessment built upon the tenets of break-even analysis.

### **Break Even Analysis**

Break-even analysis permits the financial manager to determine the quantity of output or the level of sales that will result in an EBIT level of 0. The effect of price changes, cost structure changes or volume changes upon profits (EBIT) is tough. To make the technique operational, it is necessary that the firm's costs be classified as fixed or variable. Once the cost structure has been identified the break-even point can be found by

use of contribution margin analysis .

### **Operating Leverage**

Operating leverage is the responsiveness of the firm's EBIT to changes in sales and revenues. It arises from the firm's use of fixed operating costs. When fixed operating costs are present in the company's cost structure, changes in sales are magnified into even greater changes in EBIT. The firm's degree of operating leverage from a base sales level is the percentage change in EBIT divided by the percentage change in sales. All types of leverage are two-edged swords. When sales decrease by some percentage, the negative impact upon EBIT will be even larger.

### **Financial Leverage**

A firm employs financial leverage when it finances a portion of its assets with securities bearing a fixed rate of return. The presence of debt and/or preferred stock in the company's financial structure means that it is using financial leverage. When financial leverage is used, changes in EBIT translate into larger changes in earnings per share. The concept of the degree of financial leverage dwells on the sensitivity of earnings per share to changes in EBIT. The degree of financial leverage from a base EBIT level is defined as the percentage change in earnings per share divided by the percentage change in EBIT. All other things equal, the more fixed-charge securities the firm employs in its financial structure, the greater its degree of financial leverage. Clearly, EBIT can rise or fall. If it falls, and financial leverage is used, the firm's shareholders endure negative changes in earnings per share that are larger than the relative decline in EBIT.

### **Combining Operating and Financial Leverage**

Firms use operating and financial leverage in various degrees. The joint use of operating and financial leverage can be measured by computing the degree of combined leverage, defined as the percentage change in earnings per share divided by the percentage



change in sales. This measure allows to ascertain the effect on total leverage caused by adding financial leverage on top of operating leverage. Effects can be dramatic, because the degree of combined leverage is the product of the degrees of operating and financial leverage.

### **Mathematics of Finance**

Compound interest occurs when interest paid on the investment during the first period is added to the principal and, during the second period, interest is earned on this new sum. An annuity is a series of equal dollar payments for specified number of years. A compound annuity involves depositing or investing an equal sum of money at the end of each year for a certain number of years and allowing it to grow. A perpetuity is an annuity that continues forever

## **EVALUATING FINANCIAL PERFORMANCE**

### **Basic Financial Statements**

Financial statements are commonly used to describe the financial condition and performance of the firm: the balance sheet, the income statement, and the statement of cash flows. The balance sheet provides a picture of firm's asset, liabilities, and owners' equity on a particular date, whereas the income statement reflects the net revenues from the firm's operations over a given period. The statement of cash flows combines information from both the balance sheet and income statement to describe sources and uses of cash for a given period in the firm's history.

### **Financial Ratios**

Financial ratios are four main kinds: (1) liquidity, (2) efficiency, (3) leverage and (4) profitability ratios. Financial ratios give the analyst a way of making meaningful comparisons of a firm's financial data at different points in time and with other firms.

Thus, financial ratios represent an attempt to standardize financial information to facilitate meaningful comparisons. The financial statements demonstrate the computation of a sample listing of ratios from each category. The set of ratio calculations is limited only by the analyst's imagination.

### **Use of Financial Ratios**

Two methods were demonstrated for analyzing financial ratios. The first involved trend analysis for the firm over the time; the second involved making ratio comparisons with industry norms. The first consists of similar ratios for the same firm from previous financial statements. A second norm comes from the ratios of other firms that are considered comparable in their general characteristics to the subject firm - generally this involves the use of published industry average ratios.

### **Short-term Financing**

Three basic factors provide the key considerations in selecting a source of short-term financing: (1) the effective cost of credit, (2) the availability of financing in the amount and for the time needed, and (3) the effect of the use of credit from a particular source on the cost and availability of other sources of credit. The various sources of short-term credit can be categorized into 2 groups: unsecured and secured. Unsecured credit, as opposed to secured credit, offers no specific assets as security for the loan agreement. The primary sources include trade credit, lines of a credit and unsecured transaction loans from commercial banks, and commercial paper. Secured credit is generally provided to business firms by commercial banks, finance companies and factors.

### **International Business Finance**

Under this system, the exchange rates between currencies vary in accordance with the supply and demand conditions in the exchange market. The exchange rates included

the asked and bid rates, which represent the selling and buying rates of currencies. The direct quote is the units of home currency per unit of foreign currency, while the indirect quote is the reciprocal of the direct quote. Cross rate computations reflect the exchange rate between two foreign currencies. The efficiency of spot exchange market implies that no arbitrage (risk less) profits can be made by buying and selling currencies in different markets.

### **Small Business Finance**

The nature and magnitude of financial policies and practices depend upon the size of the firm. Small firms (1) tend to rely more heavily on the retention of earnings as a way to build equity, (2) have less liquidity, (3) use greater amounts of debt, and (4) experience more business risk. In addition to the conventional sources of financing, small firms frequently rely on the Small Business Administration (SBA) and various groups of venture capitalists for financing growth. The SBA will make loans, to a limited extent. The venture capitalist will assume significant risk as an investor in a small firm; however the cost will be relatively high to the firm.

## **INTRODUCTION TO BANKING**

### **The role of Money**

Money appears to be a major influence on inflation, business cycles, and interest rates. Because these economic variables are so important to the health of the economy, we need to understand how monetary policy is and should be conducted. We also need to study government budget-making because it can be an influential factor in the conduct of monetary policy.

### **An Overview of the Financial System**

The basic function of financial markets is to channel funds from savers who have excess funds to spenders who have a shortage of funds. Financial markets can be classified as debt and equity markets, primary and secondary markets, exchanges and over-the-counter markets, and money and capital markets. Financial intermediaries are financial institutions with the distinguishing characteristics that they acquire funds by issuing liabilities and then, in turn, use the funds to acquire assets by purchasing securities or making loans. The principal financial intermediaries fall into three categories: Banks, Contractual saving associations, and Investment intermediaries. The principal money market instruments are US Treasury bills, CDs, commercial paper, banker's acceptances, repurchase agreements, federal funds, and Eurodollars. The principal capital market instruments are stocks, mortgages, corporate bonds, U. S. government securities, US. government agency securities, and consumer and bank commercial loans.

### **The Banking Firm and Bank Management**

The balance sheet of commercial banks can be thought of as a list of the sources and uses of bank funds. The bank's liabilities are its sources of funds, which include checkable deposits, time deposits, discount loans from the Fed, borrowings from the other

banks and corporations and bank capital. Banks make profits through the process of asset transformation: They borrow short and lend long.

### **The Banking Industry**

The United States has a dual banking system with commercial banks chartered by the states and the federal government. Multiple agencies regulate commercial banks: the Office of the Comptroller, the Federal Reserve, the FDIC, and the state banking authorities.

Chartering and examination of banks is carried out by the regulatory agencies mentioned above. Federal deposit insurance prevents bank failures by assuring depositors that their insured deposits are safe. Restrictive state branching regulations and the McFadden Act, which prohibits branching across state lines, have led to a large number of small commercial banks. The large number of commercial banks in the US. reflects the *lack* of competition and not the presence of vigorous competition.

### **Non bank Financial Institutions**

Insurance companies, which are regulated by the states, acquire funds by selling policies that pay out benefits if catastrophic events occur. Property and casualty insurance companies hold more liquid assets than life insurance companies because of greater uncertainty regarding the benefits they will have to pay out. Pension plans provide income payments to people when they retire after contributing to the plans for many years. Finance companies raise funds by issuing commercial paper and stocks and bonds, then use the proceeds to make loans that are particularly suited to consumer and business needs. Mutual funds sell shares and use the proceeds to buy securities. Investment banks are firms that assist in the initial sale of securities in primary markets, while securities brokers and dealers assist in the trade of securities in the secondary markets.

### **Multiple Deposit Creation**

There are four players in the money supply process: a) the central bank, b) banks, c) depositors, d) borrowers from the banks. The Fed (central bank of America) provides reserves to the banking system by purchasing bonds or by making loans to the banks. A single bank can make loans up to the amount of its excess reserves, thereby creating an equal amount of deposits. The banking system can create a multiple expansion of deposits, because as each bank makes a loan and creates deposits, the reserves find their way to another bank, which uses them to make loans and create additional deposits. In the simple model of multiple deposit creation in which banks do not hold on excess reserves, the multiple increase in checkable deposits equals the reciprocal of the required reserve ratio.

### **The Structure of the Federal Reserve System**

The Fed was created in 1913 to lessen the occurrence of the bank panics. The formal structure of the Fed consist of twelve regional Federal Reserve banks, around 5000 member commercial banks, the Board of Governors of the Fed, the federal Open Committee, and the Federal Advisory Council.

### **The Tools of Monetary Policy**

The number of open market operations conducted in any given day by the Trading Desk at the Federal Reserve Bank of New York is determined by the number of dynamic open market operations intended to change the monetary base, and by the number of defensive open market operations used to offset other factors that affect the monetary base. Open market are primary tool used by the Fed to control the money supply because they occur at the initiative of the Fed, are flexible, are easily reversed, and can be implemented quickly. The volume of discount loans (another tool of monetary policy) is determined by the discount rate and the discouragement of borrowing by moral suasion.

Changing reserve requirements is too blunt a tool to use for controlling the money supply and it is rarely used.

### **The Foreign Exchange Market**

Foreign exchange rates are important because they affect the cost of goods sold abroad and the cost of foreign goods bought domestically. The theory of purchasing parity suggests that in the long-run changes in the exchange rate between two countries are determined by changes in the relative price level of the two countries. Exchange rates are determined in the short-run by the interest parity condition which states that the expected returns on domestic deposits is equal to the expected return on the foreign deposits.

### **The International Finance System and Monetary Policy**

The balance of payments is a bookkeeping system for recording all payments between a country and foreign states that have a direct bearing on the movement of funds between them. Before World War I, the gold standard was predominant. After World War II, the Bretton Woods system and the IMF were established to promote a fixed exchange rate system in which the US dollar was convertible into gold. The Bretton Woods system finally collapsed in 1971 and the international financial system consequently evolved into the managed float regime that we observe today. Exchange rates fluctuate from day to day yet central banks intervene in the foreign exchange market.

## ORGANIZATIONAL STRUCTURE / HUMAN RESOURCE MANAGEMENT

### History

The **first** class of OB (Course syllabus in the Appendix) introduced the participants with serious interests in the study of management that was first developed around the beginning of this century.

- two of the earliest approaches of scientific management and classical organization theory. Also Hawthorne study and Mc Gregor's, Maslow's studies.
- Contemporary organizational behavior that attempts to describe, rather than prescribe behavioral forces in organizations.
- Ties to psychology, sociology, anthropology, political science, economics, engineering, medicine which gives an interdisciplinary focus.
- Basic concepts of the field which divided into five categories: individual processes, enhancing individual and interpersonal processes and characteristics.

### Individual Differences

The **second** class introduced the trainees with individual differences which are a set of unique factors that differentiate people from one another, how the same person may act or feel differently in different situations. Also had been introduced:

- Personality differences. Personality structure from the standpoint of determinants stages and traits.
- Personality traits that are especially relevant to the workplaces a locus of control(LOC), authoritarianism and machiavelanism.
- Person's attitude which include affect, cognition, and intention.
- Job satisfaction which is perhaps the most important work related attitude and has multiple causes and consequences. The measurement of satisfaction with various tools.



- The complex relationships between attitudes and behaviors that people behave differently in the same situations and have different attitudes.

### **Motivation**

The most hours have been devoted to the motivation of the theory. The **third** and **fourth** classes were about:

- motivation as a set of forces that cause people to behave in various ways. Need as one of the forces of motivation. How people search for ways to satisfy their needs and then behave accordingly and how their performance of that behavior may satisfy the original need.
- The earliest view of the motivation, which is based on the concept of hedonism, the idea that people seek to avoid pain and discomfort. Scientific management which extends the view by asserting that money is the primary human motivation in the workplace. The human relations view suggested that social factors are primary motivation.
- Abraham Maslow's human needs, that are arranged in a hierarchy of importance, from physiological to security to belongingness to esteem and, finally, to self-actualization. Murray's manifest needs, which includes many work-related needs that may operate simultaneously. Alderfer's ERG theory which is a refinement of Maslow's original hierarchy that includes the frustration-regression component.
- Also The Big Brown Team case study has been included for group discussion.

### **Stress**

The **fifth** class included:

- stress which is a person's adaptive response to a stimulus that places excessive psychological or physical demands on that person. According to the general adaptation syndrome, the three stages of response to stress alarm, resistance and exhaustion has been introduced. The two important forms of stress, eustress and distress.

- Major organizational stressors as task demands, physical demands, role demands, and interpersonal demands.
- Exercise of type A and B personalities.
- The consequences of stress. Individual consequences that are behavioral, psychological and medical problems. Organizational consequences that can affect performance and attitudes or cause withdrawal.
- Primary individual mechanisms for managing stress that are exercise, relaxation, time management, role management, and support groups. Institutional and collateral programs that are used by organizations.

### **Group Iteration**

Contexts of the **sixth** class was as follows:

- Group interaction, which is the primary means by which management coordinates individual behavior to achieve organizational goals.
- The difference of groups which is based on relative performance and degree of formality. The two types of groups that are command and task groups. Also friendship and interest groups that are the two types of informal groups.
- The four stages of group development: mutual acceptance, communication, and decision making, motivation and productivity, control and organization.
- The four additional factors that affect group performance: composition, size norms and cohesiveness. How the homogeneity of the people affect the interactions that occur and the productivity of the group. The effect of increasing the size of the group that depends on the nature of the tasks and the people of the group. Norms that help people function, and related to one another in predictable and efficient ways. Norms that facilitate group survival, simplify and make more predictable the behaviors of group members, help the group to avoid embarrassing situation and express the central value of the group and identify the group to others.

- The relationships among group cohesiveness, productivity, and other group factors that are very complex.
- How managers must be aware of many factors that affect group performance and understanding the people as well as the group issues.

### **Power**

The **seventh** class included:

- a power as the potential of a person or group to influence another person or group. Investigation of legitimate, reward, coercive, expert, referent powers.
- Two sources of power: position power that is tied to position regardless of the individual who holds it. Personal power that resides in a person regardless of position.
- Usage of power that can result in commitment, compliance or resistance, and how managers can use the five bases of power to achieve commitment or compliance to avoid resistance.
- Conflict that is a common outgrowth of political behavior in organization. managers should recognize that conflict can be beneficial as well as harmful. Numerous techniques that can be used either to stimulate or resolve conflict as appropriate.

The **eighth** class concluded by final test which covered in class discussions readings, lectures and experiential exercises. The test was composed by short answer and essay questions. The test sample is in the APPENDIX 2 of this material.