CHAPTER 1

1.1 Introduction

Today organizations are constantly wrestling with revolutionary trends like global competition, technological changes, product innovation, deregulation, demographic changes, and at the same moment, they must endeavor to implement trends towards a service and information age (Kane, 2000). In India, economic reforms initiated by Government about two decade ago, have changed the landscape of banking sector. This sector underwent many changes after economic reform which affected the ownership pattern of bank, cost of fund as well as opportunities to earn, introduction of broad range of service and management of priority sector. Economic reforms have generated a new mix of players (public sector banks, foreign banks and foreign banks) in the banking sector. In order to remain competitive it requires recognition of the importance of customers, their need identification and fulfillment of that need through innovative product supplemented by advanced technology. Due to globalization, private banks are facing many challenges which includes market segmentation, product positioning, innovative delivery channels, cross selling etc. hence, they have to re- orchestrate their resources in the form of organized branch networks, reduction in the establishment cost, honing the skill of staff to perform multiple task.

Commercial banks have started realizing the need of motivated human capital for their survival in the face of global competition, rapid changing business environment and other upcoming challenges. With increasing globalization, the composition of the workforce is also changing and different generation, with differing view point on the same topic. In order to sustain in the market all the groups are required to work together and adjustments have to be made by all categories. Organization can gain competitive advantage through harnessing the potential available in the employee by creating a learning and positive work culture and support all employees to the organizational goal.
This can be only possible when HRM model should be so devised that it will promote mutuality between employees and employers such as mutual respect, mutual reward, mutual responsibility, mutual goals etc. this is a win-win strategy which will elicit satisfaction and commitment among employees which, in turn will yield enhanced productivity and better employee development.

Society has now transformed into knowledge based where human capital is considered a key resource and essential for the survival of the business entity. New paradigm organizations recognize that an important element in business management practices is the need to successfully motivate and retain skilled employees who survive organizational restructuring, reorganizing and re-engineering initiatives (Clark, 2001). Strategic staffing is now an emerging issue because the ability to hold on to talented and skilled employees can be crucial for future survival (Whitner, 2001). The loss of skilled and talented employee is a costly affair for bank because of the resultant bidding up of market salaries for experienced hires to replace them; the costs of recruiting and assimilating new employee; the lost investment in providing training to the new employee; lost sales opportunities; the hidden cost of lost productivity and strained customer relationships (Eskildsen and Nussler, 2000).

Banks with a vision not only draw its plan in term of market share, revenue generation, profit etc. but also want to be successful and have desire to get constant progress in future. The current business scenario is highly competitive and organizations irrespective of their size, technology and market share are facing challenges for retention of their employees. To triumph over there restraint a strong and healthy bonding should be created and maintained between employer and employees. Unless and until, the internal customers are satisfied and motivated for the task accomplishment and goal achievement, hardly any bank can achieve success (Adi, 2000). In essence, human resources of any organization are the most essential part, so the need to influence and persuade them towards organizational goal becomes
necessary, if not evitable. Due to lack of motivation, a number of symptoms can be seen among the employees like low morale, declining productivity, higher rate of absenteeism, decrease in output quality etc.

1.2 Influence of motivational Practices on job satisfaction and organizational Commitment

Organizations formulate human resource policies which genuinely reflect their beliefs and principles and the relationship between employers and employees. These policies are modified on the timely basis that can deal with the current problems or requirements. Human resource department implement certain practices that can motivate and modify the existing practices which can motivate their workforce. These motivational practices include remuneration, recognition, training and career advancement, promotion practices, challenging task, communication etc. (Oakland and Oakland 2001).

Several Organizational Behavior practitioners have argued that motivational practices implement by the human resource department are potentially the only source of sustainable competitive edge for organizations (Becker and Gerhart, 1996). Pfeffer (1998) supports that these practices help to create a workforce whose contributions are precious and inimitable for the competitors. A plethora of academic research conducted at the organizational level also suggest that motivational practices affect job satisfaction and hence, organizational commitment (Porter and Tripoli 1997).

Employees interpret organizational actions such as motivational practices (Ostroff and Bowen 2001), and the trustworthiness of employer (Settoon et al., 1996) as indicative of the job satisfaction or organizational commitment to them. They reciprocate their perceptions accordingly in their own commitment to the organization. Social exchange theory has revealed that employees’ commitment for an organization originates from their perception of the employers’ commitment and the practices adopted by them (Hutchison and Garstka, 1996). Exchange between an organization and its employee is a useful framework to visualize commitment behavior in the employee. This
approach to motivation postulates that employees and the organization are involved in exchange relationship. Human resource polices of an organization must reflect symbiotic relationship between employer and employees. According to Koch and McGrath (1996), high involvement task enhances employee retention. In order to increase organizational commitment and to reduce employees’ turnover, management must initiate continuous effort to introduce new and refined motivational practices which are expected to have positive impact on the employees. However, these value propositions are viewed differently from individual’s perspective; different factors assume different weight in different demographic variable. For examples, young employees are more interested in remuneration, training and career advancement and challenging task where as elderly employees are more interested in job security and working environment. Further, opinion can also vary with gender difference within demographic groups.

1.3 Motivational Practices: A Strategic Tool

Motivation is the core of management. Motivation is an effective instrument in the hands of the management in inspiring the workforce. It is the major task of every manager to motivate his subordinate or to create the will to work among the subordinates. It should also be remembered that the worker may be immensely capable of doing the same work; nothing can be achieved if he is not willing to work. Creation of a will to work is motivation in simple but true sense of term. The personnel management is concerned with organizing Human Resources in such a way to get maximum output to the enterprise and to develop the talent of people at work to fullest satisfaction. Motivation implies that one person, in organization context a manager, includes another, say an employee, to engage in action by ensuring that a channel to satisfy those needs and aspirations becomes available to person. In addition to this, the strong needs in a direction that is satisfying to the latent needs in employees and harness them in a manner that would be functional for the organization. Employee Motivation is one of the major issues faced by every
organization. It is the major task of every manager to motivate his subordinates or to create the ‘will to work’ among the subordinates. A manager has to make appropriate use of motivation to enthuse the employees to follow them.

Motivation is an important function which very manager performs for actuating the people to work for accomplishment of objectives of the organization. Issuance of well-conceived instructions and orders does not mean that they will be followed. A manager has to make appropriate use of motivation to enthuse the employees to follow them. Effective motivation succeeds not only in having an order accepted but also in gaining a determination to see that it is executed efficiently and effectively.

In order to motivate workers to work for the organizational goals, the managers must determine the motives or needs of the workers and provide an environment in which appropriate incentives are available for their satisfaction. If the management is successful in doing so, it will also be successful in increasing the willingness of the workers to work. This will increase efficiency and effectiveness of the organization. There will be better utilization of resources and workers abilities and capacities.

Employee motivation and productivity can be enhanced and improved by creating a work environment that maximizes the factors that affect performance. These factors are simple to understand, easy to measure, and can add tremendous value to any organization that is willing to implement them. Intrinsic motivation comes from the sheer joy and pleasure of doing a task. To maximize employee performance, find out what employees like about their jobs and then try to add more tasks that align with their own natural interests and talents. It does not matter how much someone is paid, everyone want to know that their efforts are being seen and appreciated, especially by their manager. Many companies give appreciation certificates, appreciation mails to employees for performing well. This boosts their confidence and motivates them. Salary is the prime motivator for any employee. For motivated, high
productive employees it’s necessary to pay such people according to their ability and performance. Good employees are motivated by more than just good salary, but never allow low salary to be the wedge a competitor can use to steal away your best people.

A good work environment is very necessary. To get the best out of people, one needs to create an environment that facilitates success. At the minimum, one must offer a safe, clean, and sanitary work site. Companies like Google, Tata group of companies are known for its infrastructure and various facilities provided to the employees. Honest, frequent two-way communication between workers and managers, including constructive discussion of workplace issues. Smart managers know that it is not their job to be a counselor or therapist, but it is there job to recognize when one of their employees is having personal problems that are affecting their job performance.

There are various factors like training, motivation, technology, management behavior, working environment, where each factor contributes to overall employee performance. Employee performance is directly based on the function of the training, with motivation and employee performance. Training helps to create good result in performance if training is good performance is also good. All the organization that wants to enhance their employee performance should focus on training as it also motivate employees to achieve higher performance levels.

Motivation involves getting the members of the group to pull weight effectively, to give their loyalty to the group, to carry out properly the purpose of the organization. Creating an environment that motivates employees is one of the toughest challenges our managers and leaders face today. It takes tremendous energy and time to build a motivated team, but the incremental benefits are critical to the long-term success of the organization.
1.4 Purpose of the Study:

The aim of this study is to compare and investigate the impact of current motivational practices adopted by Indian private banks on job satisfaction and organizational commitment of sales executives and operational executives. This study will also examine whether job satisfaction is an antecedent to organizational commitment. After, liberalization the competition in the banking sector became very fierce. Each and every bank is trying to expand their business by opening more number of branches so that they can tap the unexplored market before their competitor. This strategy creates a lot of job opportunities in the banking sector which causes higher attrition rate among the employee. Employee retention has now become an important strategic tool for cooperation. HR managers are now implementing various innovative motivational practices so that they can create organizational commitment among their employee which will reduce the attrition rate. Result of this study will help HR manager to modify the current motivational practices which will help them to develop an effective HRM retention program for organization.

The aim of this study is to investigate the impact of current motivational practices on sales executives and operational executives in Indian private banks. This study will examine the effect of current motivational practice on employees’ job satisfaction and organizational commitment and further identify which motivational practices strongly influence the two dependent variables (job satisfaction and organizational commitment) taken for the study. The study will also examine whether the two groups i.e., sales executives and operational executives, taken for this study differ in their opinion on various motivational practices. In the last part of the study, the relationship between job satisfaction and organization commitment was established. The results of this study will assist HR manager in the development of an effective motivational program for banks. It may also improve employers’ chance of selecting those employees who will become more committed to their organization which can improve their ability to retain skilled and motivated employees.
This study will also focus in the difference of the opinions of sales executives and operational executives on various motivational practices currently adopted by the Indian private bank, both frontline executives have same qualification but works under different department with different role and responsibilities. The findings of this study will help HR managers to improvise the current motivational practices so that it can reduce interpersonal conflict among these frontline executives.

1.5 Challenges Faced by Private Bank:

Private Banks being a late entrant in the banking sector, after liberalization, is not only facing challenges from the well established public sector banks but also from highly techno savvy foreign banks and locally operated cooperative banks. The most fundamental challenges faced by these banks, as always, are to generate more revenues and healthy profits. Generating profit and revenues in uncertain time is one aspect. Most of the Indian private banks have ambitious expansion strategies in the domestic market so that they can acquire more customer base for rendering their service. The banking sector in India is saturate with providers, product and services- particularly in retail, corporate and wealth management. The need to become and remain competitive is a serious challenge for the Indian private banks.

The financial service arms of non banking organization are steadily expanding eating further into the market share of the traditional banking sector. For example companies like Tata, Mahindra Bajaj etc. have entered into the financial services increases challenges for these private banks. After liberalization several new banks entered in the banking sector. These banks have been introducing with innovative methods such as flexible working hours. They are making the sector more competitive. In order to sustain themselves, banks are making acquisition or divesting of non core business to remain more competitive. For example, HDFC bank acquired Centurion bank of Punjab in the year 2008. Similarly ICICI bank has acquired Bank of Madura Ltd. (2001), Sangli Bank Ltd. (2007) and Bank of Rajasthan Ltd.
Banks have been generating revenues from the non-core areas such as insurance selling, mutual fund selling, demat charges, mobile payments etc.

Retail banks are struggling to make positive intuition in the minds of customer. Approaches like high interest rate in deposit, low price and innovative product which banks have relied on it past to differentiate from their competitors are now losing their ability to provide them a competitive edge. Further, product innovation and price differentiation is becoming increasingly difficult, and banks face more complication of changing customer preference and increasingly stringent regulations of Reserve Bank of India. The only way these private bank can strive in the market by delivering customer centric services. Delivering positive customer experience is one of the few levers these Indian private banks can use to stand out in today’s market. There are many ways for these banks to become more customers centric which includes collecting timely and accurate customer information and managing them in a better way; increasingly operational productivity; providing a more attentive service; integrating multiple delivery channels; and proactive strategy in developing new financial product.

1.6 Significance of the Study
Private Banks can increase their revenues and profit by delivering the customer centric service. The samples taken for this study are the frontline employees who have direct contact with the customers. Sales executives acquires new customer base for the bank and the operational executives provide them various types of financial services. Banks invest time and money is providing training to these employees so that they can serve their customer in a better way. The higher attrition rate of these frontline executives is costly to the bank. Banks not only suffer from productivity but also lose the knowledge of these employees that can be beneficial to the bank. Executives having better CRM with their customer can shift their customer base from one bank to another which can result in the revenue loss. There has been considerable interest in management literature concerning the development of core competencies in order to enhance corporate competitiveness and
performance (Prahalad and Hamel, 1990). Hence retaining these frontline executives is therefore strategic issue and has a competitive business advantage for the bank.

In current business scenario, researchers and management scholar argues that managing human capital is becoming an important source of competitive advantage because all traditional sources like product and process technology, access to financial resources, economies of scale are now becoming less powerful they once were (Lawler, 1996). The impact of motivational practices on organization performance has emerged as a dominant research issue in the field of management. Many researchers have addressed the HRM practices and their outcomes for public sector bank but very few have addressed this issue for the private bank. Reviewing the various literature till date no empirical study have been conducted on impact of motivational practices on job satisfaction and organizational commitment on two different groups i.e., sales executives and operational executives. This raises unexplored issues such as: Are there any difference between sales executives and operational executive in opinion on various motivational practices? Should organization design motivational practices: best practice fit to all” or “different motivational practice for different type of employee? How do these practitioners perceive their effectiveness?

These questions in this study call for theory refinement and development of a more comprehensive theoretical model of HRM retention relationship. These unexplored issues will be the focus of the study. This study addresses the gap in the literature in relation to banking sector in India. Hence the finding of this study will be helpful to the HR managers to examine the success of current motivational practices which are implemented by them and to identify outcome from them. This will also help to modify the recent motivational practices so they can organizational commitment among them. By doing so, HR manager can reduce attrition rate and can increase the productivity. Hence, this study will contribute to economic development in India.
1.7 Objective of the Study:
The main objective of this study is to bridge the above mentioned gap in the literature. Following objectives are identified in accordance with the research problem.

- To analysis the variation of opinion of sales executives and operational executives on various motivational practices.
- To study the relationship between motivational practices with job satisfaction.
- To study the relationship between motivational practices with work commitment.
- To establish the relationship between job satisfaction and work commitment.

1.8 Hypotheses

H1: There is a significant Difference between Sales Executive and Operational Executives on motivational practices taken for this study

H2: Motivational Practices are positively related to employee’s satisfaction

H3: Motivational Practices are positively related to employee’s organizational commitment.

H4: Bundled of motivational practices have positive impact on Job Satisfaction and organizational commitment.

H5: Satisfied Employees are committed to their organization.

1.9 Organization of Study

Chapter-1 deals with introduction, purpose, significance, objectives, methodology, data collection, plan of study and the limitation experienced.

Chapter-2 discusses the motivation from a theoretical perspective and the revolution in the banking sector.

Chapter -3 explains the data and methodology used in the study for analysis purposes
Chapter-4 analyses the opinions of sales executives and operational executives of the three Indian Private Banks and accordingly tests the hypotheses formulated.

Chapter-5 summarizes the research work, highlights the main findings and makes few recommendations for improvement of motivational practices in banks under study

1.10 Limitations of the Study

- Data collection was very difficult in banks because of the reluctance of employees to fill the questionnaire. The reasons are many.

  - Questionnaire was very long
  - Employees fear of disclosing their company’s information
  - Employees don’t have time to spend

- Secondary data collection was more difficult than primary data collection. Because all data are available in company’s intranet, which only the employees are authorized to access. These data are strictly prohibited for public use. And moreover the search engines available to us do not contain sufficient information.
References


