CHAPTER - 11
CONTRIBUTION OF RESEARCH TO BANKING INDUSTRY

11.1. INTRODUCTION
The research undertaken, essentially, studied the influence of organisational Design and HR Practices on service excellence in banks in the globalised environment. The research work involved in depth analytical study of banks with special reference to their organisational design, Human Resources practices and initiatives for motivating staff. Based on the analytical study of the institutions, analysis of the data collected in the survey and the interaction with bank officials, the researcher arrived at some conclusions and has made some recommendations. While the study revealed a host of positive characteristic of the banks which belong to the categories of foreign banks, Public Sector Banks and (new generation) Private Sector banks, many deficiencies were also observed in the functioning affecting the operational efficiency and quality of customer service. It is imperative that a workable model be prepared that takes care of those deficiencies and simultaneously provide a desirable model that could be replicated by the banking industry. In view of this the researcher would like to propose a model that can be considered while establishing a new bank. As the study involved the influence of organisational design and HR practices including motivational aspects on customer service, the researcher is recommending the following models for consideration:

I. Organisational Design : Model
II. Human Resources Practices : Model
III. Motivational aspects : Model
IV. Customer Service: Model

11.2. MODELS
I. Organisational Design: Model Structure
The model for organisational design suggested encompasses:
(a) Set up of the bank at Corporate level
(b) Set up of Controlling layers / hierarchy
(c) Set up of branch.

(A) Set up of the bank at Corporate level:
I. The basic assumptions underlying the proposed structure is as follows:
The organisation should as far as possible have a flat structure. The number of layers proposed are six (6) of which senior management cadre has four (4) layers. The layers are:

**Senior Management:**
- Country Head (mentioned as ‘Head’ in diagrams)
- Vice President
- Asst. Vice-President
- Zonal Head

**Branch Management:**
- Branch Head
- Executives

In a scenario where the bank is in an expansion process the designation of the heads of big branches will have to be changed since people will have to be posted as the limited layers do not provide for career progression which should follow the growth stage. In order to circumvent this, without adding layers, it is suggested that Branch Heads would be of three levels - Level 1, 2 and 3, the level 3 official being the senior most and will be heading large sized branches. Similarly, when branch expansion takes place there will be a need for many Zonal Heads. Instead of higher level officials heading zones, it is suggested that Zonal Heads could be of two (2) levels, viz. Zonal Head-1 and Zonal Head-2, where Zonal Head-2 is the senior person. While Zonal Head-1 can manage 12-15 branches, Zonal Head-2 may manage about 16-22 branches.

II. The Corporate set up will be divided into various functional divisions. The number of divisions depend on the bank. An illustrative list of divisions is given under:


In the case of divisions with business related functions (Retail banking, Corporate Banking, etc), each division will have its own

1. Product team, (2) Marketing and Sales Team, and, (3) Operations Team.
III. The Supervisory layers (Zonal Heads) will have administrative as well as business responsibilities. The organisational set up for Zonal Head will involve 2-3 staff members for support.

IV. A structure of the corporate office considering six (6) divisions, viz. Retail Banking, Corporate Banking, Audit/Compliance, Credit cards, Human Resources and Technology is given below. (The ‘Head’ in the diagram denotes “Country Head”).

![Diagram of organisational structure](image)

**Fig.39**

B. **Set up of Controlling layers/Hierarchy:**

Organisational hierarchy flowing from branch level to corporate level is diagrammatically shown below taking into account 3 branches and two Zonal Head Levels.
C. **Set up of Branch:**

The basic assumptions underlying the branch structure are:

i. Branches will function as pure sales units. The major function will be undertaking of Retail Business. Other major segments like corporate banking, Treasury, SME business, credit cards, etc. will be handled at Corporate Office. In the model proposed, however, there will be small units at the branches for customer interface on behalf of these divisions.

ii. In the model proposed, a technology division of lean size is envisaged as a unit attached to one branch but serving many. The branch model, diagrammatically is given under:
II. Human Resources Practices: Model

In the scenario of a highly competitive environment obtaining in the banking industry today, the Human Resources strategies adopted by the institutions has a significant influence on the competitiveness of the institution. Fundamentally the goals of the institutions should be the starting point for drawing up a Human Resources Management (HRM) model. A strategic HRM model entails the interconnection of business strategies, organised structures and Human Resources Management. The critical management task is
to align the formal structure and the HR systems so that they drive the strategic objective of the organisation. The researcher is of the opinion that the bank should constantly evaluate the Human Resources Management issues encountering the institution and appropriately modify the strategies. The factors affecting HRM issues are: (1) Environmental factors; (2) The HR Management processes in the organisation; (3) HRM objectives, and, (4) Targeted performance outcomes. A framework proposed analysing the HR management issues is given below:

**Fig. 42**

**HR Management: A framework for Analysis**

<table>
<thead>
<tr>
<th>EXTERNAL ENVIRONMENT - INFLUENCES AND PRESSURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC &amp; POLITICAL ENVIRONMENT</td>
</tr>
<tr>
<td>INDUSTRIAL CLIMATE</td>
</tr>
<tr>
<td>MARKET COMPETITION</td>
</tr>
<tr>
<td>SKILL AVAILABILITY</td>
</tr>
<tr>
<td>ATTRITION</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INSTITUTIONAL FRAMEWORK AND HR SYSTEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECRUITMENT &amp; TRAINING, DEVELOPMENT, MOTIVATIONAL INITIATIVES, PERFORMANCE APPRAISAL, INTERACTION WITH ORGANISED GROUP, MANAGING FOR EXCELLENCE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPECTED HRM RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECRUITMENT AND RETENTION OF SKILLED PERSONNEL, RECRUITMENT AND RETENTION OF COMPETENT PERSONNEL, FLEXIBILITY WITH LATERAL IMPROVEMENT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPECTED ORGANISATIONAL RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORGANISATIONAL EXCELLENCE</td>
</tr>
<tr>
<td>ACHIEVEMENT OF BUSINESS RESULTS</td>
</tr>
<tr>
<td>CONGRUENCE OF ORGANISATIONAL OBJECTIVES AND INDIVIDUAL PERFORMANCE</td>
</tr>
<tr>
<td>CORDIALITY IN EMPLOYEE RELATIONS</td>
</tr>
<tr>
<td>EMPLOYEE WELFARE</td>
</tr>
</tbody>
</table>

The list of items given in the boxes are illustrative and not exhaustive.

A model consisting of those components of HRM – which requires special attention, which came to the forefront during the research are given below. It may be noted that the model does not exhaustively cover all processes of HRM (or such systems) and emphasises only those items which are linked to the study. The underlying principles of the model are:

i. The Organisation’s HR strategy will be well integrated with organisational goals and strategies. The HR strategies will be formulated with the business objectives in view at
that point of time. HR strategies will have to be modified as the corporate strategies undergo change resulting from the pressure exerted by environmental factors. Further, the strategies at the time of launching and take off of the organisation vary from the ones adopted during growth stage. It is, therefore, proposed that a new bank will formulate the HR policy for one year and undertake review at half yearly intervals.

ii. The recruitment in the organisation to various positions especially at the senior management levels will be open to external candidates. This will help in the organisation leveraging from the experience and expertise the candidate has acquired in other organisations with operational excellence within the industry.

iii. The positions made available to external candidates will be available to internal candidates also. This will ensure that the employees in the organisation are motivated as they are offered a career path. During the selection process, other things being equal, the internal candidate may be given preference.

iv. The recruitment should be position based. The candidate’s skill, expertise and experience for that particular job should be the criteria. This enables professional approach from the employee’s side and induction of some kind of specialists from bank’s side. Whenever the bank is recruiting fresh candidates (i.e. with no work experience) the skills for undertaking a job should be tested and skills should be enhanced with adequate training to develop job competence.

v. The compensation packages offered will be job specific. The job profile, special skills required, etc. will be considered while fixing up the package. For external equity, the remuneration will be bench-marked with that in the market to ensure competitive remuneration. It should also be bench marked with that of similar internal positions.

vi. The ultimate remuneration offered will be “Person based” (i.e. Person-based pay). For computing the same, the remuneration calculated as above will be modified to accommodate the special skills/expertise/experience of the person and also the demand-supply situation of the people suitable for that position.
vii. The bank will undertake dedicated recruitment process for front-line staff and appropriate training will be imparted to them.

**Fig.43**

**HR MODEL – CRITICAL INGREDIENTS**

III. **Motivational Aspects : Model Structure**

The research has revealed that human motivation through various initiatives has a great impact on the employee performance and in turn customer service. While the research has thrown up only some aspects which has an impact on motivation, the researcher would like
to draw up a motivation model in a broader canvas taking in to account various aspects for the use of HR professionals.

The Core theme of the model is as under:

“High motivation levels cannot be created and sustained in an organisation just by satisfying the needs of the people. It calls for a holistic approach to all facets of organisation-employee relationship”.

In this context the HRM function of the bank has to define its own task. A possible definition of the HRM goal could be:

“Creation of congenial organisational climate contributing to high levels of motivation and satisfaction among employees”.

**Inputs for model Design:**

For the purpose of designing the model, two sources have been used for the inputs.

- Inputs from earlier research/Theories from management experts.
- Inputs from this research.

**i. Inputs from the earlier research/theories:**

The study of management theories reveal various principles useful for HR professionals while designing HR functions and priorities. The researcher has compiled from various theories on motivation, the inputs which will strengthen a model design. The name of the theory, the input for model design and the HR action emanating therefrom are given below:

<table>
<thead>
<tr>
<th>Theory/Concept</th>
<th>Inputs</th>
<th>HRM Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adam’s Theory</td>
<td>Fairness/Equity</td>
<td>Competitive remuneration</td>
</tr>
<tr>
<td>Expectancy Theory</td>
<td>Employee’s Expectation</td>
<td>Identification of Expectation; Rewards</td>
</tr>
<tr>
<td>Maslow’s Theory; McClelland’s Theory</td>
<td>Need Satisfaction</td>
<td>Identification of needs; Formulating policies to satisfy the need.</td>
</tr>
<tr>
<td>Herzberg’s Theory</td>
<td>Dissatisfiers</td>
<td>Prevent Dis-</td>
</tr>
</tbody>
</table>
Various factors mentioned above influence the level of motivation of the employees, though at varying degrees. Hence motivation is a function of these factors and can be explained as below:

Motivation \( (m) = f \left( E, N, M, G, T, F, J, R, A, F_i \right) \), where ‘E’ is employee’s expectations and their satisfaction, ‘N’ is need satisfaction, ‘M’ is presence of Positive Motivtors, ‘G’ is goal and achievement, ‘T’ is Teamwork, ‘F’ is fairness and equity, ‘J’ is job design, ‘R’ is rewards, ‘A’ is appraisal and \( F_i \) is feedback. The aspects handled here are illustrative and do not cover all factors exhaustively.

### ii. Input from this research:

The surveys conducted during this research, the discussions held with the HR management officials of the banks and also that with various other officials enabled identification of some of the factors contributing to motivation as given below:

a. The remuneration for performing a job should be assessed based on the level of difficulty of the job, skills required, etc.

b. While fixing up the pay in addition to the basic minimum arrived at, the experience of the person, expertise, suitability, etc. and a final pay package may be worked out which will be person-based pay.

c. Reward scheme for performance has to be in place in all organisations. The general approach to this include, ‘Performance pay’ and bonus. The organisations can also consider offering ‘Employee Stock Option Programme’.
d. Benchmarking of the remuneration packages for External equity and also the internal equity should be undertaken.

As mentioned earlier, motivation is a function of various HR aspects

\[ M = f (E + N + M + G + T + F + J + R + A + F_1 ) - I \]

As the level of motivation depends on the quantum of these inputs, the level of motivation is directly proportional to the level of these inputs.

\[ M = f (E + N + M + G + T + F + J + R + A + F_1 ) - I \]

On the other hand, motivational levels are reduced by many factors which are dissatisfying factors. These factors emanate from:

a. Organisational Culture

b. Conduct of Superiors

c. Conduct of Subordinates

d. Conduct of Peers

e. Systems and Procedures, etc.

The dissatisfying/demotivating factors (DF), as observed during the research, will affect the levels of customer satisfaction to a great extent. Hence, the motivation is inversely proportional to the dissatisfying factors.

\[ M \propto \frac{1}{DF} \]

Combining I and II,

\[ M \propto \frac{(E + N + M + G + T + F + J + R + A + F_1 )}{DF} \]
It is up to the organisation to eliminate the factors which cause dissatisfaction. A motivational model taking into account the above principles is presented below:

**INTEGRATED MOTIVATION MODEL**

*Fig.44*

**Application of the model**

*Step-1:* The employees may be categorised into different groups. Applicability of various needs of the employees/requirements/other aspects dealt with in the model to a particular
group of employees may be examined and an inventory of such items for each category may be prepared. After completion of this step, the organisation will be able to realise the items of needs and other aspects to be taken care of by the organisation.

**Step-2**: Based on the observations made in Step-1, prepare a comprehensive package taking care of all needs/aspects observed in step-1 for each category. The package may be implemented by the HR Division and the impact monitored. The package needs to be reviewed for improvement. A format for assessing the package is given below.

**Motivation : Assessment Framework**

The frame work discussed below is for evaluating the model for the satisfaction it generated. In order to elicit the response, the employees belonging to a category may be directed to indicate their level of satisfaction against the items provided in the package (as per step-2). The rating will be recorded under three categories, viz. (1) Not at all satisfied (Level 1), (2) Partially satisfied (level 2), and, (3) Fully satisfied (level 3). Level 1 will carry one point while level 2 and level 3 will carry two (2) and three (3) points each. A format of the framework taking into account two parameters as example is given below:

<table>
<thead>
<tr>
<th>Items/Aspects</th>
<th>Not at all satisfied (Level 1)</th>
<th>Partially satisfied (Level 2)</th>
<th>Fully satisfied (level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reward System</td>
<td>Point-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career Progression</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Point-2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Point-3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Considering the two parameters for assessment, the maximum points possible is 6 (rating for both being fully satisfied and minimum possible is 2 (rating for both being ‘Not at all satisfied’). This example creates a scale of 2 – 6. This value is termed as ‘Integrated motivation Index’. This index can be utilized for measuring levels of motivation in the organisation as higher index will denote better satisfaction levels.

**Motivational model : Review:**

Depending on the level of satisfaction, the organisation should review the package prepared for each category. Efforts may be made to keep the levels of motivation very high.

**IV. Customer Service: Model Structure**

1. **Service: Ingredients**
Customer Service has many facets. The research, which included customer satisfaction surveys in eight cities among 11 banks in India, has thrown up many important aspects of customer satisfaction. It is amply evident that the customer satisfaction does not rely on one single factor, but depends on a variety of delivery and service aspects. For example, it was observed during the survey that the customer is equally concerned about the quality of service (in terms of speed and efficiency) as is about the range of services offered by the bank. While the customer is very eager to receive technology-based services to save time and energy, the customer also expects polite and courteous behaviour from the bank staff.

Based on the observation made during the research which included satisfaction survey among customers, survey among executives and discussion with officials, a model consisting of the ingredients for good customer service and assessment of customer satisfaction are given below:

**CUSTOMER SERVICE INGREDIENTS: MODEL**

- **TECHNOLOGY BASED SERVICES**
- **RANGE OF SERVICES**
- **EXCELLENT COUNTER SERVICE**
- **COURTEOUS AND POLITE DEALINGS**
- **INNOVATIONS IN SERVICE DELIVERY**
- **CUSTOMERS NEED IDENTIFICATION**
- **DESIGNING OF APPROPRIATE SERVICES**
- **MULTIPLE DELIVERY CHANNELS**
- **PROMPT RESPONSE TO CUSTOMERS**
- **OFFICIALS KNOWLEDGEABLE AND SKILLED**
- **FEEDBACK THROUGH SURVEY**
- **REVIEW OF SERVICE DELIVERY**

![Fig.45](image-url)
It is imperative that service institutions create long term relationships with customers for ensuring sustainable business levels which in turn ensures profitability and survival. It is, therefore, essential that the banks put in place a system that will take care of customer needs and expectations on a regular basis. In this context a model for “Service expectation and gap assessment” is suggested by the researcher for consideration and implementation by banks.

As far as the long term relationship with the banks is concerned, there are two major points of interaction. They are:

(i) **First point of Interaction:** This is the actual point at which an individual becomes a customer by purchasing a service/receiving a service. In view of the availability of a large number of service providers, the customer has the choice of selecting one institution or the other. Here the individual has approached the institution (or the institution has contacted the individual as part of marketing) and both are in the process of entering into a relationship. It is, therefore, imperative that the service quality is assessed vis-à-vis the expectations of the customer and gap, if any, may be taken care of. The concept is diagrammatically shown below:

*Fig.46*
After availing the service and becoming a customer, the relationship becomes a long term one and the interaction between the bank and the customer becomes frequent. The expectations of the customer during this period may increase, decrease or may be the same. While a fall in the customer's expectations may not affect the bank, the remaining has an impact on customer satisfaction. There could be two situations emanating from this, as given below:

**Situation-I**

![Fig. 47](image.png)

<table>
<thead>
<tr>
<th>Point of Sale</th>
<th>Long Term Regular Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer expectations</td>
<td>Increase in Expectation</td>
</tr>
<tr>
<td>Quality of service delivery</td>
<td>Decrease in expectation</td>
</tr>
<tr>
<td></td>
<td>same level of expectation</td>
</tr>
</tbody>
</table>

The quality of delivery of service matches with the expectations at the point of sale. However, the expectations of the individual increase after becoming a customer. The service quality also increases to the same level. Or the expectations remain at the same level and the service quality also remains at the same level. In either case, there is dissatisfaction as far as the customer is concerned.

**Situation-II**

The quality of delivery of service matches with the expectations at the point of sale. However, the expectations of the individual increase after becoming a customer. The organisation is not able to improve the service quality to the level expected by the customer. This creates a gap leading to customer dissatisfaction. The customer may express or may not express the dissatisfaction. It is incumbent on the organisation to ascertain the same being a service institution. In the long run, if the service quality does
not improve, the organisation will lose the customer forever. The situation is diagrammatically shown as under:

**Fig.48**

![Diagram showing the gap between customer expectation and quality of service delivery at Point of Sale and Long Term Interaction]

**Gap Assessment**

The purpose of SEGAM (Service Expectation and Gap assessment Model) is to enable the bank to assess the gap between the customer expectation and the quality of service delivery. As the customer may not always express his dissatisfaction and the organisation may not realise the same, it is imperative that the organisation measures the level of satisfaction of the customer at the point of sale as well as at frequent intervals during the period of interaction and assess the gap, if any, in this regard.

**Expectation-Delivery matching - Steps**

**Step-1**

Assess the gap between customer expectations and service delivery at the point of sale and at frequent intervals during the subsequent period. This can be undertaken by administering customer service survey questionnaire immediately after the sale of the product/service and later at frequent intervals. The survey should be product specific and should cover all aspects associated with it. The gap may be assessed and reasons for customer dissatisfaction may be identified.
Step-II

Based on the gap analysis, the bank needs to examine the product features and delivery processes to identify the features/factors that caused dissatisfaction. The customer complaint may be confirmed by assessing the gap if any in the case of other customers of the same product. The bank, based on the observations, may decide on the need to modify the product/service to mitigate customer complaints. Appropriate modification may be undertaken wherever necessary.

11.3. **SCOPE FOR FURTHER RESEARCH**

The research undertaken, essentially, measured customer service in banks and examined the link between 'Excellent Customer Service' and organisational design as well as HR practices. The research was based on the conditions prevailing in the banking industry as of now and the current level in use of technology, etc. The study, convincingly, established the relation between organisational design and customer service and also the Human Resources practices and customer service. The social and economic scenario in all economies depict a changing environment and India being a part of the global village is not an exception. In the constantly changing scenario, the organisational design and Human Resources practices will also undergo change to suit the environmental requirements existing at that time. In this context, further research will be required to gauge the continued influence of organisational design and HR practices on customer service.

The customers while assigning rating to the banks on services rendered to them had identified some specific factors, such as, (1) Quality of counter service, (2) Technology based services, (3) Courteous and polite dealings with customers, (4) Knowledge and expertise of the officials, etc. as significant factors influencing the service. Over a period of time, the customer profile changes in every society and the perception with regard to quality of customer service, the reasons for considering service as good or otherwise and also the level to which a particular factor affects the quality of service will also undergo change. It is, therefore, imperative that further research is conducted to identify the
factors and the degree to which they affect the rating of customer service as perceived by the customers.

There is also scope for examining the influence of personal factors (such as attitudes, perceptions, social background etc.) on the performance of employees and, in turn, the service rendered by banking organisations.

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