CHAPTER III

CAUSES AND EFFECTS – MANAGEMENT
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Any number of factors can have a bearing on the bank’s performance and no one cause can be singled out as the sole explanation of the relative success or lack of success of a large number of banks. But one thing is certain. The quality of management has been a critically important factor in shaping the banks’ performance far more so than environmental conditions.

The timely introduction of pension as a third benefit in the wage revision 1992 has led many Public Sector Bank employees to opt out of the stifling Public Sector Banks environment of lack of discipline at lower levels coupled with no support from higher levels of management for setting right such indiscipline, absence of proper promotion policy with a focus on performance, ever increasing number of vigilance cases even in the case where genuine business decisions have gone wrong, attendant enquiries and the problems on account of frequent transfers.

There are many paradoxes in the Public Sector Banks. Some executives in the top management cadre are put in a corner without work. It is a different aspect how they got into such top management cadre in the first place.

A system of identification of key tasks, without any consequences of performance or non-performance will be found uniformly in all the Public Sector Banks. And such non-performance will be tolerated. And any business decision made while performing will be isolated magnified and dealt with scorn and sarcasm and pursued with a single goal of
persecution to completely negate any innovative ideas and proactive positioning.

Coupled with this, rigid inter functional and role boundaries also limit the performance of the Public Sector Banks. The impact of this on the morale of the employees down below is staggering as no one would like to take any initiative and there is only a tendency to procrastinate or push the papers to the other table.

The pyramid structure of hierarchy (vertical hierarchy) in Public Sector Banks leaves little room for maneuverability and initiative. This combined with rigid boundaries between levels of management as explained aggravates the whole situation.

Because they are not confident about their decisions, the top management of Public Sector Banks often resort to adhoc decisions or frequent changes in decisions and this naturally results in over engagement which in turn lead to more work in the organization.

Issues relating to delegation and integration of responsibility, authority and accountability are not given due importance in Public Sector Banks – rather one comes across centralization or concentration of powers at one place / level. This leaves no or little room for any initiative at the lower level. This in turn leads to overlapping across roles, duplication of tasks and functions.

Even psychologically, formal task and function require personal social linkages.
The worst part of it, systemic and infrastructure support for jobs, tasks and role performances are not fully available to the line and field level managers

Hence managers are rooted in basic routine work and hence unable to exhibit any innovativeness and creativity.

Delegation and accountability are lacking at different levels of management. It may not be an exaggeration if one were to observe that in Public Sector Banks the only accountable person is the Chief Executive

However the Chief Executives of Public Sector Banks are restrained with very short tenures and frequent changes. This coupled with lack of succession planning and inadequate support from the Board of Directors (indirectly from Government of India and Reserve Bank of India) further compounds the problem. Even though he is accountable, the Chief Executive, given this background is unable to initiate any measures to produce results.

Divisional structure in any organization creates duplication of resources internally and confusion in the market place. This is the real position in almost all the Public Sector Banks. This can be verified with the introduction of three-tier system (Regional Office, Zonal Office and Central Office) from two-tier system (Regional Office and Central Office) and again back to two-tier system. Almost all the Public Sector Banks have made such experimentation spending considerable time, energy and money and coming back to the same conclusion.

Managerial capabilities and competencies are under-utilized due to the factors explained in the Public Sector Banks; and also as there is greater emphasis on technology, even though in a limited way in the market
place by private sector and foreign banks. In addition, there are pockets of excess staff, simultaneously deficit staff or staff starved branches / offices in Public Sector Banks. Even distribution of work and responsibility is not the norm or common in all the Public Sector Banks.

Although consultations take place across levels in Public Sector Banks, the underlying belief is that the decision has already been taken and such consultations are only mere formality. In a way this is tantamount to forcing the decision from the top down the bottom. In this process there is no commitment or involvement of the people down the line.

Since decisions are thrust from the top down the line without any involvement, there is virtually low accountability of middle / lower management. Since the top management is not very much concerned with the performance of people down the line, top management leadership is totally lacking.

This can be directly compared with the situation obtained in private sector and foreign banks. They implement and practice pro-active human resource strategy at all levels thereby ensuring participatory management and open style of management. Risk taking powers are delegated to managers and naturally the managers are totally involved and committed to the decision making process.

There is a distinct feature in the composition of top management team in private sector and foreign banks. Importance is given to training of managers. Top management is showered with incentive for performance and profitability, over and above their monthly emoluments.

There is also a proper succession planning process through periodic performance appraisal in private sector and foreign banks. Performance
is monitored, directed and taken into account for filling up higher positions. In fact, right people are parked way ahead in the hierarchy for exposure and maturity and to take over at the right time.

Unfortunately there is no benchmark for the services, products, and practices in Public Sector Banks. Whereas in private sector and foreign banks stiff targets are handed down with required infrastructure support. Such targets are reckoned and fixed keeping a minimum benchmark in comparison with other performing banks in the area of operation. Coupled with this, bonus or additional incentives for any performance over and above the prescribed / accepted targets are also assured. Naturally, the staff of private sector and foreign banks is the motivated lot in the market nowadays.

**Attitude towards work**

Public Sector Bank managements and employees prefer strictly 10 to 5 timings in their working requirement. Whereas in private sector and foreign banks there is no such fixed work timings. The employees of these banks are required to cater to the needs of their customers even beyond the traditional 10 to 5 timings unlike Public Sector Banks. This has enabled the private sector and foreign banks to snatch away many high value customers to their fold from Public Sector Banks.

In addition, the private sector and foreign banks also provide 'flexi-time' to their employees. They are also allowed to stagger their presence in their work place according to their work demands and requirements. This has definitely motivated the employees of private sector and foreign banks, as they are able to manage their time and plan their personal and official work output judiciously without dislocating either in the process.
Career prospects

When the growth of the organization is affected, when the business growth is not to the desired level, when there is a felt need for systemic changes to overcome deficiencies naturally there would be a stock taking process to ensure consolidation of business. This will affect further business expansion and career prospects in the short term.

However, such policy changes are inevitable in any growing organisation but they have to be managed to take care of the existing personnel. Unfortunately this has been overlooked due to short sightedness in Public Sector Banks.

Compensation

Traditional Indian mindset requires that seniority and age factor should be respected and regarded at all costs and all the rewards and recognition were based on this factor alone. Time bound promotions, time bound pay scales, etc are/were the norms in Public Sector Banks. But this was given a serious jolt with the opening up of the economy. The market oriented economy demands performance and only skilled personnel can produce such performance. Naturally the rewards, recognition and compensation are oriented now towards merit and performance alone in private sector and foreign banks.

Human factors

In addition, Public Sector Bank employees are also mortally scared of internal / external enquiries (by police, CBI, Enforcement Directorate, etc) in the case of regular business activities that go wrong or bad due to purely commercial, business considerations and external factors
affecting the progress of the business venture. This affects the initiative and innovativeness of the Public Sector Bank employees to make business decisions and excel in their performance.

Normally, the provisions of central vigilance, CBI, etc., would be applicable to a public servant, but not to any person employed in an organization that is substantially competing with private sector organizations; for them procedures similar to private sector alone should be applied.

Though people may not give much importance for recognition but they would revolt if any undeserving candidates get the pat and promotion overlooking the claim of the deserved. This has been happening for a very long time and the managements of Public Sector Banks have been compromising on these basic issues in personnel management for their own petty narrow ends. Promotions, placement, preferences, pay outs were extended to a favoured few based on non-business considerations. This has dealt a serious blow to the morale of the performing personnel and naturally they have taken non-interfering attitude over a period of time. Their contribution fell from the peak to just above average and in some cases even below par.

Liberalization, privatization and globalization process has resulted in paradigm shift in the preference and expectations of the work force in general and bank employees in particular, economy as a whole and the banking industry in particular and above all in the market place.

Such preferences and expectations have been grouped together and tabulated in Table 3.1 for clarity.
### Table 3.1
PARADIGM SHIFTS

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>PREVIOUSLY</th>
<th>CURRENTLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition</td>
<td>Recognition by government</td>
<td>Recognition by market</td>
</tr>
<tr>
<td>Compensation</td>
<td>Seniority based</td>
<td>Merit based</td>
</tr>
<tr>
<td>Basis of promotion</td>
<td>Length of service</td>
<td>Performance</td>
</tr>
<tr>
<td>Source of security</td>
<td>Employer</td>
<td>Employee</td>
</tr>
<tr>
<td>Employer preference</td>
<td>Specialist skills</td>
<td>Specialist skills with multi disciplinary approach</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No fixed work timings</td>
</tr>
<tr>
<td>Attitude towards work</td>
<td>Strictly 10 to 5</td>
<td>No fixed work timings</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlook</td>
<td>Limited to Indian market</td>
<td>Global perspective</td>
</tr>
<tr>
<td>Skills required</td>
<td>Technical skills</td>
<td>Technical skills with soft skills like communication and interpersonal skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of motivation</td>
<td>Where is the roof?</td>
<td>Where is the sky?</td>
</tr>
</tbody>
</table>

Unfortunately the Public Sector Bank managements have not really recognized these shifts and taken any noticeable changes in their styles, actions and delivery.

Research into human behaviour has suggested that people are motivated by a number of different needs, at work and in their personal lives. Recognising and satisfying these needs will help to derive the best from the people. Several motivation theories work on the assumption that given the chance and the right stimuli, people work well and positively.
**Promotion**

Performance has replaced the seniority as the single most factors in deciding promotions in market oriented organizations purely on compulsive grounds to ensure retention of performing, skilled employees.

**Recognition**

Till recently and particularly till introduction of liberalization, privatization and globalisation process in India, the employees of Public Sector Banks were placing importance on government recognition in what ever they did. However, since 1990s, the importance shifted to market recognition – mainly due to the direction and demands that the Public Sector Banks should be run on commercial terms and they should generate profits to ensure their survival.

**Reengineering**

In these days of totally automated bank branches, internet banking, tele-banking, any where any time banking with auto teller machines in the market place and people getting used to and prefer them, we still find many Public Sector Bank branches managing with the age old 'ledger' systems with manual postings and operations leading to time and energy wastages. Such things are not uncommon in some urban / semi urban centers leave alone rural centers. Naturally, the staff working in such branch outfits of Public Sector Banks feel de-motivated, depressed and with no real interest in their work and delivery of services.

There is a felt need for reengineering in Public Sector Banks to make the jobs, functions, transactions easy through a continuous smooth flow to
be felt and appreciated by the transacting public and service providing personnel of Public Sector Banks.

**Security**

While the source of security flows in the terms of employment in Public Sector Banks even now – thereby indirectly promoting inefficiency – the market oriented organizations like private sector and foreign banks, the employees themselves provide security to their employment by producing excellent performance. They are in a position to dictate terms to their organizations with the stick of performance and delivery of objectives. The Public Sector Bank employees who have chosen to leave their organizations to join private sector and foreign banks despite rating job security to the extent of 98.4% in Public Sector Banks also confirm this. This job security factor does not provide any additional comfort or cushion to performing employees of Public Sector Banks.

**Skill preference**

Public Sector Banks prefer specialist skills in their employees. However private sector and foreign banks prefer such specialist skills with multi disciplinary approach. This stems from the preferences and practices of the private sector and foreign banks. Most of them offer single window concept and service in their operations. Only with employees endowed with multi disciplinary skills and approach, private sector and foreign banks can extend such single window concept and service or any counter service.

While Public Sector Banks with their large number of employees can afford large number of such individual skill employees, private sector and foreign banks cannot afford such large number of individual skill
employees. Therefore they (private sector and foreign banks) prefer multi skilled employees and they are prepared to entice them with good pay packets, incentives and other tools. Naturally, the employees are also motivated to acquire and create multi skills.

In the Public Sector Banks, technical skills are preferred. Whereas in private sector banks and foreign banks, along with such technical skills, soft skills like communication and interpersonal skills are preferred and promoted. Naturally these additional skills – communication and interpersonal – enable the employees of private sector and foreign banks to march forward and take the lead in their assignment when compared with their counterparts in Public Sector Banks.

**Survival of organization**

Over a period of time, these systemic deficiencies have developed and almost doubled at a galloping speed and they have started affecting the very survival of the Public Sector Banks.

They are able to put up a show and some how manage things. But such things and practices cannot go on forever in these days. When competition is fiercely hotting up between different players – Public Sector Banks, private sector banks and foreign banks – only those with the capability of assuring / producing that extra quality service will stand out and survive in the market place. Given the present background and set up, Public Sector banks are ill equipped in this regard.

**A method appearing out of madness**

One may wonder, if the position is really so bad in Public Sector Banks, how they have managed so far and so well all these days. Well. It is a
question of probably, a method appearing out of madness. There is too much of importance placed on methods and for minute details in the process the main purpose or link is overlooked.

**Outlook**

Public Sector Banks are by virtue of their business strategies and approaches limit their outlook to the Indian market. Whereas private sector and foreign banks are compelled by factors of competition and survival look even beyond the borders with a global perspective to garner profitable business opportunities.

Naturally this positioning has enabled the employees of private sector and foreign banks to pitch the sky – with no limit - in their motivational requirement. Public Sector Bank employees are to just contend with constrained, limited motivational requirement.

**The Maslow Hierarchy**

Abraham Maslow believed that satisfying just physiological and safety needs is not enough to motivate a person fully. Once these needs have been appeased, there are others waiting to take their place. The Maslow hierarchy can be applied to every aspect of life, and the more ambitious and satisfied the personality, the greater the potential contribution to the organization.

However in almost all the areas of Maslow's hierarchy, Public Sector Banks have been found to be lacking. Table 3.2 reveals this.
Table 3.2
Maslow Hierarchy in Public Sector Banks

<table>
<thead>
<tr>
<th>Hierarchy area</th>
<th>Position obtaining in Public Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self actualization</td>
<td>Employees are not facilitated to realize their potential to win and achieve</td>
</tr>
<tr>
<td></td>
<td>Employees are not regarded by other people - internally and externally and they also do not receive appreciation</td>
</tr>
<tr>
<td>Esteem needs</td>
<td>Employees are not motivated to interact with other people and to develop friendly approach and attitudes</td>
</tr>
<tr>
<td>Social needs</td>
<td>Employees feel less secured with the privatization process and therefore have a sense of fear</td>
</tr>
<tr>
<td>Safety needs</td>
<td>Though basic needs are met, employees have a grouse that they are not offered market related pay, perks and incentives</td>
</tr>
<tr>
<td>Physiological needs</td>
<td></td>
</tr>
</tbody>
</table>

Psychologist Frederick Herzberg developed a two-factor theory for motivation based on motivators and hygiene factors. Hygiene factors are basic human needs at work – they do not motivate but failure to meet them causes dissatisfaction. These factors can be seemingly trivial as parking space or as vital as sufficient holiday time, but the most important hygiene factor is finance.

The second of Herzberg’s two factors is a set of motivators that actually drive people to achieve. These are what a manager should aim to provide in order to maintain a satisfied workforce. The ability to achieve in turn rests on having an enjoyable job and responsibility. The greater that responsibility, the more the individual can derive the satisfaction of
advancement. Motivators are built around obtaining growth and self-actualization from tasks.

Public Sector Banks do not come out well even when applied with Herzberg's factors as reflected in Table 3.3

**Table 3.3**

**Herzberg's factors**

<table>
<thead>
<tr>
<th>Hygiene factors</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary and benefits</strong></td>
<td>These include basic income, fringe benefits, bonuses, holidays, official car and similar items – Employees' expectations are not fully met in these areas</td>
</tr>
<tr>
<td><strong>Working conditions</strong></td>
<td>These conditions include working hours, workplace layout, facilities and equipment provided for the job – Employees uniformly hold the view – less said the 'better'</td>
</tr>
<tr>
<td><strong>Bank policy</strong></td>
<td>Bank policy is the rules and regulations – formal and informal – that govern employees and employers – Employees hold the view that they remain in only 'paper' and in 'lips'</td>
</tr>
<tr>
<td><strong>Status</strong></td>
<td>A person's status is determined by his/her rank, authority, and relationship with others, reflecting a level of acceptance – Almost all the employees hold the view that they have been wronged and not provided with timely title and authority befitting their qualification and performance</td>
</tr>
<tr>
<td><strong>Job security</strong></td>
<td>Degree of confidence the employee has regarding continued employment in the bank – Employees feel less secured with the privatization process and therefore have developed a sense of fear</td>
</tr>
<tr>
<td>Supervision and Autonomy</td>
<td>Extent of control that an employee has over the content and execution of a job - Public Sector Banks employees feel that they have no hold and control over this</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Office life</td>
<td>This is the level and type of interpersonal relations within the employee’s working environment – Employees have no control</td>
</tr>
<tr>
<td>Personal life</td>
<td>Time spent on family, friends and interests – Employees feel that it is restricted by time spent at work and also due to frequent avoidable transfers and un-favourable placements</td>
</tr>
</tbody>
</table>

**Motivator factors**

<table>
<thead>
<tr>
<th>Achievement</th>
<th>Reaching or exceeding task objectives is particularly important because the onwards and upwards urge to achieve is a basic human drive. It is one of the most powerful motivators and a great source of satisfaction – Unfortunately the employees are not facilitated in Public Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition</td>
<td>Acknowledgement of achievement - great motivator - it helps to enhance self esteem; for many staff members, recognition may be viewed as a reward in itself – Unfortunately in Public Sector Banks there is neither timely recognition nor reward</td>
</tr>
<tr>
<td>Job interest</td>
<td>A job that provides positive, satisfying pleasure to employees will be a greater motivational force than a job that does not sustain interest. As far as possible, responsibilities should be matched to individual’s interest – Employees uniform observation ‘less said the better’</td>
</tr>
</tbody>
</table>
As a part of the study, we have debated "why motivational theories do not work in Public Sector Banks?" We posed a list of work related items to select employees and Public Sector Bank managers. The employees were asked to rank in the order of importance to them. The managers were asked to rank the items as they thought their employees would. The items were to be ranked in descending order of importance to the employees.

The managers thought their employees would answer

1. Good wages
2. Job security
3. Promotions and growth
4. Good working conditions
5. Interesting work and process
6. Full appreciation of work done

This is how the employees actually answered:

1. Interesting work and process
2. Full appreciation of work done
3. Job security
4. Good wages
5. Promotions and growth
6. Good working conditions

Unfortunately our Public Sector Banks are not up to date with their employees’ expectations to enable them to proceed further to satisfy them

Public Sector Banks lack the following requirements to succeed in the market place in these days of heightening competition

- Visionary leadership
- The ability to hold people accountable for their actions
- New blood - young, ambitious, talented and skilled workforce
- Experience in developing strategic plans and in implementing such plans.
- Knowledge of technology to provide right solutions to more demanding modern customers in time

Public Sector Banks management have allowed their trade unions to run the show on their behalf – either by default or by design. The trade unions simply inhibited the operation of market forces through restrictive work practices and legal immunities and this in turn curbed individuality, ambition and a sense of responsibility among the member-
employees of Public Sector Banks. The trade unions also developed and promoted a culture of dependency through their espousal of collectivism.

The conventional Public Sector Bank managements also avoided communicating with the individual employees either out of acceptance of the trade union argument that direct communications subvert the collective mode or out of fear of reprisal. In some cases, even the prerogative of communicating transfers, promotions, etc. were also taken over by the respective trade unions in the Public Sector Banks to send a message across their membership that it is they who matter in the matter of transfers and promotions and therefore the employees should have their first loyalty exhibited to the trade union leaders themselves rather than to the bank or the bank managements. Thus the Public Sector Banks management have overlooked the dominant objective of information dissemination to mould employee attitudes.

Public Sector Banks have also attempted half-heartedly in the employee participation processes and programmes like Quality Circle, Total Quality Management, etc. The fanfare, with which these programmes were started, soon died down or met with a natural death with no more support from the very management who initiated them. Unfortunately such programmes were initiated and implemented only to derive some mileage for the person in power or post to fetch further promotion for him / her and nothing more. Naturally once this basic objective was fulfilled they were found no more useful. In short these programmes were implemented in the first place only as a ladder for personal gain and not out of any real serious concern for employee participation.

Chapter IV discusses causes and effects due to various human factors.
References