CHAPTER V

FINDINGS AND RECOMMENDATIONS
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Corporate governance in Public Sector Banks

The role of any bank (for that matter, any business) in an open market economy system is to create wealth for its shareholders, employees, customers and society at large. While all banks have an implicit set of inherent values, the number of banks having formally written values and principles is rapidly increasing. These have become more and more explicit and provide the framework for corporate behaviour beyond their legal obligations. Indeed, sustained profits and principles are mutually supportive and an increasing number of banks view corporate responsibility as integral to their systems of governance.

Corporate responsibility is "the voluntary commitment by a bank to manage its activities in a responsible way". In the final analysis, it is the behaviour of the bank that counts. A bank must develop its own understanding of how its principles or behaviour relate to external expectations or to external codes or guidelines. Internal monitoring of compliance, external reporting of performance and independent assurance are matters that should be decided by the banks themselves.

If a bank is considering whether to develop its own business principles or to support external codes of conduct, the following steps are suggested.
1. To confirm CMD / Board commitment to give priority to responsible business conduct

A basic requirement is the commitment of senior management to treat responsible business conduct as a corporate priority. Rather than reacting to outside pressures, a bank's voluntary adoption of its own business principles should be motivated by the desire to express the values that guide its approach to doing business.

2. To state purpose and agree on values

Responsible business conduct is built upon the values and goals of the bank itself, as well as on legal requirements and stakeholder expectations. Business principles commonly include a statement of mission, values and operating principles. All banks should consider articulating their core values as an underpinning for their own principles.

3. To identify key stakeholders

Business principles set out what banks see as their responsibilities to employees, shareholders, customers, business partners and other groups in society. Finding out from stakeholders what issues are important to them is therefore essential. Stakeholders -- defined as those constituencies that have a direct stake in a bank -- typically can include shareholders and investors, employees, trade unions, client companies and consumers, and local communities directly affected by a bank's operations. A bank may also wish to broaden its consultations to include other participants in the business process chain, as well as government authorities, the media and non-governmental organisations. Banks should be mindful of the differences that may exist within stakeholder
groups such as local communities who are becoming increasingly emphatic about their concerns and with whom it may be useful to establish a dialogue.

4. To define business principles and policies

Each bank needs to think through its principles for itself (rather than just take an existing code "off the shelf"). Banks may choose to do this through open dialogue and collaboration with selected stakeholders. Some banks' business principles are just high-level statements of principle. Others contain more detailed statements of policy, while some prepare separate materials on policies, management systems, implementation and monitoring procedures. The underlying reasons why business principles make good economic sense should be borne in mind in defining the principles. Banks should consider legislation, social expectations, reputation indicators, risk management, bottom-line benefits, corporate and product image and strategic advantage.

5. To establish implementation procedures and management systems

Banks must raise awareness among their own personnel and other stakeholders if business principles are to be effective and command wide support. Processes or formal management systems for developing, adopting and implementing individual principles should therefore include internal consultation and communication. Banks offer many examples of management systems covering areas ranging from financial and economic health, environment to business integrity, human resources and sustainable development. In order to implement effectively its business principles a bank should define objectives and targets and a structured programme to achieve them.
6. To benchmark against selected external codes and standards

Government-mandated or other external codes are unlikely to be a viable alternative to voluntary business principles developed by the bank itself, although these may have significant value as external benchmarks. It is for an individual bank to decide what the most useful benchmark codes are and to develop their own understanding of how business principles relate to external codes and guidelines, and to societal expectations. Support for external codes can be time-consuming since they may imply additional commitments. Banks should be selective, bearing in mind their own needs.

7. To set up internal monitoring

Corporate policies and their implementation need to be kept under constant review to keep abreast of developments in technology, customer needs and wider societal expectations. It is for the bank to assess its social performance through internal consultation and periodic review by management. Equally, it is the bank's responsibility to check that its business principles are being acted upon. The extent and manner of external reporting of performance is, of course, for the bank to decide. Various international initiatives are being undertaken to develop a common yardstick for voluntary reporting of the economic, environmental and social impact of bank activity (through Bank for International Settlement – BIS - standards). They would enable investors and other stakeholders to make global comparisons. Banks should retain the flexibility to adopt (or adapt?) such voluntary indicators to their particular circumstances. A key way for banks to create confidence and trust in their commitment to responsible business conduct is to provide timely and reliable information on their financial, environmental
and social performance and to communicate this to their stakeholders. Markets all over the world provide examples of banks who enjoy sustained public goodwill and respect by doing this successfully.

8. To use language that everyone can understand

Principles, policies and guidelines must be clearly expressed, particularly if the material is to be translated. The same is true of any external reports.

9. To set pragmatic and realistic objectives

All these require the commitment of executives running the bank and the development of expertise and internal processes. Above all, responsible business conduct requires a sustained effort by everybody in the bank. A key element of a bank's organisational development is promoting the importance of responsible business conduct and ensuring that new managers are well versed in this area.

It is in a bank's interest to make corporate responsibility a priority in today's competitive world of instant communication in which stakeholders have access to a wealth of information and enjoy an abundance of choice.

The very act of formulating business principles can be of great value in articulating a bank's view of its place in society and what can and should be expected of it. Setting and implementing guidelines is not a once-and-for all affair, but a dynamic process. Once established, principles must be subject to continuous review to keep up with the times we live in and the expectations of all stakeholders, especially a bank's employees who in turn can take care of its customers.
Finally, voluntary principles are much more effective than prescriptive regulation because self-regulation is far more easily adaptable to the vast differences in circumstances, objectives, operating methods and resources of individual banks. Principles that are freely adopted without external constraint enable banks to find solutions and make improvements that regulations alone could not achieve.

**Review existing HR policies to come up with facilitating policies**

It is time for Public Sector Banks to review their HR policies and to come up with a new set of policies and paradigm shifts to help them to get their staff remain with them, motivated and performing. Such reviews can be extraordinarily successful and help Public Sector Banks take advantage. They are to reevaluate their present positioning and where they want it to be, thereby making dynamic changes.

1. **To re-evaluate HR policies and practices.**

This one should be the top of the priority list. Before Public Sector Banks vow to make any other changes or improvements, they should sit back and take a look at their present HR policies and practices. "HR practices and policies take place over time, and it's therefore healthy to 'take stock' periodically." In order to learn where they will be comfortable, Public Sector Banks should take this opportunity to get to know them. And in the process they will take some extra time to assess required skills, aptitudes, likes and dislikes.

2. **To facilitate employees to continue to educate themselves.**

Education – formal or informal - does not end after employment; it continues throughout one’s life. It is high time now and it is also the perfect opportunity for Public Sector Banks to step back and look at
areas they want their employees to brush up on. Their profile should be mapped periodically and wherever required they are to be counselled to take up programmes to upgrade their skills. Public Sector Banks should take the lead and advantage as 'without lifelong learning their employees will become stagnant and not feel fulfilled or satisfied with life or work.'

3. **To facilitate employees to manage their time.**

The employees have to be provided with all support to re-learn to schedule their time and develop methods to become more efficient. "They have to be on the lookout always for a quicker, more efficient way of tackling tasks." Probably, Public Sector Banks should make sincere re-engineering attempts to simplify their procedure, routine, systems and controls.

4. **To facilitate employees to go the extra mile in their job.**

It's so easy to fall into the "doing one's time" rut of a nine-to-five job. But not only is this not satisfying to the employee, Public Sector Banks will notice sooner or later that this is not even in their interest. So the Public Sector Banks should infuse their employees' day-to-day job with new enthusiasm. When the employees are done with an assignment, goad them 'to go that extra mile'. Public Sector Banks need to turn themselves into proactive and positive about their employees, notice and promote them.

5. **To listen to feedback.**

Public Sector Banks managements need to listen to their employees periodically and definitely when they leave the banks (through exit interviews). Only then Public Sector Banks will know how much their employees perceive them. Wherever needed Public Sector Banks need to
work to make changes. This is a better way of maintaining channels of communication and living up to their expectations.

6. **To stay on top of emerging trends**

Public Sector Banks need to stay on top of what's going on in the industry, as this is vital to furthering their employees' career. This will also enable the employees to get motivated and they will have the proud sense of belonging to such successful and pro-active organisations. "Staying current and being able to discuss trends and issues intelligently will help employees stand out and enhance their position". "Also, when Public Sector Banks know what is going on in the broader world of work, they will also know when and where to look to move up professionally."

Public Sector Banks will have to initiate several measures to develop themselves as technology driven - customer savvy organisations to offer wide range of services to their customers. Towards this, the Public Sector Banks will have to initiate steps to improve the operating environment and fine-tune the HR processes. Any such major transformation will require renewal of processes, systems, practices and the flexibility in the deployment for optimum utilisation of human resources.

7. **To find out actual worth of the employees.**

Public Sector Banks need to do this very often. Once they do this, they will be able to determine how it is changing and what they need to do to grow it. They are also to research into similar positions in the industry or a related one and this will quickly reveal the actual worth of their own employees' position. Also, a frequently overlooked value is longevity of the employees with the Public Sector Banks. Over time, a person becomes increasingly valuable, especially when Public Sector Banks follow the other "best practices" such as facilitating continuous education and
training to develop skills. "When Public Sector Banks realise their employees’ worth, they would be only too willing to negotiate a raise in pay and perks or a more advanced position by promoting the employees."

8. To build good relationships with specialists / professionals.

Public Sector Banks need to build and nurture relationships. "They have to be supportive and open with their specialist / professional employees as they are key employees of the banks." "Public Sector Banks need to develop and maintain themselves into quality organisations with integrity." Public Sector Banks need to promote and welcome interaction of such specialist / professional employees with other specialist / professional employees of other banks. "The specialist / professional employees should be encouraged to join the local or state chapter of their professional organisation."

9. To work on employee skills.

Building relationships may also require Public Sector Banks to work on their people skills. Public Sector Banks should be known for their firm approach and warm action. In short they have to be assertive and open. Being assertive is a healthy, positive reaction to any situation. This attitude is respectful both to Public Sector Banks and to those around them. It lets them state their needs and thoughts on an ongoing basis without offense while allowing others to do the same. It creates an environment of trust and respect.

10. Always make time for the organisation.

Last but not least, Public Sector Banks need to resolve to take care of them. "Otherwise nobody else will. Individuals come and go but organisation will remain forever. Organisational interest should not be sacrificed and compromised for the sake of an individual’s interest or
growth." So when dealing with employees, Public Sector Banks will need to take into account overall organisational interest and position. And they should do whatever it takes to put them at ease and regenerate. Only then can they be productive.

**Right sizing and outsourcing**

What is the right size for the human resources portfolio of any organisation?

It is indeed a very difficult question to answer leave alone finding out a universally applicable formula. Many factors go into the reckoning like the level of competitive skills, the technology orientation, competition, depth and reach of products and services offered, etc.

In Indian banking industry it is all the more relevant question to answer in these days of heightening competition.

Public Sector Banks are known to have excess staff resulting in very high staff expenses. The newfound zeal in technology acquisition and upgradation in banking industry can be identified as the major factors contributing to the excess staff in Public Sector Banks. Also rationalisation of banking industry as a whole starting with the regulatory relaxations and freedom in increasing number of areas have benefited the banks in releasing their staff from more mundane and repetitive work.

In addition, the lack of direction in business strategy with regard to target customer segments in Public Sector Banks has been one of the other important reasons for rendering a sizeable proportion of their staff and classifying them as excess staff. To live up to the competition in the market place, forced by the ever aggressive private sector and foreign banks, the Public Sector Banks could have designed suitable marketing
strategies to engage their staff and also to ensure that they get their due share of the business besetting their depth and reach in the market place. Only recently, few Public Sector Banks have woken up to this requirement and started building up a separate team of focused marketing team. (Banks like Indian Bank, Indian Overseas Bank, etc.)

Such excess staff directly leads to an increase in the banks' operating costs. And over a period of time such excess staff results in reduced income (of course due to non-performance) thereby exerting pressures on the bottom lines of the banks. (In some banks it went up to 22 to 25% of the total income earned by the banks!!) Excess staff affects in many other ways too – poor employee productivity in comparison with the industry, low morale, restrictive practices, non-up-gradation of skills, low mobility, aversion to take up higher responsibilities, adverse age profile in due course of time, etc.

This has happened exactly in Public Sector Banks leading to talks on down sizing staff strength and subsequent implementation of an ill-prepared and ill-implemented golden handshake / voluntary retirement scheme in the year 2000. The implementation of golden handshake / voluntary retirement scheme 2000 resulted in the ratio of unskilled staff remaining in the banks to the total number of staff going up, as large number of skilled and talented staff have reportedly left the Public Sector Banks under this retirement scheme. This has further aggravated the problem of Public Sector Banks.

**What is the right size of a bank?**

It can be now defined as the adequate staff required to maintain the required balance between the different categories of staff and retain the desirable experience and skills they possess is the right size.
Identification of excess staff

Bench marks

- industry average?

- business per employee?

- Industry best and industry worst?

- Comparison with comparables in the market place?

- Relationship between total income earned and the staff cost or better pay back from the staff and staff cost

Impact of excess staff

Poor leadership

Restrictive practices

Slow down in business

Lower morale and motivation

Preference for seniority over merit

Ill placed to bear the employee cost

No lateral intake of specialized skills

Lack of decision making skills and efforts

Deployment of excess staff

New business development
Focused marketing approach

Setting the books and house in order

Extending excellent customer service

Succession planning and grooming talents

New products / services development and delivery

Reskilling and retraining to meet the future requirements

Movement from pockets of excess to pockets of shortage

Voluntary cessation of employment and voluntary retirement scheme

**Future strategies**

Empower the staff

Focus on technology

Outsourcing select services

Changes in job content and skill

Reserve pool of retired employees

Delaying of decision making process

Restructuring, rationalization and reorganization

Recruitment and lateral movement of skills and talents
Outsourcing

For the organizations: The advantage of outsourcing – lower overheads and at the same time quality and timely delivery of products and services without the need to carry on roles large staff. Internationally, organizations are increasingly outsourcing their business processes (B.P.O.)

For the product and service providers: Without the need to commit and tie themselves to particular organizations, skilled and talented persons can maximize their earnings by offering such BPOs. This will also provide them more quality time for their other pursuits.

Opening for banks in India: Public Sector Banks can consider engaging skilled and talented employees who availed golden handshake / VRS to provide BPOs – Probably, the banks can consider building into their schemes, such BPOs to any of their future severance plans to ensure wider acceptability.

What is the biggest advantage of such right sizing and outsourcing?

It will ensure banks to select the nature, spread and quality of business to ensure timely and speedy delivery at an optimum cost to derive synergic benefits for them and for the customers

Compensation plans

For outstanding performance, organizations should identify, recruit and retain skilled and talented employees in their fold. Such skilled and talented employees can only change the organizations in times of crisis and need. However, such skilled and talented employees realizing their worth and indispensability, demand compensation to match their performance and delivery. Only organizations with flexible employees’
compensation policy can meet their needs and demands. Public Sector Banks will need to realize that to get the best employees from the market place, where skills and talents are sought at premium, they may have to devise suitable compensation plans. Probably Public Sector Banks can start thinking on these lines in the days to come. Cartel approach as at present to compensation dispensation will not work any more in future.

**Details:**

The highly individualized character of a skilled and talented employee's attitudes and perceptions argues compellingly for a cafeteria approach to compensation, where the employee would prefer to be permitted to design at least a portion of his own pay packages. In an ideal scenario, three perspectives on equity should have special relevance to the design of an employee's compensation systems. The perspectives are:

a. The employee's pre-conceived, un-conscious ideas of what constitutes equitable payments in specific cases  
b. Comparisons of the total strengths - social as well as professional - that the employee brings to his job and the total satisfactions he takes away from it.  
c. Relationships between the employee's performance and reward.

Educational level and length of service have the most noticeable impact on valuation patterns. More the educational qualification the employee has and the longer he has been with his organisation, the closer are his perceptions of a given pay scheme to its objective economic worth. This makes sense, since education presumably enhances logical and computational skills, and the experience accumulated with job tenure should sharpen an employee's appreciation of the features of various rewards.
Employees will display an explicit desire to obtain some freedom of choice in reward selection. They tend to prefer a payment form, like a pension, which provides lifetime rather than fixed-term or fixed-sum benefits.

Normally the annual base salary should include thirteen or fourteen months fixed pay (additional pay towards year end bonus and or towards extra vacation pay).

Age by itself may not have much effect. Older employees may not be prone to overvalue pensions and life insurance, although they should place a higher absolute value on proposed increments in those benefits than do younger employees.

In addition, the following account may also be allowed:

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<th>Representation allowance</th>
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<td>Incentive and Profit sharing</td>
<td>Stock options</td>
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<tr>
<td>Deferred and severance plans</td>
<td>Medical aid and insurance</td>
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<td>Life insurance - Death / Disability</td>
<td>Survivor and Private Pension</td>
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Each employee will need both cash and benefits, but in different measures, therefore, it would be ideal to let him decide his pay in the forms he wants it.

By relating pay to effort, the employer can ensure employee’s commitment for performance. Hence normally employer would strive to cover the major compensation portion under incentive plans. A bonus, a pay raise, a promotion - all these can help motivate an employee.
Business is now so complex and difficult, the survival of firms so hazardous in an environment increasingly unpredictable, competitive and fraught with danger, that their continued existence depends on the day-to-day mobilisation of every ounce of intelligence.' And such intelligence can only come from the human resources of the business organization.

The first and foremost is to assign personnel departments its rightful role. Personnel Departments must be actively involved in preparing business plans and strategies. They must be thoroughly committed to the fulfillment of such plans. Compared to business planning, manpower plans take much longer to become operational.

The recommendations of the Narasimham Committee (II) could provide useful guidance to banks in designing new recruitment practices and training facilities. The Committee recommended a system of recruiting skilled manpower from the open market, including lateral induction of experts. Supporting this should be an ongoing strategy of redeployment of existing staff in new businesses and activities, after suitable training.

The next priority would be to deal with some of the archaic arrangements that act as fetters. Many of them stem from a basic distrust and mutual suspicion. There are a number of rules that govern transfers. The hardships involved on account of two income families becoming the norm, and diverse educational standards and systems are innumerable. Banks really should ask the question as to the purpose of such transfers. It is a naïve belief that a person becomes prone to corrupt practices after a lapse of time.

The exposure to a new environment normally does not result in sharpening existing or acquiring new skills. The staff therefore opposes
such changes when these appear to be divorced from any of the above aspects. Further, the moment transfers/placement/vigilance cases are used to punish, chastise or discipline staff, they lead to a total functional disruption and amount to an organization punishing itself. The costs incurred on account of such transfers of staff are also significant both for the bank and the staff concerned. Perhaps banks could analyze what they expect to achieve by undertaking such transfers.

The personnel functionaries need to break out of the mentality that dogmatic adherence to the rules and their implementation is the key to their success. Indian Public Sector Banks can ill afford adherence to irrelevant rules any more. Future emphasis should be to shift from fire dousing to developing future executives and performing bankers.

Reorganization and restructuring have to be attempted. Worldwide experience suggests that organizations are in a state of flux. Considerable changes through the process of re-engineering should be carried out with the sole intention of meeting the new challenges.

In the changed circumstance and context, managements must adopt an objective, transparent policy even in routine personnel functions such as transfers and placements.

Increasingly Public Sector Banks will have to strive to retain staff. An essential pre-requisite for the successful implementation of these policies is the belief amongst the staff about objectivity and fair play. Public Sector Banks managements are sometimes reluctant to give up what appears to be prerogative or patronage.

Placement decisions can be taken in a far more objective fashion if one were clear about the level-wise skill requirements. Once placement
decisions are taken in an objective manner, appraisal of individuals falls in place. At junior levels, appraisal would be on technical skills and higher echelons of management would be appraised differently.

Human resources departments must become strategic business partners and operate in a consultative paradigm. The decision making power is sooner or later going to be pushed further and further down away from the top. HRD must be able to consult with line and operating managers to ensure that they have the new technological and skill resources to meet new requirements. It is the duty of the HRD to see that management and personnel understand their new role. It act as an advisor to top management by supplying information, analysis and recommendations for better staff utilization for core capabilities and competencies.

Training courses have to veer from purely functional to decision making with the support of technology. The choice of faculty in training institutes is of paramount importance. Faculty for the training schools must have an excellent performance record, should command organization respect and be recognized as achievers. Training colleges must veto faculty postings that are arbitrarily decided on. They must have the right to reject.

The task before the Public Sector Banks is to pass decision making down the line. This may involve process re-engineering, empowering etc. Delegation of responsibility and functions is crucial for a manager in the coming days. At present in many places managers perform unimportant functions like checking cash, checking the ledgers, writing scroll book, adjusting the balance books, etc., instead of performing functions like marketing their services, deposit canvassing, recovery efforts etc.
Today even RBI suffers from several accumulated weaknesses. Many managers of RBI come to a decision-making stage long after they cross their forties. Till then, they remain as mere cogs in the wheel, passing papers up or down. This is no way to ‘grow’ initiative. Such a process can demotivate the best of men and women who join the Public Sector Banks and RBI system. Unless this problem is tackled, no amount of strategic plan, legislation, declaration or MOUs can succeed in changing the face of Public Sector Banks and RBI.

The empowering process will throw up the need for line management in Public Sector banks to immediately access information to:

- Improve delegation through use of information
- Improve information system
- Reduce paper pushing
- Achieve greater integration between personnel and other departments

There is a worldwide trend to downsize. Banking unlike other industries, thrives on recorded information as also on personal experiences not always explicitly documented. The utility of such timely warnings based on experience cannot be underestimated and banks can ill afford to suffer losses to reduce costs. One needs to balance the cost against potential losses, and accordingly structure downsize.

A radical transformation of the existing personnel structure in public sector banks is unlikely to be practical, at least in the foreseeable future. However, certain improvements can be made in the recruitment practices as well as in the further training and redeployment of those who are already employed. Banks have to create an environment in which they will be able to expand business largely through redeployment, extensive training and better incentives.
A peculiar situation now exists. Banks are woefully negligent of HRD aspects. Training institutes have been marginalized. Downsizing has numerically depleted the strength of departments. The prime need for HR departments is to have a conceptual framework, be important contributors to the business development process and to formulation of strategy and harness technology to achieve what was neglected all these years.

**Implications for HR**

With such a dramatic transformation in the role of a bank, the implications for human resources is the most important challenge facing banks. The spectrum of knowledge that bank officials must have is enormous. It is only when the bank staff understand the needs of the customer can they offer the right products from the whole gamut of services that it provides. For instance, at ICICI, about 35 products are sold through branches. This includes insurance products, transactional banking, investment advisory and loans, etc. This requires substantial skill up gradation on the part of the human resources.

Therefore it is extremely important to build the right profile of the employees to keep them motivated, train and provide them with all inputs that are required for them to function effectively. Training the staff is a rather important task, as all the employees of a bank now need to be armed with product knowledge, process knowledge and knowledge of banking law and practice to avoid frauds. The staff should also be trained in behaviour standards, customer interaction and use of technology.
Suggestions for the future

Public Sector Banks would be required to focus on retaining talents to ensure low turnover or attrition, by making their employees satisfied in all aspects and also making the terms of their employment above or at least at par with the market practices. This will help the Public Sector Banks as they would be able to save on the cost of replacement and also time lost in replacement.

Public Sector Banks will have to follow ‘to recruit people with their head and retain them with their heart’. For this, the corporate culture at Public Sector Banks has to undergo dramatic change and deviation from their existing policies and practices with regard to staffing pattern, retention measures in general and compensation rewards in particular.

This would be possible only if the Public Sector Banks understand and appreciate to work towards realizing complete structural flexibility in their operations.

Some important and immediate tasks before the Public Sector banks in this direction are:

- To work out alternatives specific to the diverse group of employees in terms of their career progression and the required service conditions. These can be offered as options in the framework of cafeteria models within the total standard package.

- To evolve interventions whereby flexibility in human resource practices is accepted by all in the organizations. (Unfortunately the steps taken by Bank of Baroda recently with its claim for flexibility in the deployment for optimum utilization of human resources were contested by the various
employees organizations in the bank and the latter struck work on 27th September 2002 terming the steps as arbitrary and unwarranted) For this extension process work including training at different levels would be needed.

- To orient management cadre on a continuous basis to accept diverse groups with their specific characteristics and difficulties

The changing workplace creates a need for non-traditional employees. Almost all the Public Sector Banks have implemented golden handshake / voluntary retirement scheme religious to down size (or right size) their manpower. This has created management and labour skill shortages as a result. In order to make up the shortfall, Public Sector Banks may have to resort to a core / periphery workforce, tele-working, multi skilled workers and outsourcing. A greater proportion of the population who have not been traditional employees will need to be attracted into the labour force (through business process outsourcing)

Mr Verma in his report on the three weak banks (Indian Bank, United Bank of India and UCO Bank) has recommended for implementing a suitable voluntary retirement scheme and strongly advocated that the scheme must be implemented with care and compassion to guard against avoidable pain, which is likely to accompany such separation.

The banks introducing VRS should try and assist the separating employee in his/her post-retirement planning. While expert advice on the handling and proper investment of the amount of compensation under the scheme should be provided readily, the banks could also consider outsourcing select services from their employees availing of the VRS.
Some banks are already availing of services of outside agencies in deposit mobilisation, follow-up and recovery of debts and conduct of different kinds of field surveys. These and similar other activities can be outsourced through properly organised groups of employees going out under the VRS. Banks may consider assisting the employees in forming suitable organisations for the purpose. The genuine interest and suggestion given by Mr Verma in his above report should be carefully considered in all respects and suitable measures initiated immediately.

Unfortunately, the Public Sector Banks were in no mood to listen to such sensible advices and it is gathered that Indian Banks’ Association has issued a circular to all the Public Sector Banks not to have any truck with those who were relieved under golden handshake / voluntary retirement scheme and also prohibited them from recruiting them again, even though they may be extra-ordinarily skilled and can produce required results. Actually, the real losers in this are only the Public Sector Banks and they are losing such talented and skilled personnel.

The knowledge asset of the banks, their people, is becoming increasingly crucial to their competitive well being. Technological and communication advances are leading to reduced entry costs across world markets. This will enable banks to become multinational without leaving their own borders. However marketing via the internet, communication via e-mail and other technological applications are still reliant on the way one recognizes the human resources. The only sustainable competitive weapon is people

**HR Systems management**

In Public Sector Banks, human resources management perspective has been traditionally covering the following areas:
- Manpower planning and recruitment
- Training – objectives and policy
- Performance appraisal
- Placement and promotion planning
- People motivation

Prospective approaches in human resources management in Public Sector Banks appear to be more demanding, challenging and untraditional.

The liberalization of economy envisages more autonomy for banks. The biggest threat to the bank today is flight of its personnel to greener pastures and this will continue to be dynamic. In a regulated environment, bank could do nothing to stop this. But the picture changes completely once deregulation starts operating. Bank can set its own terms and conditions which can be comparable to the best available in the country.

New norms for responsibility and accountability will be drawn which in itself will arrest the complacency that has set in today due to the job security that exists. The very demand for ‘knowledge people’ will make the entire atmosphere competitive. Thereafter ‘maximising profit’ will be by ‘maximising people’.

Changes are inevitable. The progress the world has achieved today is as a result of accepting and implementing changes. Yet there is resistance to change universally and problems arise due to this resistance. In the context of an organization this resistance at times create hurdles in the path of progress. Public Sector Banks will need to understand the dynamics of change and respond accordingly.
The world is changing fast. Technological developments are taking place in bewildering swiftness. Need for more and more innovative services are being felt to meet the ever growing demands of trade, commerce, industry and general public.

In the environment of the future, the organizations that will succeed and flourish will be those that have mastered the art of change, which are willing to create a climate of encouraging the introduction of new procedures, new possibilities and listening to new ideas from inside the organization

**Flight of talent**

This phenomenon is not particular to any bank but it is universal. With the opening up of the financial sector more and more avenues are available to talented, dynamic, enterprising people. Of late this threat has also come to our doorstep and there is no point in looking away from the reality. Public Sector Banks will have to go with the current. The best way to retain the talent and to contain the flight is to motivate people of the organization and to educate them of the opportunities available within Public Sector Banks.

Banks need to implement proactive measures to meet the challenges ahead. The aim is to trust Public Sector Bank employees ‘as they could be’ so as to enable them and the institution to become ‘what they could be’. Operational performance is nothing but human performance multiplied by human resources.

According to Jawaharlal Nehru ‘success comes to those who dare and act. It seldom embraces the timid and shy.’
Dr C Rangarajan, Chairman, 12th Finance Commission, former Governor of Andhra Pradesh, and former Governor, Reserve Bank of India says 'bank employees need to be equipped with new expertise and techniques in order to operate successfully in the new more demanding environment'.

"It is in the human resource area that the Public Sector enterprises would experience the most biting edge of competition" according to former Chairman of State Bank of India

A recurring theme in the discussions among Public Sector Banks has been the need to focus on developing human resources to cope with the rapidly changing scenario. The core function of HRD in the banking industry is to facilitate performance improvement, measured not only in terms of financial indicators of operational efficiency but also in terms of the quality of financial services provided.

Factors such as skills, attitudes and knowledge of personnel play a critical role in determining the competitiveness of the financial sector. The quality of human resources indicates the ability of banks to deliver value to customers. Capital and technology are replicable, but not human capital which needs to be viewed as a valuable resource for the achievement of competitive advantage.

The primary emphasis needs to be on integrating human resource management (HRM) strategies with the business strategy. HRM strategies include managing change, creating commitment, achieving flexibility and
improving teamwork. These processes underlie the complementary processes that represent the overt aspects of HRM, such as recruitment, placement, performance management, reward management, and employee relations. A forward looking approach would involve moving towards self-assessment of competency and developmental needs as a part of a continuous learning cycle.

The Indian banking industry has been an important driving force behind the nation's economic development. The emerging environment poses both opportunities and threats, in particular, to the public sector banks. How well these are met will mainly depend on the extent to which the banks leverage their primary assets i.e., human resources in the context of the changing economic and business environment.

It is obvious that the public sector banks' hierarchical structure, which gives preference to seniority over performance, is not the best environment for attracting the best talent from among the young in a competitive environment. A radical transformation of the existing personnel structure in public sector banks is unlikely to be practical, at least in the foreseeable future. However, certain improvements can be made in the recruitment practices as well as in on-the-job training and redeployment of those who are already employed.

There are several institutions in the country which cater exclusively to the needs of human resource development in the banking industry. It is worthwhile to consider broad-basing the courses conducted in these institutions among other higher-level educational institutions so that
specialisation in the area of banking and financial services becomes an option in higher education curricula.

In the area of information technology, Indian professionals are world leaders and building synergies between the IT and banking industries will sharpen the competitive edge of our banks.

The changing environment, the forces of globalisation and liberalisation and the advances in information and communication technology have major HR implications. Financial products are becoming increasingly complex and diverse, while the markets in which they trade get progressively deregulated. The need to adopt global best practices in financial sector regulation and supervision, and adapt them to the domestic environment, places a premium on the skills and expertise of the Bank's human resources.

Again, the functioning and policies of public institutions, such as the Reserve Bank, are increasingly subject to public discussion and debate. This calls for greater transparency, more effective communication, and a high degree of professionalism. This warrants continuous upgradation of human resource management strategies with a view to enhancing the level of knowledge, sharpening skills and also to instill the necessary attitudes and work culture. Public Sector Banks will have to devote considerable attention to these areas at the entry level as well as at different levels of career development of their staff.

The content of human resource development (HRD) within the Public Sector Banks have to undergo significant changes along with the complexities characterising their role in the emerging economic and
financial environment. Within the constraints of a relatively rigid organisational, pay and staff structure, the Public Sector Banks have to follow a strategy of meeting the evolving requirements through innovations in the approach to the development of a professional cadre and fortification of human skill formation through training, promotion, recruitment and transfers. There will be an increasing emphasis on the Public Sector Banks, for constant improvement and adaptation in strategies for placement, career development, performance management, incentive structures and organisational re-engineering.

'If you treat people as they are, you will be instrumental in keeping them as they are. If you treat them as they could be, you will help them become what they ought to be.' 'No power on earth can stop an idea whose time has come.' That will precisely happen in Public Sector Banks!!!

To sit still, and do nothing, will make the Public Sector Banks to become obsolete and competitively disadvantaged

They should understand that the key to their success lies in retaining their good people who know how to treat the customers right with their knowledge and skill. Low turnover will always help the banks. Employees tend to stick around, and as a result, they know the bank's customers-and the customers have come to know them. This helps with the tough local competitive situation However to retain the employees and thereby ensuring low turnover, Public Sector Banks will have to compensate their people as well or better than any of our competitors. The benefit of happy employees keeping customers happy can't be minimized, because it bears useful fruit.
Public Sector Banks will have to think globally and act locally. They have to make an effort to keep their top performers on the front line, interacting with customers. Typically, any bank's contact people should have 15 or more years of experience in banking to enable them to deal with any customer need or requirement confidently. Therefore Public Sector Banks will have to keep their experienced employees interested in their jobs with incentive pay programs of various sorts.

If need be, Public Sector Banks may have to attract superstars from private sector and foreign banks. This will be possible only with better compensation and incentive plans, which should not be capped.

Good process, good product, good locations, good people – are all-important in contemporary financial services. But good strategy coupled with superior execution makes the difference. And for this the employees should possess differentiating skills. Therefore Public Sector Banks will need to value human talent, have it retrained and retained for better performance.

Public Sector Banks will have to understand and appreciate endless bulk recruitment is more than a pain. Ever more finicky and demanding B-school graduates, and ever more numerous headhunters, have made the economic costs of an almost frictionless retention measures too high to disregard. Human resource executives estimate that replacement costs can be as much as 150% of the departing person's salary. (Human resources specialists estimate that when all factors are considered-not only the cost of resultant new recruitment but also the lost employees' lost leads and contacts, the new recruit's depressed productivity while he's learning, and the time co-employees spend guiding him-replacement costs can be as much as 150% of the departing person's salary)
Periodical employee moods have to be ascertained with the help of modern analytical statistical tools and suitable remedial steps should be taken up if warranted to retain the key personnel. One such tool that can facilitate the Public Sector banks to ascertain the dissatisfaction levels which lead to quit decision is Quit Index tool. The salient features of this Quit Index Tool are:

**Dissatisfaction levels and Quit Index Tool**

An attempt has been made to develop a “QUIT INDEX” by developing a set of (i) personal parameters comprising age, qualification, position held, expertise acquired, (ii) perceptions about Public Sector, Private Sector and Foreign Banks in the areas – autonomy, staffing pattern, use of technology, public image, future potential and (iii) the ranking of major reasons which lead to make the vital decision – to quit the organization.

Statistical tools are very helpful and they give an indication on the probability of any happening. Any deviation in the assumptions can be directly traced to possible mismatches in the factors chosen and details reckoned. Development and application of T-Test in qualitative aspects like this have been more or less accurate – provided the factors reckoned, compared, contrasted and applied are apt and accurate in details.

**Details:**

In this development of QUIT INDEX, we have made an assumption that given the same age, qualification acquired, position held, talent and skill profile, employees with differing perceptions and ranking of major reasons will decide quite differently on leaving their banks. For arriving
at this QUIT INDEX, we have taken the particulars from the same questionnaire (as per annexure) that was used for seeking primary data and information from the deserting employees of Public Sector Banks.

All the parameters, perceptions and the reasons have been analysed in detail and suitable weightage factors have been assigned making broad assumptions as under:

i. the personal parameters which facilitate the employees to seek alternative employment elsewhere were listed in descending order and the parameters which in our view would seek global recognition and acceptance were allotted maximum weightage and so on.

ii. The personal perceptions and the major reasons which force the employees to call the shots to quit were allotted maximum weightage in a descending order as above

The weightage factors are:

**Personal parameters:**

1. **Age:**

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Weightage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25 years</td>
<td>1</td>
</tr>
<tr>
<td>&gt;25 years but less than &lt;30 years</td>
<td>2</td>
</tr>
<tr>
<td>&gt;30 years but less than &lt;35 years</td>
<td>3</td>
</tr>
<tr>
<td>&gt;35 years but less than &lt;40 years</td>
<td>4</td>
</tr>
<tr>
<td>&gt;40 years but less than &lt;45 years</td>
<td>4</td>
</tr>
<tr>
<td>&gt;45 years but less than &lt;50 years</td>
<td>3</td>
</tr>
</tbody>
</table>
The assumption has been between 35 years and 45 years, the propensity to quit the organization and also the acceptability in the market place are more. Hence they have been allotted more weightage. Similarly the age groups above 30 years but less than 35 years and above 45 years but less than 50 years are a shade lower than the age group 35 to 45 years. And hence lesser weightage. And so on. This weightage factors favours comparably with our findings out of the administered questionnaire

2.Educational qualification

Matriculation 1
Graduation 3
Post graduation 5

3.Professional qualification

C.A.I.I.B.Part I 1
C.A.I.I.B.Part II 2
DIB / DFS / DBM 3
M.B.A. 5
A.C.A. 4
A.C.S. 3
Other qualifications 1

4. **Position held**

<table>
<thead>
<tr>
<th>Position</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerk</td>
<td>1</td>
</tr>
<tr>
<td>Officer</td>
<td>2</td>
</tr>
<tr>
<td>Manager</td>
<td>4</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>4</td>
</tr>
<tr>
<td>Chief Manager</td>
<td>3</td>
</tr>
<tr>
<td>Executive</td>
<td>2</td>
</tr>
</tbody>
</table>

5. **Specialisation**

<table>
<thead>
<tr>
<th>Specialisation</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer and Information Technology</td>
<td>2</td>
</tr>
<tr>
<td>Credit</td>
<td>2</td>
</tr>
<tr>
<td>Foreign Exchange</td>
<td>2</td>
</tr>
<tr>
<td>Treasury Management</td>
<td>2</td>
</tr>
<tr>
<td>Other areas</td>
<td>1</td>
</tr>
</tbody>
</table>

**Personal perceptions to quit the organization**

<table>
<thead>
<tr>
<th>Perception</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (very much better)</td>
<td>1</td>
</tr>
<tr>
<td>B (just better)</td>
<td>2</td>
</tr>
<tr>
<td>C (at the same level)</td>
<td>3</td>
</tr>
<tr>
<td>D (at a lower level)</td>
<td>4</td>
</tr>
</tbody>
</table>
**Major reasons which force to quite**

A (fully met expectations)  
B (mostly met expectations)  
C (partly met expectations)  
D (did not meet expectations)  
E (totally lacking in the organization)

The inference that can be drawn out of the quit index (T-Test) is as follows:

<table>
<thead>
<tr>
<th>Quit Index</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;0.41</td>
<td>Employee will stay</td>
</tr>
<tr>
<td>0.41 to 0.23</td>
<td>Dissatisfaction goes up</td>
</tr>
<tr>
<td>&lt;0.23</td>
<td>Employee will quit</td>
</tr>
</tbody>
</table>

As long as the T-Test remains above 0.41, the employee will continue in the organization. Once it starts slipping below 0.41 and reaches 0.23, the employee dissatisfaction level goes up. Once it goes to 0.23 and below, the employee will quit the organization sooner or later.

Such integration insights from psychology into economics, especially concerning human judgement and decision making under uncertainty have been widely recognized in the market by the award of Nobel Prize for Economic Sciences for the year 2002 to Mr. Daniel Kahneman an American jointly with Mr. Venon L. Smith. Mr Kahneman has pioneered and integrated these findings.
This QUIT INDEX can be compared with the findings of Mr Kahneman as it has been developed with the following assumptions:

1. The age, qualification – academic and professional, the expertise and the position / status of the decision maker will have a direct impact on his decision making to quit his Public Sector Bank employment.

2. The psychological feelings and factors on the work, compensation, security of employment with the Public Sector bank, etc. will also directly impact his decision.

3. The psychological comparison of the Public Sector bank with the other banks in the market place in all major areas, which afford him psychological feeling and comfort, will impact his decision making.

To add further credence to this QUIT INDEX, all the respondents and their responses to the administered questionnaire have been satisfactorily tested and found to fall in line with the decision making – to quit the Public Sector banks.

Hence with the help of this tool, the underlying satisfaction levels of the employees can be ascertained and suitable measures initiated to retain the employees with the help of intervention strategies.

However, 'retention,' does not mean hanging on to every employee. Rather, it bespeaks a recognition that key people cannot be taken for granted. Yet Public Sector Banks have not bothered to assess the depth or scope of the problem. They may have to wake up faster to the reality.

Over the past couple of years private sector and foreign banks have been perfecting techniques for recruiting the talented and ambitious with hefty pay and other incentives. Therefore, lots of these talented and ambitious
are choosing not to stick around for very long with Public Sector Banks. If anything, the present economic changes and developments taking place in India, are making the young, gifted, and fast track quicker in Public Sector Banks to lunge at an options package with a future. And the Public Sector Banks are yet to realize that the sweeteners like better pay, working conditions and boundless incentives are used by their rival private sector and foreign banks to lure their skilled, gifted, talented, qualified employees into their fold and these sweeteners are deadly as the experience has so far shown.

Public Sector Banks do not always see the relationship between recruitment and retention and this is crazy. They have been hiring people for almost quarter of a century and yet they are not in a stronger position when compared with private sector and foreign banks.

Public Sector Banks have to realize that their wealth lies in their intellectual capital and much of that resides in their knowledgeable and skilled workers. While competitors have been busily devising ways of capturing that knowledge and skill by enticing the holders, the Public Sector Banks are yet to recognize the looming dangers in the days ahead. The costs are going to be enormous.

Public Sector Banks have to seriously focus on 'talent management'. If a bi-cycle worth Rs.2,500 is stolen and untraceable in a branch net work, the Public Sector Banks take it very seriously and stipulate that an F.I.R should be filed with the local Police immediately. However, if a talented employee who is paid about Rs.350,000 per annum with all skills and talents with excellent communication skills and client relationships gets poached by the competitor in the market place (private sector and foreign banks), there is no investigation or enquiry. How bad will things have to get before Public Sector Banks wake up?
It is widely expected that the population of workers in the age group 35 – 44 (which our study also confirms) will be much sought after by competing banks in the market place in the days to come. This will be recurrent problem for all Public Sector Banks alike to reckon with. They will have to recognize that retention is the only solution and that will be only through talent management.

- How will they reward and appraise employees?
- How should they adapt their cultures to retain the right people?

As the demand for managers goes up and supply stays flat, these become critical issues.

In preparing a massive study called "The War for Talent," McKinsey & Co. (leading US consultants) polled 6,000 executives at 77 major corporations and found that few keep precise data on the attrition of a wide swath of midlevel managers, and that just 40% of HR executives keep tabs on the so-called high performers. "Companies are aware that they're losing good people, but they don't know who is leaving, or why, or even where they're going," says Ed Michaels, a McKinsey director. Our Public Sector Banks are no exception to this.

A tight job market and an economy that was dithering till the introduction of liberalization process, made things easy for Public Sector Banks. In reality, the message Public Sector Banks preached in the past - up with lifetime employment, down with self-taught portable skills- has jumped up to bite them back. There’s still bitterness in the work force in the Public Sector Banks, based on how they were dealt with and with contempt by the Public Sector Banks managements.
The employees were told to submit themselves to rules, regulations, prescriptions and practices of the banks, which were uniform for all alike – performers and non-performers. Now that the skilled employees have become more assertive, more mobile, they repeat to Public Sector Banks: rules, regulations, prescriptions and practices of the market place!!!

The Public Sector Banks should make no mistake: The goal of retention policies isn't to renew the old social contract, the one that culminated in the awarding of just a golden watch at the end of 25 years of service. Their objective should be to identify and retain committed employees for as long as is mutually profitable". "Insofar as employee commitment exists, it is to the bank, to the team, and to the customers". "That's different from loyalty, which previously was to the name on the building or to the brand." Therefore, individual managers and supervisors and not just the old folks in human resources departments in Public Sector Banks, must drive any retention strategy.

The biggest retention problems fall within the ranks of middle management. Skilled and talented Public Sector Banks employees up to the Scale III (middle management cadre), frustrated by having to figure things out for themselves, are particularly vulnerable. If the coddling and coaching they receive from Public Sector Banks isn't as generous as their capacity to attract signing contracts with private sector and foreign banks for higher pay, perks, bonus, incentives, etc., they move on - fast.

This group is the most worth worrying lot – up to the Scale III Middle Management Cadre. These managers, stuck between the novice and elite ranks, are typically younger and in the most productive age group. They are competent and crucial to the organization and they toil in silence for relatively little reward. They're often passed over and forgotten.
What could compel such people to stay? "If the hypothesis is usually money, then it is wrong," "Money may be the reason people give when they resign, but it's like white noise. They're conscious of it for a while, but if they're bored on the job, money alone isn't going to keep them there."

Other hooks, are far more difficult to promise, or even quantify. They're things like job satisfaction, a sense of connectedness to the job and the team/group, the ability to balance life and work, and opportunities for growth. "It may sound different and odd, but the art and science of retention tells that this stuff, as intangible as it may seem, is really critical."

So while some retention efforts consist mainly of bonuses and perks, the more substantive issues and strategies should be aimed towards employees and their job development programs.

Even now, Public Sector Banks paternalistically decide who got what training for which job. Some inspired and spirited employees on their own and at their cost go after acquiring better skills. Probably one can sum up the new mentality this way: "Smart people want to know where they're headed, but they don't want to be told how to get there." Are they (Public Sector Banks) listening?

Modern organizations the world over, in their efforts to curtail the 'brain-drain' or the exodus of skilled and talented employees, have designed special 'career fitness' programme to help their employees see opportunities in-house. "The idea is to teach the employees how to navigate different job functions so they won't have to leave the organisation to find something better."
Notably, this new ‘career fitness’ programme stretch employees at different levels - by giving them early promotions and multiple assignments - in the hope that the future leadership of the company will be homegrown.

At Mobil (an International giant), management has sifted the various layers of the company to identify future superstars. Each recruit in its new global leadership development programme is rotated through different functional areas and assigned a "development contact," a manager who is not his or her boss. With retention strategies still in their infancy, it's not surprising that academics and consultants are reaching outside the human resources field for inspiration.

One theory recalls mass customization. It holds that a job can be as neatly tailored to an employee’s peculiar goals and requirements as a pair of a branded garment to an online customer's imperfect physique. Leading companies offer to their employees by saying 'if you produce here, you can pick your hours, your career track, and, in some ways, even the people you work with,'

Such a program has been in force for some time now at Ernst & Young, which is so zealous about keeping its people that it has actually created an Office for Retention. A poll of all employees on flexible schedules found that 65% would have left the firm without them.

One can't assume, of course, that employees will readily share their aspirations or concerns with management. Public Sector Banks will need to hire their first board of career counsellors. This is suggested to give their employees a sounding board infused with advice. "When the employees don't see eye to eye with the Public Sector Banks, the career counsellor is like an aunt or uncle - an impartial voice of reason."
sessions should be confidential. Along with this Public Sector Banks managements should be more attuned to their employees’ morale.

According to McKinsey, one company in the FORTUNE 20 has recently begun requiring division heads to create what it calls satisfaction grids. One axis depicts a manager's performance; the other, to what extent he or she is at risk of leaving the company.

Probably Public Sector Banks can consider charting or drawing such vulnerability maps, which show a specific job function and the points when the employee’s satisfaction level is likely to ebb. Before those points are reached, Public Sector Banks must offer incentives and other rewards calculated to carry their employees with them.

To retain the skilled, ambitious and performing employees, Public Sector Banks will have to give them the managers they deserve. If unskilled or less skilled un-ambitious managers were to handle them, they may not be able to develop, coach, and motivate the skilled, ambitious and performing employees, as they rarely know how. Consequently, they may cause the good performers to leave the banks. Therefore such unskilled or less skilled un-ambitious managers should be assigned to non-managerial positions. Over a period of time, suitable reward / incentive schemes may be used to appropriately compensate poor performance thereby exposing them.

Even the best tools will sometimes fail, and key people will move out. But retention efforts needn’t end at that point. Such deserting employees may be asked to submit to interviews six months after the departure - like "What really made you leave?"
"The new grass may look greener, but it's often not, so Public Sector Banks can consider and call back their really talented, skilled ex-employees by telling them that they really miss them. "Commitment and retention may not occur with the round-one hire. But at round two, Public Sector Banks just might strike gold."

The archaic guidelines issued by Ministry of Finance and Indian Bankers' Association to the Public Sector Banks not to have any truck with the departing employees may have to be reviewed and withdrawn. This also goes well with the recommendations of Verma Committee Recommendations on Weak Banks.

Lack of a management succession plan could be the top challenge to the continued independence of Public Sector Banks. Public Sector Banks that take few or no steps toward planning for management succession face their own trap when their key employees who are talented and skilled put in their papers for separation. Public Sector Banks should ensure that suitable second line to the talented and skilled employees in key positions should be developed as a constant endeavour.

It should be borne in mind that there is no one right and universal formula for handling succession in Public Sector Banks. However, a broad 5-point program of core principles for succession planning can be attempted as under:

1. The goal of succession is finding the right employee at the right time.
2. Any succession should be a bank-driven and hence should be a collaborative process.
3. Any succession is a continuous process.
4. The banks should ensure that they build a talent-rich organization by attracting and developing the right people.

5. Succession planning should be driven by corporate strategy

Succession planning isn't a luxury; it's a central duty of Public Sector Banks.

To avoid further exodus of talented and skilled employees, the Public Sector Banks may have to play the role of

1. A mentor
2. A compassionate employer
3. An employer who trust his employees
4. A great communicator
5. An employer who can give an interesting work and
6. An employer who fights for his employees

How to find the source of dissatisfaction leading to turnover among skilled and talented employees in Public Sector Banks - and stop the revolving door? One of the first places is at the environment of the skilled and talented employees, as well as the bank as a whole. It is also important for Public Sector Banks to evaluate their training programmes to find out whether they are providing enough challenges on the job.

While the causes of turnover are unique to each bank, it is possible to identify job positions that are most likely to have high turnover, or circumstances that put all of the staff at risk. Once troubled areas are identified and found, the next big challenge lies in changing what are often long-established traditions.
Public Sector Banks must understand that they should manage change themselves. They must become instruments of change themselves, inspiring their employees and becoming deeply involved in their effort.

Towards this, they must question themselves –

- What areas will be most challenging or difficult to change?
- What opportunities may help the banks through the change process?
- What are the keys to success?
- What were the key factors that led to problems for major change initiatives?

The future of HR in Public Sector Banks rests in the hands of the current generation of HR professionals. The goal is to demonstrate the impact that HR can have on the economic value of the banks. HR professionals today are, for the most part, more highly educated than in the past and they have standardized credentials - as do accountants and lawyers, which provide a solid basis for evaluating skills.

As the global labour market expands, knowledge is an important asset that individuals will carry with them wherever they work. The future will hold promise for those who can become experts in at least one profession and then begin to make in-roads into other professions. It's hard to argue with someone who understands other field as well - if not better than.

Public Sector Banks will have to immediately grapple with the issue of work alignment - matching people and jobs effectively – by business process re-engineering. This will result in simplifying systems to make
redundant existing time consuming procedures to save on transaction costs and also motivating the employees by generating job interest to make them more involved.

Public Sector Banks may have to have a re-look at their strategic plans and ask themselves whether they have the right blend of people to implement the strategies. Specifically the following questions:

* Is there a balance between employee supply and demand?
* Are there the right competencies?
* Is superior leadership being created?
* Are good performers being rewarded and poor ones being eliminated?
* Does the bank have the right rewards and benefits in place?

From this perspective only, the Public Sector Banks have to shift their thinking about human resources.

Public Sector Banks will have to entrust their business to their employees who can understand best the nuances of how things get done in the market, and empowering them to make decisions. With this light-footed, decentralized approach, Public Sector Banks can really make the difference in the evolving market place.

Simultaneously, they may have to structure properly suitable incentive plan to increase performance and such a plan geared towards the potential recipient will really work wonders.

Internationally a growing number of consultants and training firms are developing the following three levels of management training programs tailored to the needs of bankers. They are:
1. Technical training, 
2. Application training, and 
3. Acumen training.

In the crowded training environment, choosing the right programme can be nearly as challenging as picking the right person for the said programme. Probably our Public Sector Banks can consider a combination of technical and application training programmes. They may have to ensure that the employees who are skilled and talented and who are in the active age group are provided with such training facilities even outside the country to sharpen the skills of their employees.

Public Sector Banks can even consider facilitating their employees to evaluate themselves and providing them a sort of virtual career center covering their entire operations by providing them with new openings – place and position wise - qualification, experience and skills required. Such an open approach will result in turn, the banks getting large number of potential candidates to choose from.

Public Sector Banks will have to submit themselves to a well-planned talent audit to ensure retention programmes work well in the banks and also audit for succession planning programmes. Probably in the days to come, the Public Sector Banks may be required to declare assets and liabilities in the human resources area also in their annual balance sheets.

Globalization has emerged as the single most important trend of the 1990s. Human resource leaders must be strategically focused and proactive in addressing their organization's global needs. Steps HR professionals can take to ensure that they will help their organizations manage globalization successfully are:
1. Embrace a partnership role.
2. Build global managers with global skills.
3. Create a blueprint for global change.

International human resources management quickly is becoming a management challenge of intercontinental proportions. The reason most international HR professionals do not have the skills they need at the start of their careers is no big mystery. International HR is not a career that most HR professionals head into when they first set foot into HR management.

Experts say that some of the core competencies international HR careers demand are the same as those for domestic HR professionals - the skills are just on a heightened scale. It is critical that international HR professionals view cultural differences as being a positive rather than a negative. However, having sensitivity and empathy does not mean HR staff have to be pushovers, either. HR managers must be adept at managing complexity.

When looking for creative ways to cope with the scarcity of HR professionals at all levels, one can confidently say that reasonably intelligent people with certain characteristics, aptitudes and motivation can be trained for these jobs. And the right qualities may be found where one would least expect them. Individuals already in the organizations can make the transition. Three most important required criteria are

1. Their comfort with technology,
2. The ability to see patterns in underlying processes, and
3. Proper on-the-job training.
The new HR environment is expected to manage and provide solutions to both the increased speed and complexity of work these days. Public Sector Banks will have to focus less on quantity head count and more on quality employee output. To get more out of people, Public Sector Banks will have to invest their resources in making sure employees get the most out of technology.

To attract and keep people, as a basic rule, Public Sector Banks will have to listen intently to their employees and do whatever is necessary, then keep listening and adapting to their ever-changing needs and desires.

What is necessary in today's frantic Public Sector Banks can be traumatic because it means changing old habits and challenging entrenched attitudes about how to manage the employees. Will the Public Sector banks listen to their employees? Well. Only time will tell.

**Proactive / Disaster Management**

Public Sector banks are already in the midst of fast changing environment. The currents of this ever-changing environment require new responses from Public Sector Banks. They can handle the future only with a visionary approach focusing on the following

- by defining and managing the changes with a set of well-stated organizational values without any ambiguity
- by recognizing complex theories and solutions take time and lose context
- by having a holistic approach and perspective to change (by having a systemic approach to change)
If they do not handle changes proactively, they will be finding themselves in deep trouble. Public Sector Banks had a taste of things to come when they implemented an ill-conceived and totally unplanned golden handshake / voluntary retirement scheme which saw a massive exodus of skilled and talented employees.

**Talent management**

Competitive environment requires competency should matter in any decision-making and for this business organizations recruit, nurture and retain best talents. Thus talent management has become strategically important and the matured and still learning organizations practice structured competency frameworks to make people related decisions. International banks are no exception to this.

Public Sector Banks should first educate themselves as to
1. What constitutes talent?
2. How to identify talent?
3. How to develop talent? and
4. How to nurture and reward talent?

Banking *per se* consists of various specialized areas like – credit, foreign exchange, treasury operations, computing and information technology, risk management, etc. – and the specialist bank employees are required to have natural endowment or ability of a superior quality and to exhibit specific mental and physical aptitude and an innate ability to perform successfully in these areas.

Though the bank employees may or may not exhibit their talent in these areas openly, it will be for the Public Sector Banks to uncover such talent by competency based interviews, performance appraisal ratings (if these
are based on competencies), psychometric instruments, work ability tests, etc.

Public Sector banks will have to understand that the development of talent is no different from the development of competency. In the case of talent, the banks will have to concentrate not just on the disparity between the present level of competency and the desired level of competency but will also have to work on the strengths of the individual employees. The identification process must therefore aim not just at identifying the talent but also at the identifying the area in which these employees are talented.

Thereafter the public sector banks must provide them with all the opportunities where they can utilize their talents in the manner best suited to the interest of the banks. The effort should be to channalise the strengths of the employees so that they are able to capitalize on them. This may involve a lateral movement of the employee to a position better suited to his talents. Or it may also involve restructuring of a job to accentuate the particular talents of the employee.

The nurturing of talent is possibly the most difficult part of handling talent, more so in Public Sector banks. Talented employees are usually sensitive and easily suffer slights, both real and imagined. In case talent is neglected, it gives rise to a feeling that mediocrity is welcomed and encouraged resulting in the exodus of such talented people from Public Sector Banks. Thus care must be taken while dealing with them. It is important to recognize and reward talent in order to encourage them to use it for their own good as well as for the banks.

There are a number of ways by which the Public Sector Banks can nurture talent and they are::
Recognition schemes:

This is a system in which any act of furthering the business of Public Sector Banks through innovative means can be given due recognition and the initiator is appreciated in public. This gives the talented employee the feeling of being recognized and appreciated. It should be borne in mind that this does not happen as a one-time measure and each and every attainment or milestone should be recognized, appreciated and rewarded with the same if not more fanfare. Some Public Sector Banks make it a big show when a smaller milestone is achieved and completely close their eyes as if nothing has happened when a bigger milestone is achieved. This will demotivate, frustrate the employees still worse.

Rewarding talent:

Monetary rewards are as important as recognition and accelerated promotions. At the same time, it must be ensured that talented employees are not promoted out of their areas of competence. This invariably happens in the case of Public Sector Banks. In the guise of complying with rural service conditions, employees who are well talented in specialist areas like foreign exchange, treasury management, computing and information technology were/are posted to one-man branches in rural areas where only rural lending is the only business focused. Public Sector Banks will have to ensure that this happens no more.

Along with talent management, the Public Sector Banks will have to take care of other employees as well. There is every possibility that with special schemes for talented employees, other employees will be
disillusioned and discouraged. These employees may also choose to leave the banks. Among these, there will be employees who are extremely competent and dedicated at their jobs. It is these employees who form the majority and their loss will have grave implications for the Public Sector Banks. The Public Sector Banks will need to give them the feeling that they too are valuable to the banks and that their contribution too is appreciated.

Thus Public Sector banks will have to institute special schemes for employees who are functionally competent and also for those who have been performing at a high level, although they may lack the potential for further advancement in the banks.

This dual recognition of employees who are talented and those who are not, but are yet competent will serve the banks well in taking care of the issue of management talent.

When all the other things remain equal, the only thing, which matters for the winner, is the quality of human resources. The winner has to be ever alert to retain, retrain the talented and skilled employees.

Public Sector Banks will therefore need to prepare a clear road map to fulfill the aspirations of their skilled and talented employees. Such a road map will therefore focus on the building careers and not just charting the course of the banks. So far the Public Sector Banks have been focusing on the charting of the future course of the banks rather than building the careers of their skilled and talented employees. This is the reason why the Public Sector Banks have lost many skilled and talented employees from their fold and in the process they (banks) lost their way from their originally chartered destinations in their road map.
In addition, the Public Sector Banks will have to ensure that their human resources are periodically refreshed to stay ahead of their competitors. They have to build suitable second lines to take care of any emergencies be it death, disablement and desertion of their key personal in all key functional and specialized areas. They should not allow their competitors to poach their key personnel. If need be, they should also be market oriented in selecting, recruiting and enticing equally competent skilled and talented personnel from their competitors.

In the days to come, the Public Sector Banks may have to think in terms of recruiting outstanding performers from leading B-Schools to enhance quality of recruitment and also to ensure infusion of young blood to remain in touch with the changing times and also to bring down the average age profile of their staff.

Public Sector Banks should keep in mind that their HR framework has been severely tested in recent times with many high profile employees leaving them. Therefore, they have to develop robust talent management strategies by attracting, developing, measuring and retaining talent, role clarification for benchmarked positions, designing and implementing a performance pay systems for developing performance based culture in the banks.

**Valuation of human resources**

Valuation of human resources should be attempted scientifically and practiced religiously by Public Sector banks. Only this way they will be able to identify, nurture and retain talents with them. Realising the importance of human resources, particularly in service industries and industries where the brain is the factor to reckon with like banking, such human resources should be valued, reflected and accounted in the books.
and balance sheets of banks. There may be even an audit reference or schedule to the main balance sheets. Such references could include – listing out the important, talented, key employees of banks who remain in the rolls during the period under review. This way the focus could be shifted to retain the talents within the organizations.

Though it may be difficult to value such human resources in money terms, suitable mechanism may be thought of to reflect them in some identifiable units of measurement so that tracking could be done on a continuous basis. May be on the lines of goodwill accounting? It is earnestly hoped that this would be attempted at an early date. Only this way, the Public Sector banks could shift their focus to appreciate, look after and retain their talented employees within their fold.

Mr M R Naraynamurthy, Chairman and Chief Mentor of Infosys Technologies, the trailblazer among the Information Technology ventures in India, while talking of justifiable pride in his company being praised as one of the best employers in the country, admitted that his employees were given the best opportunities and facilities to excel and be creative as ultimately the ever lasting success of the company would rest on its human resources only.

Will our Public Sector Banks unlearn their existing policies and practices and get into this mode as experimented and succeeded by this beacon in the IT filed?

Public Sector Banks should understand that if their employees talk good about the banks, every body else will. By rediscovering their classic touch of early seventies, the Public Sector Banks can once again become the 'employer of choice'. Will they?
Public Sector Banks will have to realize that human resources management is a distinctive approach to employment management which seeks to achieve competitive advantage through strategic deployment of highly committed, conscious, capable, qualified and sensitive white collar work force, using an integrated array of cultural, structural and personnel policies and techniques.

Such Public Sector Bank employees are always to be viewed as 'valued assets' and their commitment, adaptability and high quality can be converted into competitive advantage in the market place by the concerned Public Sector Banks. They are indeed proactive inputs rather than passive inputs into products or processes in the banking business or transactions. They are capable of development, worthy of trust and collaboration. This can be achieved only by ensuring and through participation and informed choice by the Public Sector Banks. The stress and the pressure are therefore on the Public Sector Banks for generating commitment via communication, motivation and leadership. Such 'employee commitment' will yield better economic performance and this should be sought as a route to greater human development.

It is for the Public Sector Banks to focus on their human resources policies to convert their employees into resourceful humans. For this, the Public Sector Banks will have to place importance and emphasis on their individual employees and facilitate them to develop their abilities for their own personal satisfaction to make their best contribution to the organizational success.

Even otherwise, Public Sector Bank employees have a right to proper treatment as dignified human beings while at work with transparent policies, dedicated implementation (with of course, favours to none) and assured rewards for prescribed performance. Only when their job-related
personal needs are met, these employees can be effective. Public Sector Banks should also realize that management of human resources is much the same as any other aspect of management, and getting the deployment of right numbers and skills at the right place and in right time is more important than interfering with the employee's personal affairs for furthering their basic business of banking.

Public Sector Banks will have to realize that human resources management involves a shift away from compliance with rules and procedures towards viewing personnel policy and practice as instruments for achieving strategic objectives. It is only through an integrated and internally consistent set of human resources policies in relation to recruitment, selection, training, development, rewards and communications that the bank's core values can be conveyed.

The days of restraint based on low trust and limited expectations from their employees are gone and over for the Public Sector Banks. Facilitating and enabling human resources management will only generate much excitement because it can only offer the key to the unlocking of consensus, flexibility and commitment. Consensus suggests the achievement of a common set of values and beliefs. It promises an alternative to hitherto unsuccessfully tried 'conflict management'. Flexible approaches will enable the employees to commit themselves entirely for the bank's growth and in turn, such commitment is seen as potentially carrying employee performance on to an even higher plane. Beyond a simple willingness to work flexibly, the employees would exhibit an apparent endeavour to succeed. Only such committed employees would go that extra mile in pursuit of total customer satisfaction and bank's goals.
Public Sector Banks will have to realize that prosperity and better balance sheets are best achieved only through enterprising individuals exercising their talent and initiative in an uninhibitive environment. They will have to transform, to inspire and to motivate all their employees to usher in this new reality.

Unlike manufacturing industries where economies of scale are the mantras to market leadership, in service industries such as banking, the stress is on economies of scope. The modern customers would no more be satisfied with the conventional standardized services churned out by the counter staff of Public Sector Banks. They would demand quality and variety to accord the dominant market player status to the Public Sector Banks.

Changing customer tastes and the emergence of technological revolution (in the form of auto teller machines, total branch automation, etc) combined with the mushrooming of many different players in the market place have put enormous pressure on the already embattled and embittered Public Sector Banks. They can reverse the table and trends only with the whole hearted support from their employees. To receive this, the Public Sector Banks will have to shed all their inhibition - one can call, colonial conventions - just because they were the rulers in the market place when the banking was taken to the nook and corner of the country.

If the Public Sector Banks practice what they ought to, they would be like a winning football or cricket team where everyone's interests coalesce. The task of human resources management in this dispensation is to enable the bank to conquer the market.
In the none-too distant past, facts provided the impetus for theory. They still do. But the only difference is that the facts have changed. Banking business and the customer loyalty has become so mobile that it can go virtually anywhere. All it takes to shift from one bank to another is just a telephone call and motivated follow up from a smart, savvy, suave, capable, confident, compelling employee. There are no national frontiers or ideological barriers holding it back. The world is the market place and in it, the fittest will survive. And such fittest should have the right type of employees in its fold and hold.

In the ultimate analysis, the Public Sector Banks will have to accept the dictum that the key to market dominance lay neither in the command over net work of branches nor in superior technology but in the calibre and performance of their human resources only.

Earlier the dawn of this wisdom and resultant resurgent responses, it would be easier for the Public Sector Banks to regain their pre-eminence and position. It is a last chance for the Public Sector Banks; let them not turn out this as a lost chance.

Are they listening?

**Conclusion:**

Thus the findings of this study squarely prove the hypothesis that Public Sector Bank professionals are on the look out for greener pastures, career growth prospects and modern management practices outside their organization.

The study brings out in detail the various dimensions of the issues associated with the problem of exodus in Public Sector Banks and
focuses on the approach to the human resources management with particular reference to retaining talents.

The study highlights how important is respecting and providing for the aspirations of the human resources in Public Sector Banks as they have been found out to the deciding factor in their decision to quit Public Sector Banks. The study also unveils the potential of human resources for Public Sector Banks with regard to innovations, creativity and customer service in meeting out the competition from other banks in the market place – private sector and foreign.

The study also highlights the urgent need for attitudinal changes in the management of Public Sector Banks to improve their approach to their human resources.

The study, it is hoped, will definitely make the Public Sector Banks to adopt a holistic human resources management which is the need of the hour to retain their honour and rightful place in the market place. Holistic human resources management is in adopting practices on a wholesome canvas – covering head and mind – rather than in bits and pieces or just for the occasion approaches.

Holistic human resources management is in the approach towards and process of integrating fully the needs of the Public Sector Banks and also fulfilling the aspirations of their human resources. This new found approach will only enable and lead the Public Sector Banks to better appreciation of their human resources satisfaction, which will in turn, lead to further business growth and increase in profits.

The study also opens up the scope for further research on the following aspects
i. What is the right size for the human resources portfolio of any Public Sector Bank?

ii. What is the long term impact of the recently introduced and hastily implemented Golden handshake / Voluntary Retirement Scheme 2000 in Public Sector Banks?

iii. What are the possibilities for implementing business process outsourcing (BPO) in Public Sector Banks and their merits and demerits?

iv. Strategic planning in Public Sector Banks in the human resources management areas.

v. Talent management and valuation of human resources in Public Sector Banks – New approaches

It is earnestly hoped that Public Sector Banks on their own volition will adapt themselves to the ground realities to enable their human resources to realize their aspirations; otherwise, they would be compelled to do so by sheer market forces.

But a word of caution - the consequences of choosing the second alternative would be costlier, time consuming and may even prove to be disastrous.
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