

CHAPTER 1

INTRODUCTION

1.0 Introduction

In today's era of cut-throat competition, managers and their effective performance play a significant role for the success of an organization. In this way, the capacity to distinguish and characterize effective managers is fundamental. Specialized aptitude and established years of experience are no more vital qualities of effective managers. In today's scenario, effective managers are defined by competencies such as building good relationship with subordinates, peers and outsiders; communicating effectively; providing and asking for feedback; empowering subordinates; promoting a positive work environment, etc. In addition to competencies, effectiveness of the managers and the organization also depends upon the factors like job satisfaction, leadership style and motivation of the employees [1]. Also researchers are of the view point that managers may be having the requisite competencies but they may not be able to exercise their potential because of the current organizational culture [2] [3].

Organizations today are facing immense challenges in acquiring the right candidate with the right kind of competency. A knowledgeable and a skilled employee is an asset for the organization, who in turn helps to increase organizational performance. Also, while talking about performance, the role of leadership support and the kind of cultural setting in which the employees are working can't be undermined. Therefore, the HR professionals and the OD practitioners are striving hard to have the right kind of candidate and to develop a balanced culture so that ultimately the organizational performance and the productivity can be enhanced.

In the context of the above situation, the present study focusses upon managerial competencies and its role in increasing the effectiveness of the managers in the banking sector. Additionally, the significance of OC in increasing the performance of the managers has been taken into consideration.

1.1 Rationale of the study

Service sector plays a very significant role in India's economy. The Indian banking sector contributes substantially to the growth of the services sector. Therefore, it becomes a very challenging task for the banking industry to perform in an extraordinary manner, so that the much needed pace of growth can be achieved. According to an Economic Survey report 2013-2014, "India turned into the second quickest developing services with its CAGR at 9% just underneath China at 10.9%" [4]. The share of services in the GDP of India has increased from 33.3% in the mid of the twentieth century to 56.5 % in 2012-2013 [4].

Talking about the constitution of financial services in India, it mainly comprises of financial institutions, commercial banks, stock exchanges and a wide range of financial instruments. The banking industry in India has been the foundation of the nation's economy. It contributes approximately 10% to India's GDP (www.rbi.org.in). It has always played a pivotal role in the aversion of a financial calamity. It has received awards for its quality, particularly in the wake of the overall monetary fiascos.

This sector has envisioned immense growth over the last few years and has a completely different and a much advanced picture in today's scenario. There have been a plethora of changes in the banking sector in present times. New concepts like E-banking, m-banking, green banking, customer satisfaction, have totally altered the structure and functioning of the traditional banking sector.

In the present situation, where there is a concentrated utilization of innovation, knowledge is considered as a key to the accomplishment of aggressive objectives, not only in the area of production of goods but also in the domain of providing services.

According to Dangolani (2011) [5], this sector has been significantly affected by the Information Technology development. Because of the advancement of technology, new market, new products and new services have been opened up in the banking sector. Also, because of the digital revolution, the customers of today have turned out to be more demanding. In order to meet the demands of the customers, the banks are paying considerable importance to provide improved customers' services and are also upgrading their technology infrastructure so that the customer's overall experience will be enhanced and this will result in giving the banks a competitive edge

As per the RBI (IBEF report, June 2018), “banking sector in India is adequately promoted and is very much controlled”. [6]. The monetary and the budgetary states of the country are far superior, when contrasted with alternate countries in the world. “Studies on credit, market and liquidity risk show that Indian banks are generally strong and have stayed unaffected amidst the worldwide downturn”. [6].

“The Indian banking system consists of 27 public sector banks, 22 private sector banks, 44 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, apart from the cooperative credit institutions”. (IBEF report, 2018) [6]. “On May 2018, bank credit developed at 12.64 per cent year-on-year from Rs 75.91 lakh crore on May 2017 to Rs 85.511 lakh crore”. [6]. The government has likewise attempted a few measures to reinforce the Indian banking sector. “A two-year plan to strengthen the public sector banks through reforms and capital infusion of Rs 2.11 lakh crore has been announced by the Government of India that will enable the banks to play a much larger role in the financial system. In this regard, the Lok Sabha has approved recapitalization bonds worth Rs 80,000 crore for public sector banks, which will be accompanied by a series of reforms, according to Mr. Arun Jaitley, Minister of Finance, Government of India” (IBEF report, June 2018) [6].

The government of India has also announced that in future, there will be “enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms” [7] [8]. These factors are expected to provide a boost to the Indian banking sector as the rapidly growing business would be inclined to the banks for their credit requirements. Against this backdrop of phenomenal growth and in light of the fact that all the banks are putting forth similar products with minor variations in nomenclature, the bank employees and their performance will play an important role in improving the bank’s performance, in delivering high quality services and finally in improving enhanced customer satisfaction [7] [8].

Literature shows that Managers and their competencies have been considered as an important input for increasing performance [9] [10] [11]. In spite of widespread application, there are a few published studies of the empirical link between MC and ME, especially in the Indian context. Further, though literature has enough proof saying that the construct of organizational culture is

important in affecting job satisfaction and organizational commitment which are important drivers of employee performance but it is silent about the direct linkage between OC and ME. Finally, no study has been conducted which has integrated all the three variables i.e. MC, OC and ME, under a single umbrella.

The paucity of literature in these areas warrants an in depth research in these areas.

1.2 Objectives of the study

The main objective of this research is to understand the relationship between MC, OC and ME in the Indian banking sector. The detailed objectives of the study are:-

- 1.To identify the important competencies for middle level managers, across different functional areas in the Indian banking sector.
- 2.To develop a scale for measuring MC.
- 3.To understand the Culture archetype in different banks.
- 4.To understand the relationship between MC and OC.
- 5.To examine the effect of MC on ME.
- 6.To analyze the effect of various types of OC on ME.
7. To examine the joint effect of MC and OC on ME.

1.3 Proposed framework in the research

The review of literature helped in identifying the research gap and the following research framework was proposed. The framework comprises of three variables i.e. Managerial competencies, Organizational culture and Managerial effectiveness. The framework will be empirically validated on the banking sector employees, if the hypotheses formulated are proved.

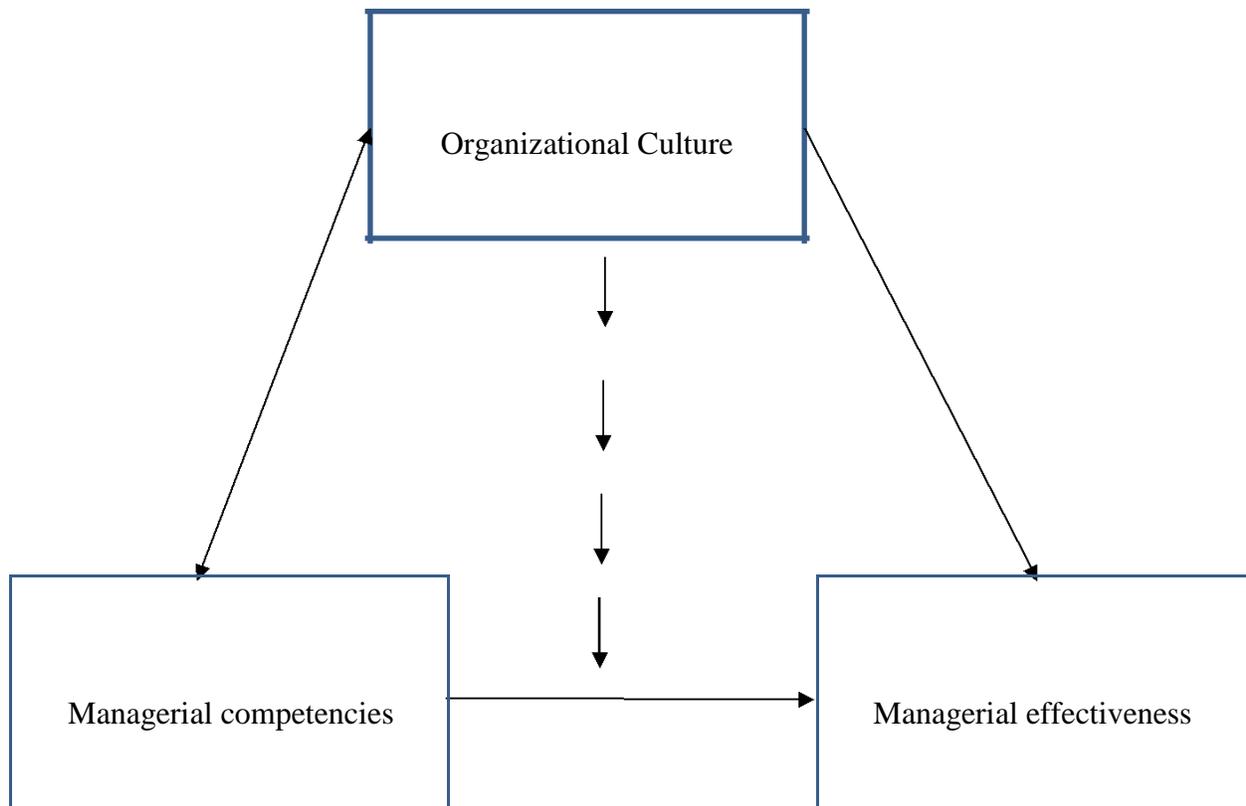


Figure1.1 Proposed Framework

1.4 Research methodology

Research design: Both exploratory and descriptive research design will be used.

Sources of data collection: Primary data sources as survey and secondary data sources as research papers, articles, IBEF report and RBI bulletin will be used.

Tools for data collection: Questionnaire will be used.

Sampling and sample size:

Sampling region: Sampling region is confined to Delhi-NCR

Sampling frame: RBI's website (www.rbi.org.in) and All Delhi Bank's directory 2013 were used to decide the sampling frame.

Sampling population: Middle level managers (Scale II and Scale III employees) from two reputed public and private sector banks i.e. SBI and PNB and ICICI and HDFC were chosen.

Sampling method: Both probability and non-probability sampling method, such as judgemental sampling and random sampling was chosen to select the sample. First, from the RBI website (2013), a list of public sector and private banks was generated. On the basis of criteria like profitability, market share and market capitalisation, two high performing banks from public sector i.e. SBI and PNB, and two high performing banks from private sector i.e. ICICI and HDFC were chosen. Next, from the All Delhi Bank's directory, 2013, approximately 25 branches each, of 4 banks were randomly chosen. Finally, all Scale II and Scale III managers from these branches were invited to participate in the survey.

Sample size: 506 employees from two reputed public and private sector banks were chosen as the final sample.

1.5 Significance of the study

The study is significant to three areas of organizational behaviour; managerial competencies, organizational Culture and managerial effectiveness. It provided an opportunity to add new knowledge to the area of managerial competencies as it can be utilized to improve managerial effectiveness. Development of effective managers is very crucial for business success. Also, the way organizational culture is perceived by the managers is vital for managerial performance. Literature shows that managers may be having the requisite competencies but their performance may not be up to the mark as they perceive the organizational culture to be not that conducive [2].

The findings of the study may be beneficial for Organizational Development practitioners who may integrate managerial competencies with managerial effectiveness in the design of managerial development programmes. Also, it may be helpful for HR managers who may use the list of managerial competencies during the process of recruitment and selection. The study may

also provide an insight to the top management to make necessary changes in organizational culture if it is not in sync with managerial performance.

1.6 Contribution of the study

The current study contributes significantly to the study of relationship between MC, OC and ME. This is the first study in India in which important competencies have been identified for employees of the banking sector. Also, it is the first study in which the three variables i.e. managerial competencies, organizational culture and managerial effectiveness have been integrated under a single umbrella.

1.7 Scope and limitations of the study

In the present study, data was collected from the middle level managers of various banks from national capital region of India. Moreover, sample drawn were from only two public and two private sector banks. Sample from other public sector and private sector banks from different regions of India may be taken to further understand the relationship between MC, OC and ME. Further, the sample size is small, which can be increased by collecting data from other banks of India. Data was collected from only middle level managers of the various banks. In future, data from senior level and lower level managers can also be incorporated. Self-perception method was used while collecting data for managerial competencies, organizational culture and managerial effectiveness; responses from peers, supervisors and subordinates were not collected. Future research can be conducted by working on these limitations.

1.8 Organization of the thesis

Research portrayed in this thesis examines the relationship between MC, OC and ME. The results obtained from this study are interesting. The study is organized into 6 chapters. A brief outline of each is given below.

Chapter 1 is an introduction of the thesis. It sets up the opening discussion of the importance of managerial effectiveness for organizational success. It also discusses the importance of managerial competencies and its contribution to managerial effectiveness. It throws light on the need and objectives of the study, along with a brief mention of research methodology used. The chapter highlights the various research objectives that have been used in the study. The chapter also describes the significance and contribution of the study. It concludes with the scope and limitations of the study.

Chapter 2 provides an exhaustive literature review on managerial competencies, managerial effectiveness and organizational culture. It gives historical evolution of the term competency and talks about varied studies which have undertaken in the area of MC, OC and ME. The literature review helps in understanding the gaps in earlier researches and provides opportunities and directions for future researches.

Chapter 3 describes the methodology used to carry out the current study. It gives details of the research design, sources of data collection. It also talks about sampling population, sample size, sampling frame and sampling method. The research instruments developed and used in the study are also explained in details. It also explains about the procedure which has been used for data collection and data analyses.

Chapter 4 describes in detail the findings and analyses of the study. It starts with demographic details of the sample. It talks about reliability and validity of the research tools used in the study. It proceeds with the means and standard deviation of the various scales used. Exploratory Factor analysis of Managerial Competency scale is shown followed by Confirmatory Factor Analysis. Each hypothesis was tested using Hierarchical regression. First hypothesis is tested between managerial competencies and managerial effectiveness. Second hypothesis is tested between organizational culture and managerial effectiveness. Third hypothesis is tested between managerial competencies, organizational culture and managerial effectiveness.

Chapter 5 is dedicated to discussion, conclusions and implications of the study.

Chapter 6 talks about the limitations and scope for future research in the area of managerial competencies, managerial effectiveness and organizational culture.

1.9 Conclusion

This chapter provided an introduction to the study and outlines the research rationale as well as the objectives. The next chapter presents a literature review on MC, OC and ME.