CHAPTER-IV

Research Methodology
CHAPTER 4

RESEARCH METHODOLOGY

4.1 RATIONALE AND NEED FOR THE STUDY

The cost of sickness is huge, both in monetary and human terms. The very basis of the business management thought, to ensure optimization of the resources deployed for amelioration of the enterprise, promoters, workers, share holders, country and all others connected with the enterprise is negated by prolonged sickness. The on going losses have to be borne not only by the promoters but by all constituents of the environment of the enterprise.

According to Bhushen Raina (2003), MD of Tin Plate Company of India Ltd, “Since the beginning of civilization when man started forming into groups, and then into organization, the story of upswing, stability, and decline of organisations has been repeated innumerable times, One starts wondering why organizations get into the downswing at all and then further into the declining mode, especially when an organisation has been created, nurtured, sustained, and developed with meticulous planning at all levels and in all functions. Experts and those connected with organizational life directly or indirectly come up with myriad reasons for organizational decline. But the understanding of these reasons remains an ill-understood subject at best and totally confusing at worst.”

However, as Khandwala has said, “Despite the importance of the topic, apparently there is little research reported on the mechanics of turning around sick complex organizations.” Pradip Khandwala (1981)

In the absence of proper research the managers tend to play it by the ear.

Prof. Sunil Mahehwari of IIMA has stressed upon this when he says, “Organisational decline and turnaround management is emerging as one of the most important topics addressed by business education and research in recent years. Yet globally the threat of decline has been increasing in both
manufacturing and service industries not only during the period of economic recession but also in the relatively prosperous years. In fact, there has been a sudden upsurge in the decline rate in the companies since 1995.

There is a growing concern among the policy makers, financial institutions, and corporate houses in the country to arrest the declining trend among the organisations. The frequently asked questions are:

What are the causes for the firms' decline?

What are the actions taken by the firms to respond effectively to decline?

What is the role of financial institutions, government, and other bodies in ameliorating the situation?"

"Faced with the need for massive change, most managers respond predictably. The revamp the organisation's strategy they round up the usual suspects – people, pay and processes-shifting around staff, realigning incentives, and rooting out inefficiencies. They then wait patiently for performance to improve only to be bitterly disappointed. For some reason the right things still don't happen. Why is change so hard?" (David Garvin)

The circumstances of each organization and therefore of each successful turnaround are unique. Each study of a successful turnaround, therefore, adds to the body of knowledge going a long way in cutting sickness short.

A Bank is a very vital organ of the Economy of a country. Unlike failure of a manufacturing or trading establishment, failure of a Bank can have far reaching repercussions not just at the local/national level but at the international level. An industry wide sickness in the Banking industry, as has been seen in several other industries in the past, has the potential to bring the entire economy to a halt.

However, as is evident from the literature survey, despite its importance there seems to have been little formal research on turnaround of a Bank, more so in the Indian context.
This research is also very currently relevant since this sector is now being opened up by the Government with more and more large well established foreign banks coming into the country. While Nationalised banks were the norm in this industry the cycle is slowly but surely moving towards Private Banks being the norm. With this swing in the industry and heightened competition from the MNCs there is every possibility of some banks reporting sick and having to be turned around.

Vivek Kaul (2005) tells us that in today’s scenario there is an ‘urge to merge’. He says, “In the recent past there has been a lot of talk about Indian Banks lacking in scale and size. The State Bank of India is the only bank from India to make it to the list of Top 100 banks, globally. Most of the PSBs are either looking to pick up a smaller bank or waiting to be picked up by a larger bank.

The central government also seems to be game about the issue and is seen to be encouraging PSBs to merge or acquire other banks. Global evidence seems to suggest that even though there is great enthusiasm when companies merge or get acquired, majority of the mergers/acquisitions do not really work.

So in the zeal to merge with or acquire another bank the PSBs should not let their common sense take a back seat. Before a merger is carried out cultural issues should be looked into. A bank based primarily out of North India might want to acquire a bank based primarily out of South India to increase its geographical presence but their cultures might be very different. So the integration process might become very difficult. Technological compatibility is another issue that needs to be looked into in details before any merger or acquisition is carried out.

The banks must not just merge because everybody around them is merging. As Keynes wrote,” Worldly wisdom teaches us that it’s better for reputation to fail conventionally than succeed unconventionally”. Banks should avoid falling into this trap."
The Banking industry is also different in another aspect that the freedom to operate is severely curtailed in this sector. This is on account of there being a strong regulator in the form of Reserve Bank of India, whose Directors are on the Board of every Bank and whose permission is to be sought and regular reports submitted for almost aspects of the Banking operation.

It thus stands to reason that the speed of implementation of the decisions, as envisaged in the turnaround strategy suggested by the literature for other organizations may not be possible in the turnaround of the Bank. So what are the special factors in the turnaround of a bank given the aspect of presence of a Regulator? Do the same rules apply here? Are there an entirely different set of rules? Or is it that while some rules from traditional turnaround theory apply, some of the others are not applicable though however, it has some new rules of its own too?

The Bank of Rajasthan Ltd, besides being one of the few turnaround success stories has even ab-initio negated one requirement of a successful turnaround as per some of the current turnaround literature i.e. for the new leader to be such whose experience and background is appropriate, whereas in the case of The Bank of Rajasthan Ltd the new management was completely new to the Banking industry. Thus, it is expected that interesting and revealing results will follow from the study of its turnaround.

4.2 SCOPE OF THE STUDY

With the recent opening up of the financial sector there has been considerable interest envisaged in various financial organs of the economy and more so in Banking given its all pervasive presence and impact.

However, especially with the backdrop of the Global Trust Bank failure wherein the RBI had to ensure that none of the customers lost any money though the shareholders did, as also the near failure of United Western Bank, there is considerable interest in ensuring that Banks do not fail and incase there is sickness remedial action is immediately initiated.

The Bank of Rajasthan Ltd is one such bank which has been successfully
turned around in the near past, and is in fact still on the arduous path of coming up to its full potential.

Hence, The Bank of Rajasthan Ltd has been studied for the purpose of this research.

The study has been conducted on the Top Management and employees of the bank across the country.

4.3 RESEARCH OBJECTIVES

1. To study the causes of decline of the bank under study.
2. To study the financial position of the bank before and after the commencement of the turnaround process
3. To study the changes that were initiated in the following areas/levers during the execution of the turnaround process:
   - Leadership
   - Strategy
   - Structure
   - Human Resource Management Practices
   - Technology
   - Marketing
   - Quality and Costs
4. To study employees’ perception regarding the causes of decline and reasons for turnaround and process thereof for the Bank under study vis-à-vis the following demographic factors:
   - Age
   - Qualification
   - Income
   - Gender
   - No. of years of service
   - No. of years of service at BOR

5. To suggest to the Bank the measures that require strengthening and the steps that need to be sustained for heightened future growth.

4.4 HYPOTHESIS

H1: Ineffective structure and inappropriate leadership were the main causes of the decline of the bank under study.

H2: There is a variation in the perception of the impact of Leadership and Structure on the decline of the Bank under study with increase in Income levels.

H3: Immediate and large scale downsizing were essentially required for affecting the successful Turnaround of the Bank under study.

H4: Technological changes in the Bank under study were perceived to have high impact on its turnaround.

H5: Factors responsible for decline and for successful turnaround of the Bank under study were the same in their perceived relative importance.

H6: Rewarding acceptance to change and providing adequate training during change implementation have a positive impact on the employees' perceived image of the bank.

H7: Employees' perception of the Bank's standing in the banking industry is related inversely to their perception of the application of Manipulation as a tool for implementing change.

4.5 SELECTION OF SAMPLE

This is a study of The Bank of Rajasthan Ltd.

'Stratified Random Sampling’ was used. The Strata was prepared Geographically on the basis of the ‘Regions' as defined by the bank (Appendix 3). Then From within each stratum the branches/Offices were selected randomly. All the employees of that branch were the respondents.
The Central Office, Corporate Office and the Regional Offices were included in the relevant strata of their location.

The numbers of samples from each stratum were decided according to the procedure given in Table IV-1. e.g. if the region has 32 branches & offices the number of branches/offices to be randomly selected for administration of the Questionnaire will be 2. The term ‘offices’ includes branches also.

<table>
<thead>
<tr>
<th>No. of offices</th>
<th>1-20</th>
<th>21-40</th>
<th>41-60</th>
<th>61-80</th>
<th>81-100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Size</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Table IV-1: Decision Table for Number of samples

After deciding on the sample size from each stratum the required numbers of sample offices were randomly selected from each.

A total of 27 offices were, thus selected and Questionnaire (Appendix 1) was administered to employees in these offices.

The total number of employees of the Bank were 3990. Since the Questionnaires were to be received from all over the country regular telephonic, and in some locations personal, follow up was done. Finally, data was gathered from 270 employees of the Bank.

The number of offices in each region and the sample size there from is given in Table IV-2.
Demographic variables, Age, Qualification, Gender, Income, Number of Years of Service and Number of Years of Service in Bank of Rajasthan have been taken into account in the study. While only 4.44% of the respondents were in the age group 21-33 years the figure was 42.22% and 46.3% for the age groups 34-46 years and 47-59 years respectively. As many as 55.93% of the respondents were Post Graduates while only 2.59% were Under Graduates. While bulk of the respondents, 72.59% were Male, the Females were also well represented forming 20.37% of the sample. Income varied from Rs. 4,500 p.m. to Rs. 1.16 lacs p.m., with the majority, 56.79% of the respondents in the Income bracket of 20000-30000. Experience varied from one year to 40 years of total service and from less than a year (taken as 0) to 34 years at Bank of Rajasthan. The largest segment in the two experience variables is respondents with 20-29 years of experience forming 60-65% of the sample.
Table IV-3. Detailed Frequency Tables of the responses is given at Appendix 2.

<table>
<thead>
<tr>
<th>Sr No.</th>
<th>DEMOGRAPHIC VARIABLES</th>
<th>CATEGORIES</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Age (years)</td>
<td>21-33</td>
<td>12</td>
<td>4.44</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34-46</td>
<td>114</td>
<td>42.22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>47-59</td>
<td>125</td>
<td>46.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missing System</td>
<td>19</td>
<td>7.04</td>
</tr>
<tr>
<td>2</td>
<td>Qualification</td>
<td>UG</td>
<td>7</td>
<td>2.59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Graduate</td>
<td>93</td>
<td>34.44</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PG</td>
<td>151</td>
<td>55.93</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missing System</td>
<td>19</td>
<td>7.04</td>
</tr>
<tr>
<td>3</td>
<td>No. of years of service (NOS) (years)</td>
<td>0-9</td>
<td>10</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10-19</td>
<td>35</td>
<td>12.96</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20-29</td>
<td>173</td>
<td>64.07</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30-40</td>
<td>22</td>
<td>8.15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missing System</td>
<td>30</td>
<td>11.11</td>
</tr>
<tr>
<td>4</td>
<td>No. of years of service in BOR (NOS-BOR) (years)</td>
<td>0-9</td>
<td>16</td>
<td>5.92</td>
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<tr>
<td></td>
<td></td>
<td>10-19</td>
<td>34</td>
<td>12.59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20-29</td>
<td>165</td>
<td>61.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30-40</td>
<td>18</td>
<td>6.67</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missing System</td>
<td>37</td>
<td>13.7</td>
</tr>
<tr>
<td>5</td>
<td>Gender</td>
<td>Male</td>
<td>196</td>
<td>72.59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
<td>55</td>
<td>20.37</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missing System</td>
<td>19</td>
<td>7.04</td>
</tr>
<tr>
<td>6</td>
<td>Income Rs. (Per month)</td>
<td>&lt;20000</td>
<td>37</td>
<td>13.21</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20000-30000</td>
<td>159</td>
<td>56.79</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30000-40000</td>
<td>35</td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40000+</td>
<td>30</td>
<td>10.71</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missing System</td>
<td>19</td>
<td>6.79</td>
</tr>
</tbody>
</table>
4.6 SOURCES OF DATA

The study comprises of both primary and secondary data.

4.6.1 Primary Data

Questionnaires (Appendix 1) were administered to the employees of the bank at the randomly selected offices to study the employee perception of the reasons for the decline and turnaround of the bank, as also to take a look into the process of implementation of the change.

4.6.2 Secondary Sources

Extensive review of literature was undertaken to understand the past, present and future of the rapidly altering banking landscape nationally and internationally with the focus being on the Indian context. Information was gathered from the top management, Corporate and Regional offices of Bank of Rajasthan, Reserve Bank of India, Indian Banks' Association, Staff College of Punjab National Bank, current and past senior level officers from RBI and other banks.

Various Books, Journals, Periodicals, Magazines, Newspapers and Internet were perused to generate information on Turnaround, Banking Turnaround, Bank of Rajasthan and the other allied areas.

4.7 DATA COLLECTION TOOLS

Data collection for the research to study the process of turnaround of the Bank of Rajasthan was carried out by preparing a Questionnaire for the employees of the Bank under study.

To begin with the Questionnaire seeks demographic information about the respondent i.e. Age, Qualification, Gender, Income, Number of Years of Service and Number of Years of Service in Bank of Rajasthan. Name of the respondent was consciously not asked since this study primarily covers the actions of the top management and possibility of identification of the respondent and fear of repercussions thereon could have led to 'acceptable' answers being given rather than free and frank responses.
The first two questions seek to understand the image of The Bank of Rajasthan with the respondent. The next section, questions 3 to 15 cover the aspect of reasons for decline of the bank. This section has been sub divided according to the change levers: Leadership (questions 3 & 4), Structure (question 5), Human Resource Practices (questions 6 & 7), Technology (question 8), Marketing (questions 9 to 11), Quality (questions 12 & 13) and Costs (questions 14 & 15). The following section, questions 16 to 45 seek responses on the reasons for improvement in the performance of the Bank after its takeover. As before, this is sub-divided according to the change levers: Leadership (questions 16 to 19), Strategy (questions 20 to 23), Structure (questions 24 to 28), Human Resource Practices (questions 29 to 32), Technology (questions 33 to 36), Marketing (questions 37 to 41), Quality (questions 42 & 43) and Costs (questions 44 & 45).

The last section (questions 46 to 53) is to understand the methodology adopted by the management for bringing about the changes in the organisation.

Respondents were asked to rate the questions on a 5-point scale to which, subsequently, scores were assigned as given below:

- 5 - Strongly Agree
- 4 - Agree
- 3 - Can't say
- 2 - Disagree
- 1 - Strongly Disagree

4.7.1 Reliability and Validity Analysis

As a function of accuracy, by Reliability a behavioural scientist refers to the extent to which the scaling results are free from variable or experimental errors. There are several measures of reliability including test-retest method, equivalent forms, split halves method and internal consistency method. In the current research Cronbach’s Coefficient alpha was used.

Instead of checking the reliability on the entire questionnaire alone it was
checked on the sub-groups also to get reconfirmatory results. These are given in Table IV-4.

Table IV-4: Reliability Coefficient results

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>Group Reliability Tested for</th>
<th>No. of Items</th>
<th>Cronbach Alpha (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Decline and Turnaround Change Lever Groups</td>
<td>15</td>
<td>0.8602</td>
</tr>
<tr>
<td>2</td>
<td>Decline Change Lever Groups</td>
<td>7</td>
<td>0.8647</td>
</tr>
<tr>
<td>3</td>
<td>Turnaround Change Lever Groups</td>
<td>8</td>
<td>0.8621</td>
</tr>
<tr>
<td>4</td>
<td>Image Perception</td>
<td>2</td>
<td>0.8702</td>
</tr>
<tr>
<td>5</td>
<td>Implementation Methodology</td>
<td>8</td>
<td>0.7304</td>
</tr>
<tr>
<td>6</td>
<td>Entire Questionnaire</td>
<td>53</td>
<td>0.9430</td>
</tr>
</tbody>
</table>

Alpha values of 0.60 and 0.70 or above are the criterion for demonstrating internal consistency of new established scales and established scales respectively.

Since the alpha values calculated above are far higher than the minimum requirement the internal reliability of the instrument stands confirmed.

As the second function of accuracy, ‘Validity’ refers to freedom from systematic errors. Several experts from academia and practitioners were approached for an extensive interaction to confirm the Content Validity of the Questionnaire developed by the researcher. The reliability of the scale as measured by the coefficient alpha, tested in several forms and yielding a very high resultant figure is also an indirect indicator of convergent validity of the questionnaire.

4.7.2 Pilot Survey

Pilot survey of the preliminary questionnaire was undertaken for its ‘pre testing’. Pilot survey of 17 respondents was conducted at the Regional Office of the Bank at Chandigarh. An attempt was made to include demographically varied respondents in this pre test.
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The Questionnaire was modified and finalized based on the feedback received from this pre testing.

4.8 ANALYSIS OF DATA
The collected data was appropriately tabulated and scored for extraction of relevant and valid information it was subjected to statistical analysis. Computerised analysis using SPSS software package was utilized. The statistical tools used for the analysis were Analysis of Variance (ANOVA), frequency analysis, paired t-test unpaired t-test and Regression Analysis.

i. Descriptive Analysis: Measures of central tendency such as Means, Standard Deviations were calculated to study the nature and distribution of the responses. Graphical representations, Frequencies charts and descriptive statistics form the basis of the quantitative analysis of the data

ii. t-test: To study the whether the differences between two groups are significant t-test was used. While 'unpaired t-test' was used for study of significance of variance on various parameters based on Gender, 'paired t-test' was used while comparing the impact of the same change lever during the decline and the turnaround of the bank.

iii. Analysis of Variance (ANOVA): The significance of the variance of the mean scores on more than two groups based on various demographic factors was done using ANOVA e.g age, income, qualification, experience etc.

iv. Multiple Regression Analysis: Step-wise Multiple Regression Analysis was employed to determine the relative contribution of the independent variables of Implementation of Change on the dependent variables of Bank image.