Conclusions and Recommendations
CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 CONCLUSIONS

Given the importance of organisational turnaround, this study is an attempt to underline and highlight the important facets of this intriguing process with special reference to the Banking industry. This is done by studying the turnaround process adopted at The Bank of Rajasthan Ltd.

The research, in two parts, studies the Decline of the Bank and then its Turnaround. Both of these, again, have been studied from two perspectives

1) Study of information from Secondary Sources and
2) Primary data collection and analysis of Employee perception on various aspects of the change process

Change levers given by Nilakant 1998, form the structure of this research. The decline, turnaround and perceptions thereon have been studied with respect to the following change levers:

a) Leadership
b) Strategy
c) Structure
d) Human Resource Management Practices
e) Technology
f) Marketing
g) Quality and
h) Costs

There were 270 respondents to the Questionnaire, administered for collection of the primary data. 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
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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 questionnaire seeks image perception of the employees on the standing of the Bank in the banking industry. Based on the above given Change Levers it seeks their perception on the impact of each of these in the Decline and Turnaround of the Bank. Lastly, the respondents give their perception on the methodology for implementation of the change. The responses were sought on a five point scale.

The Reliability and Validity analysis of the Questionnaire developed was carried out. Reliability, checked and cross checked with various grouping yielded high figures for Cronbach’s coefficient α, going up to 0.943 for the entire questionnaire. Involved consultations with experts confirmed the Content Validity of this questionnaire. Analysis of Variance (ANOVA), Paired and Unpaired t-tests were employed to understand the difference of perception of the impact of various change levers with respect to the demographic factors of Age, Qualification, Gender, Income, Number of Years of Service and Number of Years of Service in Bank of Rajasthan.

Step-wise Multiple Regression Analysis was used in order to determine the relative contribution of the independent variables of methodology employed in the implementation of change on the dependent variables of Bank image. This yielded the predictive relationship between these variables.

Study of the secondary data revealed that one of the major reasons of decline of the bank in the period 1993-98 was the high level of NPAs. It was noteworthy that during this period even the Public Sector Banks actually improved upon their NPA ratios.

From the above discussion it is inferred that there was retardation or failure on almost all aspects with a possible exception of Costs. However, given the high level of NPAs and the fact that these were not such as would be encountered in normal course of banking business clearly establish that the major failure was on the aspects of Leadership and Structure.
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Since all major loan sanctions would necessarily require the approvals to be accorded by the Board of Directors and especially even minor ones when these are to be made to a company in which any director is interested, the failure is of the most important constituent of the Structure of the Bank, the Board of Directors, obviously led by inappropriate Leadership.

The Primary data also corroborated the above with Leadership and Structure emerging to be the strongest factors responsible for the decline in the performance of the bank as per the perception of the employees of the Bank, while the change levers of Technology and Quality were rated to be the least responsible.

Income turned out to be the most significant of the various demographics analysed for understanding the variances in mean scores for reasons of decline. There were large variances in the perception on account of differences in the Income levels with the higher income levels displaying a firmer conviction in the strength of their perception. The Income level, in this case, is also reflective of the seniority level in the banks hierarchy. Thus, it could be concluded that since perception to the same set of circumstances is different at different levels the various levels need to be understood and during the period of turnaround communicated appropriately.

Contrary to expectations, the other demographic factors viz. Age, Educational Qualification, No. of Years of Service and No. of Years of Service in Bank of Rajasthan, returned uniform perceptions.

The financials of the Bank after its takeover by the new management indicate growth of the Bank on almost all parameters. Even the Non-performing assets, as was seen earlier seemed to be largely responsible for its decline, were reduced to below 1% level in 2006. Costs too showed a sharp and continuous decline.

The turnaround was carried out with well formulated Strategy and was in consonance with the McKinsey model of Bank turnaround. However, it differed from it in that there was virtually no laying off and the number of branches were increased rather than downsized.
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The Structure of the Bank was also found to be slowly but surely revamped. High compensations for target bound results are replacing the old order.

Heavy investments were made on Technological front which helped the Bank introduce and market modern products as also step up internal and external quality, cut down operational costs and boost efficiency.

In line with the secondary indicators Technology turned out to be the most significant of the change levers reasons for turnaround with Marketing a very close second.

Structure and Human Resource Management Practices were relatively perceived to the least influential of the change levers in effecting the turnaround.

Responses to the role played by Structure in the Turnaround process varied significantly. Employees in the mid segment i.e. in the Age group 34-46 and with 10-19 years of experience gave the least scores to the influence of Structure. Employees with 0-9 and 30-40 years of experience at BOR gave the highest score to Structure. This is suggestive of the restructuring giving positive dividends at the top and bottom at the cost of the middle order.

As in the case of analysis of decline, there were significant variances in the perception on account of differences in the Income levels with the higher income levels, once again, indicating a stronger perception level.

Training and Rewarding of Change was found to have a positive impact on the image of the bank with the employees.

Manipulation, as a means of implementing change, has a negative effect on this image. There is a feeling of manipulation having been used to implement the changes and this feeling is the most predominant in the lowest income group of salary below Rs. 20,000.

Females and Under-graduates gave lower scores on the factor of Facilitation and Support were used as a means of implementing change, thus indicating that these two categories require greater handholding during change implementation.
Females were also more positive about the role of Reward for Acceptance of Change being the more influential strategy.

A paired comparison of change lever was carried out over the scores in Decline and Turnaround. Structure, which scored the least in Turnaround, remained at the same level for both Turnaround as well as Decline. All other levers scored higher for Turnaround than for Decline with the most influential lever, Technology, being far higher in Turnaround than its role in decline.

7.2 HYPOTHESES TESTING
The results, in relation to the Hypotheses for the purpose of this research, are summarized below:

H1: It was expected that ineffective structure and inappropriate leadership would be the main causes of the decline of the bank under study. The research done has supported this belief. The mean scores from the primary data on the employee perception for the reasons of decline of the bank under study analysed using Analysis of Variance (ANOVA) yielded the highest scores for Structure and Leadership. This was further strengthened by the findings of the secondary study, where from it was found that the Leadership was inappropriate in that it was siphoning off funds to their own and other such doubtful companies and that the where these were becoming NPAs and that the Structure of the bank was ineffective in checking this siphoning off of the funds.

H2: It was anticipated that there would be variation found in the perception of the impact of Leadership and Structure on the decline of the Bank under study with increase in Income levels. The study has confirmed this belief. ANOVA analysis of the mean scores on Leadership and Structure with respect to the Income levels yielded significant variation. The scores were higher for higher income groups.

H3: It was expected that immediate and large scale downsizing would essentially be required for affecting the successful Turnaround of the Bank.
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under study. However, the study does not support this expectation. From secondary data it was found that there was no immediate or large scale downsizing. While in terms of branches/offices instead of downsizing there was growth the reduction in the number of employees in the first year only 0.77% which certainly does not imply large scale downsizing.

**H4**: It was believed that Technological changes in the Bank under study would be perceived to have high impact on its turnaround. This was confirmed by the ANOVA scores of the analysis of mean values achieved by various change levers on their role in the turnaround of the Bank under study. With a mean score of 4.24, Technology was the highest scorer.

**H5**: It was anticipated that Factors responsible for decline and for successful turnaround of the Bank under study would be the same in their perceived relative importance. However, this study did not support this feeling. Thus, it was found that (a) Technology, which was perceived to be least responsible for the decline was perceived to be the most responsible for Turnaround and (b) Structure, which was perceived to be most responsible for the decline was perceived to be the least responsible for Turnaround. This went to suggest that while some change levers act as ‘sustainers’ other act as ‘drivers’. As in this case ‘Structure’ seemed to be emerging as a sustainer while ‘Technology’ seemed to be a ‘Driver’.

**H6**: Rewarding acceptance to change and providing adequate training during change implementation have a positive impact on the employees’ perceived image of the bank, was the belief. The study supported this. On running the Multiple Regression Analysis on the perception of the employees as to the method of implementation of change and its impact on the perceived image of the position of the Bank in the banking industry it was found that both these factors were not eliminated and formed a significant part of the regression equations. Thus, going on to confirm the hypothesis.

**H7**: It was believed that 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. This too, was confirmed by
the Multiple Regression Analysis. This aspect had a negative score in the equation thereby suggesting that rise in the value of this score i.e. rise in the use of manipulation for implementation of change would reduce the perceived image of the position of the Bank in the banking industry with the employees of the Bank.

7.3 RECOMMENDATIONS

Growth is an ongoing process and more so in a competitive environment when one has to keep running to even stay in the same place. With the efforts put into and results obtained from this study some recommendations are being made to The Bank of Rajasthan Ltd with the hope that these will be found useful in accelerating and further refining the growth process.

(i) The most significant demographic in terms of the variances in the results has been Income. It is expected that Income also reflects the hierarchical position of the respondent in the Bank. Thus, while taking decisions and implementing them the management should try to visualize the impact of these decisions on various levels of the organisation and ensure proper communication to allay any misgivings.

(ii) Very high scores achieved by Technology indicates that the employees are looking positively at technology and don’t seem to have reservations about it. Thus, in the presence of such receptive atmosphere for technology the management could think of, if required, stepping up the pace of technology upgradation and implementation.

(iii) There were significant variances in the role played by Structure in the Turnaround process. Employees in the mid segment i.e. in the Age group 34-46 and with 10-19 years of experience gave the least scores to the influence of Structure. Employees with 0-9 and 30-40 years of experience at BOR gave the highest score to Structure.
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The management needs to confirm whether this implies that the restructuring process is giving positive dividends at the top and bottom at the cost of the middle order, and take appropriate corrective action.

(iv) Though this was not an in depth study on identification of gender differences, the gender based demographic study has indicated the areas where the female concern is higher:

a) While mean score for Human Resource Practices being the perceived reason for decline for Males was 3.33 while that for the Females was a much higher at 3.61. This was further accentuated by the fact there is no significant difference in any other Change Lever. This significant variance in mean scores of HRP establishes that the Human Resource needs and expectations are different between males and females. The result suggests that the females attach a greater importance to the HRM practices.

b) ‘Rewarding acceptance to Change’ as the change implementation tool indicated the females feel more strongly that rewarding acceptance to change ensures better implementation of the change. By extension, it can also be deduced that by rewarding acceptance to change the change process will get better compliance from females.

c) “Facilitation and Support when difficulties were faced” during the implementation of change found that females indicated a greater need for support.

(v) There is a feeling in the Bank that Manipulation is being used as a tool to implement the changes. This is affecting the image of the Bank with the employees. Within categories the lowest income group, less than Rs.20,000, have indicated a greater perception of being manipulated. Corrective action should be taken on this.
(vi) Rewarding acceptance to change’ as a means of implementing change has been appreciated by the employees and this is the policy to be strengthened.

(vii) Maheshwari (2003) has said, “Frequently the lack of surplus resources causes excessive control and managerial paralysis leading to failure. Similarly, excessive surplus resources lead to complacency. Careful management under these conditions can prevent possible decline of organizations.” Thus, the Bank needs to be careful that the recent success does not lead to complacency.

### 7.4 LIMITATIONS OF THE STUDY

While every attempt has been made to make the study as comprehensive as possible, each study is fraught with some limitations and shortcomings.

Organisational turnarounds are complex phenomenon that are carried out over an extended period of time with thousands of hard and soft actions and decisions and their interplays that may elude summation.

The following could be considered as some of the limitations of this work:

1. For reasons of paucity of time and resources the study was done on a sampling basis rather than being conducted on all the employees of the bank. The results, thus, could have some statistical variations.

2. Given the large scope of this study and the fact that examples of Bank Turnaround, especially in India and that too in a standalone mode i.e. not through amalgamation or merger are few, the study was conducted on one bank. Study over two or more such banks could have further validated the results.

3. Since the data collected was connected with perception, some of the respondents may not have given completely correct information due to shortage of time, frame of mind at the time of administration of the questionnaire or a desire to give expected and desirable responses.
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These limitations notwithstanding, this study is significant in the contextual direction that it provides for vitalizing of an important organ of the economy. This is all the more relevant since it comes at a time when this sector is opening up to the market forces, national and international, and failures, requirement to turnaround, amalgamate, merge and assimilate will be more the norm than an exception.

It is hoped that in such situations this study will be a useful reference tool.

7.5 SCOPE FOR FUTURE RESEARCH

During the study in the course of this research and from the results of this research some aspects have emerged that either could not be addressed herein due to various constraints or are freshly thrown up. Future research can be taken up on these following aspects:

1. A comparative study of the turnaround process between
   - two or more Indian banks or
   - between one or more each of an Indian and Foreign bank.

2. Given the differences in perception across income levels an in-depth study on the variance of perception regarding functioning of the different aspects of the bank based on income levels could yield useful results.

3. A comparative study of the turnaround of a bank in a 'stand alone' mode such as The Bank of Rajasthan Ltd. and a bank that is merged with another bank and then turned around. In the recent context Global Trust Bank and United Western Bank, if they get turned around, are such examples as could be considered.

4. A longitudinal research on a sick/declining Bank that is likely to be turned around e.g. Global Trust Bank and United Western Bank.