Chapter 1

Introduction
1.1. Importance of Study

Human Resource Development in India has a rich history and has been changing from the age of Industrial Revolution. The development of number of industrial laws, rules and regulations and attitude of judiciary gave a way for Industrial Relations during fifties to seventies. Industrial Relations are equated with collective bargaining, interpretation of rules, labour laws, court cases, problems of indiscipline. IR had taken the driving seat and claimed as the only God Father of workers at large which takes care of their well being. But soon it was realized that IR is construed as environmental constraints which limits the ability of organization rather than an opportunity to develop collaborative problem solving relationship.

In the eighties, it was argued that an average employee gives more than 60% of its working life to organization and therefore, it is necessary that employees find their work enjoyable and satisfying. The organization should ensure that they have good careers, receive awards, training, feedback, job rotation and other such developmental activities. HRD got inducted as a philosophy of value and culture of corporations.

If we look into the history of development of HRD, we may find that it has moved from administration to personnel and reached to the level of HRD. During this journey, the Personnel Managers became the guardians of rules & regulations, which were designed to avoid discord rather than promoting cooperation and collaboration. In the eagerness of adopting HRD, several companies changed the nomenclature of its personnel department or Industrial Relations department as HRD or HR department. But the legacy of the past continues even today as a constraint in the development of effective HRD. Top management people in several organisations have considered the human as an essential evil for production and gave relatively low priority to people dimensions. This lack of management interest and commitment to people related issues placed HRD at low pedestal. The HR functionaries in the hope of reaching near to the top management and in
fear of loosing power also contributed to this attitude. Fear of change is another constraint operating against effective HRD.

Liberalization of Indian economy (started in 1991) and movement towards globalization have brought in new challenges for Indian business in terms of business strategies, technology, and quality concern; cost effectiveness, management system etc. The challenges and problem have become more complicated in the present age of recession.

All these in turn, have brought new challenges for Human Resource Functions. Now the focus has been shifted from HRD to linking the HRD with business improvement. If the corporation does not take care of its own, there will be no careers, no rewards, no job rotations, no training and in fact no job at all. Therefore, in addition of creating a long term and short term business strategy, there is challenge before the organization for creating -

- High speed organization where once decision is taken, implemented fast.
- Sleek organization where task are achieved by fewer people with the aid of modern technology.
- Create a learning organization.
- Having flat structure where decision making is well structured.
- A goal driven and not procedure driven organization.
- Organization where employees at all level are respected and their thought and works are valued.
- Develop the competence, commitment and efficiency level of employee.
- Develop positive OCTAPACE culture and make attitudinal changes among the employees which can cope up with such long term and short term strategy. (Rao, 1999) (1)

As a result, number of organization had to re-look their HR policies and initiated HRD interventions such as process re-engineering, downsizing, quality control, work design etc. However, several organization adopted western HRD practices or copied HRD practices from other organization without linking with its own culture and landed into
further complications. Some of us believe that organizational culture is formal to a large extent by the views and belief of top management, the controls and reward system in place in an organization, the identity of an organization and the way the people communicate with each other, while this is true to a large extent, we at times find to forget that the organization culture is only a subsystem of the large societal culture with constant culture with constant interchange of various parameters between the two.

No HRD can succeed in isolation. An HRD initiative successful and effective in an organization culture/ societal culture may or may not be equally successful in another. Some forces promote HRD but some restricts HRD.

A- Some facilitating forces existing and/or emerging in Indian society which promotes HRD$^2$:

- A strong pressure from market forces and external agencies like Government of India, Reserve Bank of India, SEBI, TRAI etc.

- Changing attitude of the top management who started believing in HRD interventions and ready to take risk and reduce their traditional power.

- Growth of young dynamic leaders coming out from B schools who believes that “Winner don’t do different things, they do things differently” (Shivkhera).

- In a collectivist society like India, people learn to think of themselves as ‘we’ rather than ‘I’ Job invades private life and the invasion is accepted by people. To this extent, our culture seems to be positively affecting the organization and we find, at least, some persons from the top management are totally involved in their work, day in and day out.

- A common man in India has some religious orientation and is GOD FEARING PERSON. He may or may not go to religious places like temple, mosque, church and Gurudwara but believes that God exists. Although, people still do wrong things, but the God fearing ones, generally are more dutiful, committed, helpful, co-operative and
positively oriented. This orientation could be a great support for HRD, and can be utilized with advantage.

• Sayings, like the following have always been prompting us for better time management:

\[ \text{dk} \text{ djsl kvk \ djvsk \ djsl ksvc !} \]
\[ \text{i} \text{ y eajy; g} \text{xhQs djskdc !!} \quad (3) \]

• For doing one's duty, in this world, and reaping the fruits in another, a dictum comes to us from the following:

\[ \text{deZ#k} \text{ fo'o gj} jflk! \]
\[ \text{t} \text{ kt l djsl ksl! Qy plk!!} \quad (4) \]

\[ \text{tSckeksobkghdlkks!} \quad (5) \]

• For being polite and sweet, we have been listening from time immemorial:

\[ \text{rq} \text{ hshipu l sl fki gmpowfs !} \]
\[ \text{okf} \text{ij.k; seas gjt nspou dpl!!} \quad (6) \]

• Decrying autocracy and advocating democracy, Sant Rahim had said

\[ \text{jfgeujkt l gjf; ffl eht lfhnt kgs!} \]
\[ \text{dk} \text{ djiucgfrl; krfj; u [kks!!} \quad (7) \]

• However, these sayings although popular, have not affected all and sundry, and only some select few have really imbibed them in life styles. Yet, somewhere in the back of mind one can certainly activate with an advantage for the HRD.

B- Some Hindering forces of Indian Culture/ Religious Value.

• Self - orientation and individualism in Indian Society which has distanced us from group work. People have become more self centered and family oriented in new era where people started believing in ‘I’ achievement than ‘We’ achievement. This also brings corruption and nepotism at work place.
• **The Diversity among sub – cultures, caste and gender inequalities** some time creates rift among people

• **The concept of authority** and centralization of power: Touching the feet to the elders, bowing in obedience and leaving all important decisions to be taken by the Karta of the household is fairly common.

If the concept of Mai- Baap still exists in BIMARU state, Mota - Bhai and Chota - Bhai exists in Gujarat and Maharashtra. It leads to non involvement in decision making and the consequent alienation of the work force.

The concept of two rules still hanging in the chambers of some senior executive’s i.e.
Rule No. 1:- Boss is always right
Rule No. 2:- If Boss is wrong, refer rule No. 1.

• **Organization structure and processes**: The organizational structures are hierarchical. There is a large army of educated unemployed and very little effort is made for selecting the right person for the right job. The selection process for recruitment is basically a process of rejection. Therefore, no sooner the honey moon period is over, the employer tries to shake off unsuitable and reluctant workers but due to complicated laws and intervention of the court, the same is not possible and the organization has no scope except to carry their weight for the life time. There is very less scope for employer to distinguish between performer and non-performer.

• **Giving low priority to time and quality and general people has belief on Bhagwan Bharose or sab-chalta hai** (God manages and not to get worried):-

• **No - Risk taking behavior**: Our child rearing practices leave the children with minimal choice making and each choice needs approval of the parents. Our children
have had less experience with decision making or risk taking and this behaviour gets transported to our organizations.

- **Lack of openness** in family and personal life leading less scope for expression of feelings in public. Sant Rahim's following saying really sets the norm:

  ![Lack of openness](image)

- **Sibling rivalry**: Brought up in such an environment where as a child we try to win the favour of elders. Child who sleeps with the mother is area of competition among the children. This sibling rivalry of wining the favour of the chief exits in the organization too.

Apart from the legal framework in which the organisation operates, these socio cultural issues have direct impact upon the organization culture and promotion of the HRD in organisation. While commenting upon HRD practices in the Bank, Dr. Khandelwal (2010) (10) says that “throughout the 1970s, I observed that customers were held hostage by a very difficult industrial relations (IR) environment in the Bank. Pressures of expansion, rural development and target imposed by then government and an unwritten policy to soft-pedal the union had its own impact in making management compromise and even mollycoddle unions. This culture got almost institutionalized across the Bank so much so that there was complete blurring of management functions (p.xiv).”

Pursuant to Narasimham Committee Report-I, the Banking reforms after 1991 and entry of foreign banks and new private players compelled the Nationalized Banks to re-look their business strategy. Many Public Sector Banks began to access capital market for shoring up their equity capital (Tier I), thereby diluting the government’s holding. However, Government of India continues to hold majority share-not less than 51 % in all nationalized banks. Shares of these PSBs are listed and traded in the stock exchanges of the country. Besides government, PSBs are also accountable to other shareholders, including foreign institutional investors (FIIs) and institutional investors who have
invested in their shares. Thus, these PSBs are also subjected to market dynamics and competition, the same way as private sector banks….because of government backing, PSBs enjoy credibility and good brand identity as trusted financial entities. But at the same time, PSBs are also perceived as organizations slow, insensitive to customers, rule ridden, and lacking in innovations. On the other hand, private sector banks are considered as the ‘banks of tomorrow’ with high-tech working systems, speedy service, and swanky premises and aggressive in overall management and operations (Khandelwal, 2010, p.2). (11)

No matter whether it is public sector bank or private sector bank but the customer is bothered about services which he gets. So the public sector banks are required to change and compete with private sector banks. However, the change in business strategy was not possible unless the work force is ready to pace with the same and march towards achieving the goal. Though, market dynamics and competition are common to public sector and private sector banks, the internal environment and control system and procedure under which the organization runs are different, placing the PSBs somewhat at a disadvantage. In PSBs the internal environment is characterized by constraints, red-tapism and bureaucracy, interdepartmental conflicts and control-driven communication. The private sector banks have the freedom to adopt market-driven compensation to their staff whereas the staff of PSB are governed by the industry level bipartite settlements and government regulations which forbids distinction between a performer and non-performer and often resulting in de-motivation and wastage of human talent (Khandelwal, 2010, p.2). (12) Another problem with the Public Structure is their rigid structure. Hannan and Freeman (1989) asserted that inertia is generated as a result of an organization’s internal structural arrangements. As the organizations grow old, these inertial pressures increase so as to increase the organization’s stability over time. On the negative side, such inertia also creates resistance towards change and helping the organization to avoid the liability of newness. Instances of external pressures, cost cutting, and informational, political and historical constraints restrict organizational change (as cited in Sharma, 2009) (13).
Since organizations exist in a constantly evolving external environment, certain changes in their systems, structure, strategy, function, procedures and day-to-day activities are required to attain equilibrium, to preserve their systemic characteristics and to grow and adapt to environmental changes by improving its functional performance mainly through its Human Resources. As regards Public Sector Banks, HR has remained neglected field except lip service (Sangwan, 2009, p.258). (14) While describing the key problems and apathy of HR relations in Banks, Bhide and Khandelwal (1986) said:-

(i) Traditionally, Human Resource Development of banks have been engaged in maintenance and administration function. Integration of HRD with business vision and strategy has been weak. HR is not organically aligned with emerging business realities and is considered as an additional strain on the business managers’ responsibility.

(ii) Inadequacy of performance management system, high focus on relationship orientation rather than task orientation, antiquated settlement with employees unions-creating, inter alia, rigidity in staff deployment and staff utilization, absence of reward system for performers and tolerance of non-performers, nebulous training system focusing on numbers rather than linking the training strategies with placement and development plans are all issues that are crying for attention of the top management.

(iii) While many other areas of banking functions like Credit, Recovery, International Banking, Forex, Investment are supported by well written policy documents, HR is an area has not received similar treatment. Result is that in many banks, the philosophy and mission of HR, enunciation of HR policies continue to be the areas not receiving the attention of the top management (p.58). (15)

The changes which have taken place in last a few years have been responsible for more attention being paid to employment relations within Bank have been summarized as under:-

- Major consideration on productivity and quality service due to cut throat competitions.
- Essential need of better customer service to attract and retain the customers.
Shorter product life and wider number of products need multi skilled and easily trainable employee. Employee skills have become important determination not only of flexibility, productivity and quality, but also of employability, investment and the ability to rapidly adapt market change.

Changing technology has displaced traditional nature of jobs and created new way of doing jobs with different skills.

Technology is also compelling the organizations to create flatter organization. This has resulted in:
- Management less by command and control and more through emphasis on cooperation, information sharing, communication and participation leading to motivation.
- Reduction of narrow job classifications and demarcation lines between line managers and workers. Accompanied by skill enhancement needed to perform jobs with a broader range of tasks.
- Increasing areas for worker involvement in the conception, execution and control of work.

Emergence of work force with higher level of education and skills. Practical shift from blue collar to white collar employees.

The world is changing; the market place is changing; more particularly, the Indian banking market place has been witnessing simultaneous changes. Banking sector, being a constituent of service sector, would continue to heavily rely upon the human capital as a differentiator for providing competitive advantage. Under these facts, the following question arise:
- What is the present HR policies?
- Whether these HR policies are in tune with the changing times and changing needs of the customers?
- Whether the HR policies are in consonance with our legal and socio-economic structure?
- If not, which type of policies, we need?

These questions are questions which can no more be delegated to a department like the personnel department.
Of course late but Nationalized Banks too have started taking some aggressive steps in adopting different types of HRD measures and the results have been very encouraging. Like, the Indian Bank, which was a weak bank in 2000, by adopting certain HRD practices such as strengthening training system, promoting employees, launching various incentive schemes, has become a well performing bank now. Sh. V.P. Sethy (2003) the then CMD of UCO Bank, another loss-making bank, promoted 5,000 employees within 3 years and all were posted at proper places. These two HR practices changed the whole scenario of the bank, and today this bank is the good performing among public sector banks. The Andhra Bank also adopted the promotion practices in 2001 by promoting 3,000 employees in a stroke and the business of the bank jumped from Rs. 11,000 crore in 1998 to Rs. 45,000 crore in 2005 (Sangwan, 2009, p.217).

Bank of Baroda, the Bank on which this study is concentrated was on number one position among PSBs during and just after initiation of banking reforms, could not come up to the expectation of the market and changed scenario and started losing its business after initiation of Banking reforms. The Bank which was so giant and remained on the apex among the Nationalized Banks up till 1998-1999, in terms of business share and size of the balance sheet, started losing its market share and slipped year by year and to the 5th position among the Nationalized Banks by the end of financial year 2003-2004. Incidentally, the Government allowed all PSBs to offer golden handshake scheme to their employees and go for voluntary retirement scheme in March, 2001 by shedding out 6527 employees (constituting 3098 officer+ 2506 clerks+ 923 subordinate staff). During the year 2003-2004, the Bank prepared a long term strategy to double its business within 05 years and make strategic change in its functioning and took various business innovations which were later followed by other peer Banks such as:

- Change of face through change of Logo.
- Introduction of 100% CBS Banking
- Innovation of 8 a.m. to 8 p.m. Banking.
- Innovation of 24 hours Human Banking.
- Innovation of Happy Hour Banking.
• Innovation of Gen-next Branches- Beyond Daddy’s and Uncle’s Bank.
• Entering into new business area like Insurance, Mutual Fund, Treasury.
• Introduction of various new flexi products.
• Introduction of money-plexes.
• Initiation of various Business Process Re-engineering activities.
• Reorganization of administrative set-up.
• Aggressive Branch Expansion.
• Introduction of various business outlets like:
  o Retail Loan Factory
  o SME Loan Factory (Small & Medium Enterprise Loan Factory)
  o Agriculture Loan Factory
  o CFS branches (Corporate Financial Service Branches)
  o Assets Recovery Management branches
• Introduction of Social and Rural Initiatives (for upliftment of poor people in rural area) like:
  o Gramin Viaks Kendra (village development centre),
  o Baroda Grameen Paramarsh Kendra (counseling centre for villagers),
  o Baroda Swarojgar Vikas Sanstahan (for development of entrepreneurs),
  o Adoption of 20000 villages under financial inclusion.

But change cannot take place unless the people are ready to change themselves and cope up with need of change. But the problem with the Bank was that it was legacy-driven organization where 80% of the employees were more than the age of 40 years and average age of employees was more than 46%. Under these circumstances attitude is hardened and difficult to change and the organization needs to take some strong and painful steps like bypass surgery needed to remove cholesterol (Khandelwal, 2010) (17). But at the same time, being a nationalized bank, it had no freedom to go for hire and fire like private banks. Moreover, HRD measures needs to be taken within the broader framework and limitation set by the Government of India as owner, Reserve Bank of India as regulator and Indian Bank Association as mentor that too without agonizing union who normally looks HRD measures with suspicious eyes. Despite these constraints, the top management of the Bank
dared to relook the Bi-partite Settlement and HR policies from the different angle and take such HRD measures which encourage employees to be competitive. Fortunately, the results have been quite encouraging. The perception about the level of customer service improved a lot and business of the Bank grown rapidly with the speed of doubling the balance sheet size in every three years and at the end of the financial year 2011-2012 the Bank regained its No. 1 position among PSU Banks once again which can be seen from the chart and graph mentioned below:-

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<td>No. of offices</td>
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<td>2753</td>
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<td>40313</td>
<td>39803</td>
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<td>36774</td>
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<td>38960</td>
<td>40046</td>
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<td>Business per employee (in Rs. lakh)</td>
<td>175.60</td>
<td>245.42</td>
<td>252.00</td>
<td>273.00</td>
<td>316.00</td>
<td>396.00</td>
<td>515.00</td>
<td>665.00</td>
<td>863.00</td>
<td>981.00</td>
<td>1229.00</td>
<td>1446.00</td>
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<tr>
<td>Profit per employee (in Rs. lakh)</td>
<td>0.65</td>
<td>1.40</td>
<td>1.92</td>
<td>2.43</td>
<td>1.71</td>
<td>2.13</td>
<td>2.70</td>
<td>3.9</td>
<td>6.05</td>
<td>7.85</td>
<td>10.59</td>
<td>14.00</td>
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<td>Business per Branch (in Rs. Crore)</td>
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<td>35.64</td>
<td>36.95</td>
<td>39.77</td>
<td>45.56</td>
<td>55.99</td>
<td>75.23</td>
<td>89.25</td>
<td>112.86</td>
<td>132.17</td>
<td>156.27</td>
<td>172.19</td>
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<td>Net Profit per Branch (in Rs. Crore)</td>
<td>0.11</td>
<td>0.20</td>
<td>0.28</td>
<td>0.35</td>
<td>0.25</td>
<td>0.30</td>
<td>0.37</td>
<td>0.50</td>
<td>0.75</td>
<td>0.97</td>
<td>1.24</td>
<td>1.28</td>
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<td>35601</td>
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<td>Total Business</td>
<td>81407</td>
<td>95467</td>
<td>101714</td>
<td>108568</td>
<td>124733</td>
<td>153574</td>
<td>208537</td>
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<td>Gross Profit</td>
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<td>1309.26</td>
<td>1716.63</td>
<td>2485.29</td>
<td>2031.91</td>
<td>1970.51</td>
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<td>Net Profit</td>
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<td>545.93</td>
<td>772.78</td>
<td>967</td>
<td>676.84</td>
<td>826.96</td>
<td>1026.47</td>
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<td>Customer Base</td>
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<td>24644941</td>
<td>25643037</td>
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<td>3104540</td>
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<td>Customer per employee</td>
<td>481.74</td>
<td>588.11</td>
<td>605.69</td>
<td>619.173</td>
<td>648.71</td>
<td>727.44</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Earning per share</td>
<td>9.28</td>
<td>18.44</td>
<td>26.11</td>
<td>32.97</td>
<td>23.08</td>
<td>27.10</td>
<td>28.18</td>
<td>39.41</td>
<td>61.14</td>
<td>83.94</td>
<td>107.88</td>
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<td>Book value per share</td>
<td>104.05</td>
<td>120.09</td>
<td>139.36</td>
<td>166.46</td>
<td>183.83</td>
<td>209.18</td>
<td>231.59</td>
<td>261.54</td>
<td>313.82</td>
<td>378.82</td>
<td>459.58</td>
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Table No. 1.1.1: Table showing figures under important business parameters of the Bank
From the chart number 1.1.1 and 1.1.2, it is clear that number of workforce has gone down from 46360 to 41000 while number of offices almost remained constant during the period from 2000-01 to 2011-12 but the business of the Bank has gone up by more than 7 times resultanty increase in profit to more than 16 folds during the same period which can be seen from the chart number 1.1.3 and chart number 1.1.4.
Figure No. 1.1.3: Graphical representation of growth in deposit, advances and total business

Figure No. 1.1.4: Graphical representation showing growth in the profit

It is also observed from the table number 1.1.1 that per employee business being handled by employee has also moved up from 1.75 crores to 14.46 crores and number of customers each employee handling has also increased from 481 to 1071 which is a clear indication that level of employee performance has improved resulting into improvement
in customer service and business of the Bank and also increases its efficiency to compete with other Banks in the industry through various change initiatives.

A good deal of research studies have been done on the best practices and policies of HRD specially in private organization but no significant work has been noticed with reference to the actual impact of HRD measures in strategic change management and whether the HRD measured help in improvement of the competence, commitment and culture of the organization resultantly improving the customer service (for which the organization is basically meant for) at the shop floor level (branch level) in the old and giant Public Sector Bank having legacy of managing through IR and administration since several decades. My attempt is to evaluate the HRD measures (implemented during the decade- period from 01.04.2001 to 2012) on affecting on effective strategic change management and in improvising customer service in Bank of Baroda (PSB which is century old and has work force of more than 40000 employees) and to understand whether it has any impact upon the Bank’s business which has shown a phenomenal growth in the business of the Bank and regain its position by March 2012 as number one among the Nationalized Bank.

Since, the question of research involve, three key concepts, in the next sub-chapters, the following concepts are discussed in detail in the subsequent chapters:

- Strategic change management- a conceptual framework.
- Human Resource Development
- Role of employees in customer satisfaction.

End Note
3. Whatever you want to do, do it now. Something unusual may happens in next hours and then when you will do.
4. The duty is important in life and as you do in life similar you will get in life
5. As you sow as you reap.
6. Tulsidas a poet says, sweet words gives pleasure and hence leave hard words.
7. Rahim an old Indian Poet said, the administration should run in democratic manner instead autocratic manner.
8. The God who has given beak will give food also.
9. Rahim a poet said- keep your worries in your mind, because if you share with others, no body is going to reduce it
11. ibid.2.
12. ibid.2.
1.2. Strategic Change Management- A conceptual framework

To improve is to change, to be perfect is to change often-’Winston Churchill‘ (1)

Change is the only factor which is constant. Change is inevitable and if an organization is to function successfully, strategies at different level needs to inter-relate. Whoever said “change is the elixir of life” could not have met with a bigger antithesis but most of the time it is still perceived as a negative threat. An average person in the organization, normally resist changes. Whether change is good or not, management surely faces a stiff resistance to change. This sub-chapter deals with related concepts of change management like what is strategic change management, need for strategic change and why people resist changes and how to overcome it.

When a person handles the task, two parts of the mind works i.e. conscious mind and subconscious mind. Only a minuscule part of the work is attended to by the active mind. The active mind satisfies itself by ideation on what is new in any given task while the subconscious mind performs the larger routine roles embedded in that task. Now the subconscious mind is pre programmed in the performance of these routine tasks by virtue of repetition and habit. When a change is proposed the subconscious mind faces an implicit threat because the change poses a reprogramming a new way of doing things that have habitually been done in a different manner. (Percy, 2010, p.14) (2)

Change means movement. Movement means friction. Only in the frictionless vacuum of a nonexistent abstract world can movement or change occur without that abrasive friction of conflict (Percy, 2010, p.37). (3) Resistance is the enemy of change, the foe which must be overcome if a change effort is to be successful. According to Ansoff’s (as cited in Sharma, 2007, p.88) “Resistance has been considered as a phenomenon that affects the change process, delaying or slowing down its beginning, obstructing or hindering its implementation, and increasing its costs”. (4)
G Connor (as cited in Sharma, 2007, p.88) outlined the following causes of resistance:

- Lack of belief that there is a serious need for change.
- Different descriptions of the need for change.
- No agreement about the goals for change.
- Lack of belief that the goal is attainable.
- No confidence in the manner of change.\(^{(5)}\)

The inertia to resist change may be increased due to various reasons such as:

1. **Lack of communication between** the management and the people. Communicating a change is definitely not an easy task but creating a positive vibe building an atmosphere changed with enthusiasm right from the start and making people feel that they are with you in this rather than having them comply to your wishes, makes things a lot less tougher (Percy, 2010, p.145).\(^{(6)}\)

2. **Procedure:** Staff lacks the knowledge, skills and experience to implement the proposed change.

3. **Goal Oriented:** Staff does not know why they should undertake a specific change and the CEO as the leader of the organization is the best person to head this communication. (Percy, 2010, p.145) \(^{(7)}\)

4. **Involvement of parties:** Resistance may also arise if people are not clear about the change. Change has a considerable psychological impact on the human mind. To the fearful it is threatening because it means that things may get worse. To the hopeful it is encouraging because things may get better. To the confident it is inspiring because the challenge exists to make things better (Percy, 2010, p.39). \(^{(8)}\) Human behavior exists along a continuum. On average, people avoid risk taking
except when threatened. But imagine a bell curve. At one end, a small minority of avidly seek risk. At the other end a small minority of people are so cautious they won’t take risks even when their lives depend on it. The vast majority fall in between, avoiding loss when comfortable with life and fighting furiously when survival requires them to do so. (Sharma, 2007, p.88)(9)

5. **Lack of proper support:** Commitment to change and physical and psychological support from the top is critical.

6. **Lack of courage** to implement the change. Often employees are found to be driven by an instinct to survive rather than an instinct to grow. This kind of a complacent attitude makes it difficult to introduce improvement (Sharma, 2007, p.39). (10) Fear encourages everyone to avoid risks, to become internally focused, and to stop communicating—all of which constrains to the ability to change (Nicholson, 1998, p.147).(11)

7. **Poor motivation on the part of management and employees:** Poor motivation on the part of various people especially on the part of middle management and employees specifically fails execution of the change process. It is important to realize that it is practically impossible to dictate work to every individual. Rather the tact lies in facilitating change through delegation and learning rather than directing and spoon feeding. The Manager can select a core group of individuals from among the large numbers that report to him. To this group he provides guidelines of work which are then translated into decisions by them. The decisions are then implemented by the mass of people in that team through rapid learning and delegation of work (Percy, 2010, p.129).(12)
8. **Poor conviction on the part of CEOs and Top Management:** The first change in behavior should be that of the CEOs and top executives. “Leaders need to ask themselves:-

   a. What we want to manage?
   b. How would we attack our problems?
   c. What kind of meetings and conversations would we have?
   d. How would we need to act?
   e. Who would be involved?” (13)

As leaders and followers work side by side to develop the answers to these questions, they create their future together (Percy, 2010, p.78).  

9. **Team building is important:** Just as car run on four wheels change initiatives work only through organized team efforts. In this direction the CEO can contribute towards establishing a top team of influential and effective leaders who can coordinate the work of different teams and guide change through difficult times (Daniel, 1993, p.111).  

Moran & Brigham (2001) gave TRY model which provide the features that can either block or support one’s adjustment to external change as follows:

- Beliefs (what one thinks is true);
- Values (what one thinks is good);
- Behaviours (how one does things);
- Skills (one’s talents and abilities) (as cited in Sharma, 2007, p.95)  

To counter all these, change needs an overall leadership force that is greater than the combined force of resistance. The real contribution of leadership in a time of change lies in managing the dynamics, not the pieces. The fundamental job of leadership is to
deal with the dynamics of change, the confluence and congruence of the forces that change unleashes, so that the company is better prepared to compete (Percy, 2010, p.90).

(17) **One key to successful leadership is continuous personal change. Personal change is a reflection of our inner growth and empowerment** (Daniel, 1993, p.109). (18)

An effective organization needs to formulate an strategy and develop self-renewing properties -a capability to continuously examine itself ` and takes both reactive and proactive action in relation to the environment (both internal and external). The term ‘strategy’ is derived from the Greek word strategic, evolved in the field of military forces and means the ‘art and science of being a general’. Of late, however, it has also been frequently used in the corporate world and means “the broad programme for defining and achieving an organisation’s objectives; the organisation’s response to its environment over time.” Strategy is usually formulated at the apex level of the organisational ladder.

Jauch and Glueck (19) (as cited in Percy,2010, p.136 ) have defined that “Strategy is a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organisation.”

Strategic Change Management is a technique of approaching change by defining the goal of the change initiative then planning the strategy by which that goal is to be realized and formulating indicators that will enable you to understand whether you have reached your goal or not (Sharma, 2007, p.45). (20)
A change across the organization that impacts one or more dimensions of its functioning such as staffing, structuring, work allocation or turnouts etc. is referred to as an organizational Change. This is opposed to smaller changes such as isolated personnel movements modifying a program, using a new computer procedure.

Galpin (as cited in Sharma, 2007, p.94) proposed the model of the change management process, according to which a successful organizational change effort must target two levels – the strategic level and the grassroots level. Strategic change refers to the up-front, initial effort involving executives, senior managers, a small cadre of employees and often consultants, who provide an outside view. This kind of change is broad and organization wide and involves two primary goals – a technical or analytical goal (involving generation of recommendations for change) and a “soft side” goal (involving creation of momentum for changes). Grassroots change is the effort that drives change deep into an organization by stressing implementation at the local level. The primary goal here is to implement and sustain desired changes. (21)

**Strategic change management is set of managerial decisions and actions that determine the long run performance of an organization and ready for constant adjustment of following three major interdependent poles:-**

![Diagram](image)

*Figure No. 1.2.1: Interdependent poles of strategic change management*
Every company passes through various phases of evolution, identifying challenges targeting customer setting goals achieving them raising the bar, and so step by step climbing on to the top. In the process change is inevitable.

At any point of time, all these three types of change management exist. Whatever the process and methodology is adopted, all employees may not be willing to accept the change. Management needs to communicate the change as clearly as possible so that employees develop the belief over management’s strategy, philosophy and its strength.
and commitment towards change and willing to accept change. It is important to realize that it is practically impossible to dictate the work to every individual. Rather the tact lies in facilitating change through delegation and learning rather than directing and spoon feeding (Jauch, Lawrence & William 1988, p.11).\(^{(22)}\)

Theoretically, organizational changes have been classified in the following categories:-

1. Based upon coverage of the system
   a. Organization wide change is one which spreads over most part of the organization. It involves a major collaboration with other organization, restructuring of the organization and major shift in work culture of the organization.
   b. Sub-System change involves change in structure and process of a department of the organization or introduction of a new product/service/system in the organization. For example, introduction of computer in the Bank.

2. Based upon fundamentals
   a. Developmental Change is one which is initiated with intention to improve the existing situation or level of performance.
   b. Transformational Change is one in which change initiator assumes fundamental and radical change. For example, change from hierarchical to flat structure of the organization.
   c. Incremental change is one which is gradual. For example, implementation of new core banking solution in the Bank.

3. Based upon planning
   a. Planned Change is one which is undertaken after a concerted discussion. The management decides to implement a new structural or functional change to cope up with expected problem and difficulty.
   b. Unplanned Change is one which is undertaken under compulsion to meet out the unforeseen circumstances.
These classifications however are not watertight and change irrespective of how planned have certain level of uncertainty. Similarly, a transformational change has certain inputs for developmental change.

**Needs for strategic change management**

Change is the law of life and those who look only to the past or present are certain to miss the future (Percy, 2010, p.64). \(^{(24)}\)

There are following reasons which compel the organization to change itself before the change compels to change and by the time it is too late.

1. **Challenge of New Development:**

   New development, which critically impinges the organization are firstly, changes relating to business operation such as competition, change in technology, changed customer profile, innovation profit with social orientation and future planning and secondly changes relating to its’ own Human Resource portfolio. These changes are very fast and the organization is required to change before the change forces to change.

   **The issue before the organization is not only:**
   - What we are today but what shall we be tomorrow?
   - Where we are today but where shall we be tomorrow?
   - Who is our competitor today but who shall be our competitor tomorrow?
   - What scales and capabilities we have but what shall we require for tomorrow?

   In order to cope successfully with the changes, it is inevitable for the organization to define Corporate goal, mission and vision and make a long term reactive and proactive
strategy which can provide the road map not only for survival but also to survive with reasonable profit and create solid organizational and operational base of customers on the basis of ethics and principle.

**Change, change, and more change.** Perhaps the greatest competitive challenge companies are facing is adjusting to reality and embracing non-stop change. They must be able to learn rapidly and continuously, innovate ceaselessly, and take on new strategic imperatives faster and more comfortably.

2. Need to provide high quality of product and service at competitive rate which squeeze the profit margin.

3. Customer challenge: Organization has to take care of external customer and internal customer (Employees). Both have different orientation.

Organization needs employees who are professional, systematic and trustworthy who can fulfill their commitment in terms of delivering services on time and of promised standard.

The external customer who is the driver of all challenges is matured knowledgeable, demanding and convenience oriented. He is looking for products and services which are qualitatively better and comparatively cheaper.

**He likes a car which:**

- Is spacious but smaller;
- Is faster but safe;
- Has solid body but light weight;
- Is technologically superior and sophisticated but rough & tough; and
- Is one of the best model but comparatively cheaper?
4. Technology: Technology is changing so fast that it becomes obsolete by the time you think of it. To survive in the competition, there is a need of getting world class technology, absorbing it, adopting it and continuously improving it.

5. Culture: The Corporation has challenge for building a professional, system driven and commitment, promoting organizational culture.

**How to overcome resistance to change:**

If you want to make enemies, try to change something.- Woodrow Wilson (as cited in Pocket Mentor, p.52). (25) Organizational change affects three levels – Individual level, Structure and System level, and Organizational Climate level, which have been explained as under:

- Individual level (change affecting individual’s attitude, beliefs, values, skills and behaviour)
- Structure and system level (change affecting incentive system, information system)
- Organizational climate (change affecting leadership styles, interpersonal relationships, decision-making) (Sharma, 2007, p.44). (26)

**Gail Sheehy said – If we don’t change, we don’t grow. If we don’t grow we aren’t really living.** Success in life isn’t based on mere ability to simply change but it is based on the ability to change faster than the competitors so as to meet the requirement of business, customers and society at large (as cited in Percy, 2010, p.1). People at large have capability to change but some people are ready to change and others are not. Percy (2010) has described the following six step model which many companies have found useful:

- Mobilize energy and commitment by identifying business problems and solutions.
- Develop and communicate a shared vision of the change program.
- Identify the change program’s leadership.
• Create short-term wins by focusing on results, not activities.
• Institutionalize success through formal processes, system, and instructions (p.18).

According to Greiner (as cited in Sharma, 2007) (27), organizations grow as they traverse through five distinct stages, where each stage consists of relatively calm periods of continuous change, culminating in a crisis that leads to a state of turmoil in the organization. The resolution of crisis leads to a calm period of continuous organizational change, which again climaxes in a crisis. These relatively calm periods of continuous change, he calls evolutions and the period of turbulent rapid discontinuous change, he calls revolutions.

Lewin (as cited in Sharma, 2007, p.42) (28) has provided three stages to bring about change in any system – unfreezing, changing and refreezing. Unfreezing is the process by which people become aware of the need for change and efforts are thus made to unfreeze current behaviour. Changing means to move from the current state to the future desired state. It may includes change in behaviour or attitude, resulting in organizational shake ups. The aim is to move in positive direction and may include the techniques of restructuring, changes in roles and change of jobs; Freezing involves stabilizing new behaviour and the ways of freezing may include awards, recognition, rewards and so on.

There are many approaches to maneuver change but broadly speaking, the steps taken for change management may be grouped in four steps:
• Phase – I Clarifying Roles and Expectations of Employees during and after the Change process.
• Phase – II Identify Change Priorities.
• Phase – III Plan organizational Development Activities (ODA’s) according to identified priorities.
• Phase – IV Effectively Manage and Evaluate change (Percy, 2010, p.22). (29)
(1) Phase – I: Clarifying Roles and Expectations of Employees during and after the Change process- Just before initiating the change process, the management needs to clarify the following questions:-

- What the change program is?
- What it plans to do?
- Why the change is taking place?
- What the scope of the change program is?
- What hurdles stand in the way of implementation?
- What are the criteria for success and how success will be measured?
- How people will be rewarded for success?

As a first step to visualize the extent of change required, the management need to know the gap between the existing situation and the desired situation (Percy, 2010, p.27). (30)

The following steps may be taken to assess the gap between the existing and desired situation:

a. Establish a project team consisting of a small group of people who are sincere, knowledgeable and experienced having higher level of energy. Ask them to collect data which helps in visualization of the current situation. They will be able to work with research team or consultant while conducting primary research.

b. Data collection through various methods such as documentation reviews, interviews, questionnaires, surveys, observation and case studies etc.

c. Interpretation of results involves finding direct or indirect links between different parameters. This needs coordination and understanding between the research team or consultant and top management. Don’t impose solutions that
have been suggested or developed by someone else. Instead, develop solutions with the people in the unit(s) who will be most affected by the change.\(^{(31)}\)

(2) **Phase – II: Identify Change Priorities.** Don’t attempt to change everything at once. Often, managers try to do too much too fast. Often with the result of the research, the top management is too motivated and adopts a strategy of “saare ghar ke badal dalunga” (change everything). Unless the organization is in a major crisis, roll out change initiatives on a smaller scale, for example, in a team that already has strong leadership and a collaborative spirit. Once the change program takes hold, launch similar initiatives in other teams, letting change spread slowly throughout your unit or organization.\(^{(32)}\)

Instead of changing all, the management needs to:

a. Identify the area for change,

b. Devise various alternative plans to accomplish the activities.

c. The time frame available for accomplishing the task.

d. The resources and talents that is available for disposal.

e. Whether existing organization culture is consistent to support the activities.

f. SWOT analysis.

(3) **Phase – III: Plan Organizational Development Activities (ODA’s)** according to identified priorities- Based upon the organization philosophy and culture and their wishes to drive change, organizations choose interventions. Some of the common interventions are:

a. Human Resource Management Interventions; are utilized for capacity building of the individual employee or to develop teams within the organization to enhance the overall organizational performance of the organization. These intervention may include:

   - Guiding Individual which involves
• Coaching;
• Mentoring;
• Counseling;
• Delegation of work;
• Stress management.

• Group based guidance involves
  • Group learning;
  • Creation of self directed teams;
  • Diagnosing;
  • Conflict management.

• System based intervention involves:
  • Employee performance management system;
  • Career development system;
  • Training system;
  • Management development programme
  • Leadership development system.

b. Techno Structural Interventions: Means change in structures, technologies, operational procedure and roles and positions of employees. This is done when existing system and procedure are not sufficient enough to support the change. For example, Business Process Re-engineering, Six-sigma, Total Quality Management etc.

c. Strategic Interventions: Strategic interventions are adopted to fight with an external environment. These are adopted as a tool for “survival of the fittest” when the sales figures are going down or profit is bottoming up due to external environment like global recession, market expansion, change in Government policies etc.
(4) Phase – IV: Effectively Manage and Evaluate change: This is the execution phase which involves sustaining and evaluating the action plans including management of resistance to change. Managing change means managing the communication between the people leading the change efforts and those who are expected to implement the new strategies, managing the organizational context in which change can occur, and managing the emotional connections that are essential for any transformation (Daniel, 1993, p.115). (33)

It involves broadly the following steps:

a. Communicate the action plan to all those who are involved in the change process. Don’t under communicate the purpose of the change and actions planned. Without credible information, and a lot of it, employees won’t be motivated to change (Daniel, 1993). (34) Encourage people to openly discuss their thoughts and feelings about the change program you’re advocating. Work to understand resistance by exploring their concerns and by taking their feelings seriously. When people believe that their voice counts, they are more apt to mobilize for change (Daniel, 1993, p.117). (35)

b. Implementation of Action Plan: Change initiative cannot be completed without complete proper implementation. The implementation process of a change is a very challenging task. Various change concepts like strategic change management, business process re-engineering, business transformation process, total quality management; architecture development initiated by management for improvement of organizational performance starts failing at implementation stage itself. Brutal statistic is that about one-half to two thirds of all organizational change initiatives fail at the implementation stage (Sharma, 2007, p.127). (36)
An implementation plan should not be imposed on the people asked to move it forward. (37) As change initiator or change agent the top management needs to give a small initial push to the change plan. For this purpose;

- The change agent needs to create a team of the top officials who shall be expected to deliver the best result as a team. Change is usually carried out as team effort. Not only does this imply that each and every individual in the team is intimately associated with the change, it also means that there is a proper connect between individual and group goals appropriately to employees across the organization is crucial. (38)

- Further down the line, the change agent needs to clearly discuss the aim, time schedule, process and other relevant things.

- Try to reach as many people as possible through meeting, teleconferencing, video conferencing, e.mail etc. This will help continuous interactions with the group and the group shall continue to feel motivated and attached with the project.

Foster a sense of urgency and ownership through:

- Demonstrating trust and respect for employees.
- Encouraging innovative thinking.
- Delegating and avoiding micromanagement.
- Being flexible and demonstrating that flexibility to others.
- Encouraging risk taking and being tolerant to failures.
- Spreading decision-making authority around.

- Undertake training, coaching and mentoring the players. This will boost their motivation and take out the fear from their heart. It will reduce the resistance to change. This will help the team to follow their leaders and be in readiness
for change. “Hum to chale the akele, bus karwaan yu hi banta gaya.” (We have started alone but people joined together for better cause).

d. Delegate the authority and empower the people: Empowerment does not mean abandonment. Giving people permission to do something differently is not helpful if they are unable to do it. That permission just sets them up to fail. Setting the context for change means preparing the players, understanding what they do and don’t know, working with them, watching their performance, giving them feedback, creating an ongoing dialogue with them.\(^{(39)}\)

e. Continuously monitor and evaluate the desired results and adjust strategies in response to problems in the change process (Percy, 2010, p.15). \(^{(40)}\)

f. Evaluate the progress against established indicators and make the wins visible so that people see first-hand that their hard work is making a difference towards change (Percy, 2010, p.15). \(^{(41)}\)

g. Emotionally support the change: Apart from managing change efforts effectively, the team leaders also play an important role in emotionally supporting their team players. A change situation throws up a lot of doubts and apprehensions. The team leader must appreciate that change is difficult and be willing to address the concerns of his team members. Effective communication can offset change related stress and anxiety and thus positively impact productivity and efficiency. Face-to-face interactions coaching or mentoring sessions may be organized to this effect. \(^{(42)}\)
It is important to understand that whatever approach the organization adopts to implement the proposed change initiatives, detailed understanding of the ‘what’s’, ‘whys’ and ‘how’s’ of change must be a part of it. The ‘why’ includes the managements and organizational members’ knowledge regarding the ultimate goal for which the change process has been initiated, the reasons behind the need for change, the benefits of change for the department and the organization or specific performance and morale of the people in general. The ‘what’ of change includes factors such as tangible and intangible results to be expected as outcome of the change initiatives and the objectives of change process? More precisely, it is to know how much of … what and when of the change efforts. The ‘how’ includes the change agents’ ability to design the sequence of change.
the change initiatives, activities and processes and to utilize the organizational members’ competency to move from the current state in the desired state. There often exist gaps between the ‘what’ and the ‘how’ creating impediments in the change process. Also, factors such as resistance to change, slow learning and fast forgetting must be taken into consideration and dealt with so as to ensure a successful change implementation (Percy, 2010, p.15).^{(44)}

**Diagnose Organization’s Capability for Change**

![Diagram of Organizational Capability for Change]

- Identify the apparent business strategy and assess its fit with the environment and the:
  - People
  - System
  - Structure

- Assess gaps in:
  - People attitude skills
  - Capability of managers
  - Management Style
  - Appropriation of culture

- Assess necessary system to make organization work:
  - Operations
  - Communication System
  - People processes
  - Incentive Schemes

- Assess appropriateness of the existing structure at divisional or business unit’s level. These are:
  - Span of control check levels of hierarchy
  - Accountability
  - Assess level of specialization

**Organizing Change (Sharma, 2007, p.137)**^{(45)}
End Notes

1. Winston Churchill (source unknown)
3. Ibid. 37
5. Ibid.
7. Ibid. 145.
8. Ibid. 39.
10. Ibid. 39.
21. Ibid.
27. Ibid.
28. Ibid.
30. Ibid.
32. Ibid. 31.
1.3. Human Resource Development

In the last sub‐chapter, the concept of strategic change management and reason for resistance to change and how to overcome those resistances were discussed. It was observed that understanding motivational level and involvement of those who are in change process are common factor to make the change successful is human being. Therefore, in this chapter, theoretical and practical aspects of HRD and its impact upon employees are being discussed.

However, before discussing the HRD, it is essential to understand the importance of human being in the organization. The importance of human being in the organization can be understood with the fact that like Hindu mythology, according to which the human body is made of five materials namely Khsitij (earth), Jal (water), Pawak (fire), Gagan (Sky) and Sameera (air), an organization is made of 3 Ms’:-

1) Man (Human Resources)
2) Money (Finance)
3) Machine (Technology)

If the finance is borrowable from the market, the technology is purchasable, but the human resource of the organization is the core strength of the organization which cannot be replicated with the result most of the organizations in the corporate world have established separate HRD department with the aim of handling the challenges of human resources.

In modern cut throat competitive environment productivity has become the dominant concern for survival of an organization and its people have become the vital means of improving overall productivity which is different from the traditional way where investment in newest manufacturing was considered more important than other means.
HRM is critical to organizations because it can serve as a tool to improve overall productivity and minimize penalties to the organization by observing the humanistic laws relevant to the utilization of human resource (Sangwan, 2009, p.55). (1)

The HRD can’t go into isolation. The organization are working for their core business (mainly to create value in terms of money for the Corporation) and not in the business of HRD. Therefore, HRD needs to match its strategy with the following requirements:

– Where does the company want to be ten years from now, three years from now and one year from now and whether the HRD is appropriately moving in that direction?
– What is the current skill base of the employees in relation to the various roles and role requirement?
– What are the HRD subsystem available today to help the organization to build its competency based for the present, immediate future and long-term goals?
– What is the current level of effectiveness of these systems in developing people and ensuring that human competencies are available in adequate levels in the company?
– Is the HRD structure existing in the company adequate enough to manage the HRD in the company?
– Are the top management and senior manager styles of managing people in tune with the learning culture?

With the result of various research and booming of new age HR leaders in the industry, it is soon realised that “HR is not organically aligned with emerging business realities and is considered as an additional strain on the business manager’s responsibility” (Sangwan,2009, p.233) (2) and good HR provides powers to the biceps of arms of an organisation through the best ARM policies i.e. attract the best resource, retain and motivate them (ARM). Employees at large are creative at work. Some of them come up with brilliant ideas, while others come up with brilliant excuses. However, it is important for companies to acknowledge business ideas to fruition. Such a process can help in
providing necessary support and guidance to good ideas. The employee feels valued, as his/her idea is being considered and acknowledged by the company. Being the employees’ own ideas, he/she will be very passionate about it and this will ensure increased involvement and dedication to the project in question. Every employee is capable to come up with an idea. It is relatively easier to be creative but it is definitely more demanding for creative thinking to result in practical innovation (Sangwan, 2009, p.41). (3)

**Moving towards Strategic HR and linking with Business:**

It is well established and commonly acknowledged that most of the people give a fraction of their full potential at work level. To make people grow and realise their full potential the organisation needs to look at the challenges as opportunities and create good HR strategy and practices in consonance with business needs which are executed by good HR Managers. Dave Ulrich (4) in his book “Human Resource Champions: the next Agenda for Adding Value and Delivering Results” provides a clear path for the next generation of HR. He presents four outcomes for which HR is responsible-strategic execution, administrative efficiency, employee contribution and capacity for change. He describes four corresponding roles of HR to play within a business-

1. as a strategic partner,
2. as an administrative expert,
3. as an employee champion and
4. as a change agent.

According to Rao (1999) “Good HR practices are those that contribute to one or more of the three Cs- Competencies, Commitment and Culture”(p.17). (5) All 3 Cs are needed to make an organization effective and functioning well. Without competencies, tasks may not be performed or be performed below the optimal efficiency level. In today’s modern organization, the tasks are so complicated that
it is difficult to measure in piece meal basis and the employees cannot be compelled to give their maximum output. Without commitment, the task may not be performed at all or performed at such a level that it loses its relevance. Culture works like oxygen for the organization and provides sustaining force and spirit for the organization to live and helps the organization to last long.

Gradually, it has become a recognized fact that human resources occupy a unique and sensitive position in the organization. It is rightly said, “Better people better results.” While emphasizing upon the importance of people, Chandra & Kabra (2000) says, “….one factor that can give them (organizations) sustained advantage is their people.” A company’s only long term advantage lies in its human resources while others (arising from technological improvements, the opening of new markets, and lower material or labour costs) are all relatively short run. Thus, “It is the initiative, the will and the motivation that bring people to their work, which is more crucial for the survival and growth of a company (p.17).”

The importance of people can be best understood by the following sentences of Robert Mc Clean and Henry Ford. In the words of Robert McClean (as cited in Sangwan, 2009, p.55), “A company that lost all of its equipment but kept its staff; and hence maintained its skills and knowhow of the workforce, could be back in business relatively easily. A company on the other hand that kept its machinery would never recover.”

Mr. Henry ford (as cited in Sangwan, 2009, p.55) who said, “Take away my building, machinery, but leave my people with me, I will become Henry Ford again.”

Rockefeller (as cited in Sangwan, 2009, p.61) once said, “I will pay more for the ability to deal with people than any other ability under the sun.”
Therefore, “...investment in human being is necessary. Investment for increasing the resource is important and the more an organization invests in its human resources; the greater the return from this investment is likely to be” (Pareek & Rao, 2004, p.73). (10)

While describing the benefits of good HR practices, Rao (1999) says “...They enhance internal capabilities of an organization to deal with current or future challenges to be faced by an organization. Good HR practices also energize people. The commitment and motivation built through good HR practices can lead to hard work and can have a multiplier effect on the conversion of human capital to organizational capital. The culture so built can help to create a sustainable and lasting capability of the organization to manage itself and not only cope with the external turbulence but even encash on the opportunities offered by the changing environment” (p.44). (11) No meaningful change is possible without the involvement of their employees. Therefore, if organizations have to bring out any significant changes to adapt which are to be adopted lies in organizing and preparing its human resources to the requirement of competitive scenario.

Sangwan (2009) says, “today, there is an urgent need to think human resource management inextricably with the business of the organisation at both the strategic and practical levels. This can be achieved by strategic human resource management, which creates a framework for aligning human resource policies and practices with the organisation’s business goals” (p.89). (12)

Kaplan and Norton (1992) say “Dynamic changes in HR measures are urgently required to refocus the priorities and resources of the HR functions. Instead of being HR driven (what makes sense to HR professionals), the next generation of HR measures need to be business driven (how HR can impact business success). Instead of being activity oriented (what and how much we do); new HR measures should be impact oriented (how much we improve business results). Instead of looking
backwards (what has happened), innovative HR measures should be forward looking, allowing the managers to assess and diagnose the process and people capabilities that can predict the future success of corporation.\(^{(13)}\) Wilhelm (1995) suggests that “change management competencies in conjunction with business competence and HR ‘craft’ competence comprise a model of a complete human resource professional for the foreseeable future” (as cited in Sangwan, 2009, p.75).\(^{(14)}\)

While talking about the role of HR in Strategy Execution, Ulrich (1997)\(^{(15)}\) says” I’m not going to argue that HR should make strategy. Strategy is the responsibility of a company’s executive team – of which HR is a member. To be full – fledged strategic partners with senior management, however, HR executives should impel and guide serious discussion of how the company should be organized to carry out its strategy. Creating the conditions for this discussion involves four steps:

- First, HR should be held responsible for defining an organizational architecture.

- Second, HR must be accountable for conducting an organizational audit.

- The third role for HR as a strategic partner is to identify methods for renovating the parts of the organizational architecture that need it. In other words, HR managers should be assigned to take the lead in proposing, creating and debating best practices in culture change programs, or in appraisal and reward systems. Similarly, if strategy implementation requires, say, a team-based organizational structure, HR would be responsible for bringing state–of-the-art approaches for creating this structure to senior management’s attention.

- Fourth and finally, HR must take stock of its own work and set clear priorities. At any given moment, the HR staff might have a dozen initiatives in its sights, such as pay-for-performance, global team work, and action learning development
experience. But to be truly tied to business outcomes, HR needs to join forces with operating managers to systematically assess the impact and importance of each one of these initiatives. Which ones are really aligned with strategy implementation? Which ones should receive attention immediately, and which can wait? Which ones, in short, are truly linked to business results?"

While commenting on the importance of Finance+ IT+ HRM, Sangwan (2009) (16) says…”In the new millennium, financial resources, IT and above all the human element shall be the driving force for the business. Anybody who can marshal and master these three resource forces will be the leader in the corporate sector. In any area that does not require physical manufacturing, those who have the people’s strength and knowledge will lead from the front. Successful business is ultimately as much the consequence of the perceptive understanding and management of human being as it is the understanding and management of economic, technological and market realities. Strategic importance of HR is crucial to competitive success…Effective implementation of strategy is possible only by the motivated people. Because even best of the plan may not be executed without actual involvement of people at the ground level. Therefore, along with educating operating managers about morale, HR staff must also be an advocate for employees-they must represent the employees to management and be their voice in management discussions. HR’s involvement in the decision making process clearly represents employees’ views and supports their rights. Such advocacy cannot be invisible. Employees must know that HR is their voice before they will communicate their opinions to HR managers” (p.64).

In fact, HR is a complicated process and ranging from CEO to the junior most supervisor and line managers are basically HR Manager and responsible for the success and failure of the HR policies. While emphasizing upon the role of CEO and line functionaries on transformation, Ulrich (1998) (17) says, “Can HR transform
itself alone? Absolutely not. In fact, the primary responsibility for transforming the role of HR belongs to the CEO and to every line manager who must achieve business goals.”

The interlinking of the various HR system needs to be in such a way that synergy is created where HR does not work in isolation but in correlation with business strategy as rightly said by Yeung and Berman (1997)\(^{(18)}\) that “…. instead of focusing on individual HR practices (the performance of staffing practices, training and development practices etc.), future HR measures should focus on the entire HR system taking into account the synergy existing among all HR practices”\(^{(p.333)}\).

HR is a complicated process constituting various sub-system. While emphasizing the importance of interlinkage of various sub-system of HR, Mankidy (2000)\(^{(19)}\) explains“that to bring about effectiveness in an organisation, both human resource management systems and processes have to be given equal emphasis. But to precede all this, the organisation needs to take a holistic view of the total gamut of human resource management. With such an approach, the human resource management would emerge as a strategic intervention and all the sub-systems within human resource management would be meaningfully interlinked shown in fig on the next page (p.x):
Figure No. 1.3.1: Relationship between strategic intervention and HR sub-system

End Notes


8. Ibid, 55.

9. Ibid, 61


1.4. Role of Employees in creation of Customer Satisfaction

In the last sub-chapter, the concept of HRD and importance of employees in the organization was discussed. This sub-chapter deals with role of employees in creating customer satisfaction as in service industry as customer is the central axis because existence of organization is dependent upon customer and employees are the medium through which services provided by the organizations are translated.

Employees in the banking industry are the face of the organization as they come into contact with customers and represent both the Bank and its products and the customer satisfaction is an overall assessment of the service experience. A satisfied employee portrays a positive picture before the customer leading to positive customer experience and vice versa. The customers of a service organization can be categorized into two groups namely, internal customers (employees) and external customers and a satisfied employee (internal customer) make satisfied customers (external customer) and satisfied customers can in turn reinforce employees’ sense of satisfaction in their jobs and feel them motivated. Sangwan (2010)\(^1\) says in the new era, out of three important resources i.e. financial resources, information technology and human resource, human element shall be the main key driving factor for the business. Any organization who can manage all three resources especially human resources will be the leader in the corporate sector as if other resources like finance and technology can be managed from the market, the human resource is the core strength of the organization which neither can be purchased nor can be replicated.

Banks being service sector has typical characteristic in comparison to industries involved in other sectors which makes human element more important are:

- **High-tech service with high-touch feeling:** Means task to be done with aid of high technology but process cannot be completed without human intervention. Whenever the
customer visits the branch premises employees needs to serve the customer empathetically with their intelligence along with smile and any mistake either on the part of the technology or on the part of human cannot be recovered fully.

- **One time business with continuously rendered services:** Most of the banking transactions do not end up in one go but involve the liability on the bank for continuous flow of interactions for which employee need to build relationship with customers.

- **Intangibility:** There is no physical goods only service which cannot be evaluated through sensory organs. The service is basically perception built by customer while interaction with its employees.

- **Simultaneity:** The customer is not only a mere consumer to receive service but also participates in the service process as co-producers on real time basis. Therefore, quality of service is actually dependent upon interactions between employee and customer and customer satisfaction is highly dependent upon the art of the employee in managing such interactions.

- **Perishability:** Since the services need to be produced and consumed simultaneously, there is no possibility of storing and inventorying them resulting into volatility of demand and supply gap. But it is practically not possible for the banks to manage their manpower based upon demand and the same set of manpower has to make adjustment with demand.

- **Heterogeneity:** The quality of service is based on the attribute generated by employee and received by customer and no two services can be alike. Resultantly, ensuring consistent service quality is challenging.

### Customer satisfaction

What is customer’s satisfaction? There are several definition provided by different experts. But in simple word, the customer is satisfied after purchase when the product and its service meet with customers expectations. Failure to meet these expectations results in dissatisfaction, or a poor perception of the service quality. Though, customer
satisfaction appears to be static but it is dynamic and changes from time to time and influenced by various factors. Customer satisfaction can be acknowledged in various senses depending on what needs the customer had before rendering the service. It ranges from feelings of fulfillment, contentment, pleasure, delight, relief, surprise and ambivalence. If the customers of an organization are satisfied by their services the result is that, they will be loyal and consequently be retained by the organization, which is positive for the organization because it could lead to higher profits, higher market share, and increasing customer base.

**Determinants of customer satisfaction**

In service sector, the following are the determining factors for customer satisfaction:-

- **Product and its features**: The composition of the product and level to the extent product satisfies the requirement of the customer.
- **Perceptions of equity or fairness**: Perception of the customer in terms of how fair they have been treated.
- **Customer’s emotions**: the state of a customer’s mind also contributes to his satisfaction of a product or service.
- **Expression of others**: Expressions of other customers, family members, friends and co-workers also influence the customers’ perception towards the product.
- **Attributes of service success or failure**: As discussed, since the product is intangible and the customer takes part in shaping the transaction, the way the customer perceives the causes of events affects his satisfaction. This whole process shall depend upon human factor- how the customer is treated by the employee?

Managing the above factors shall lead to customer satisfaction but non availability of any or a few of the factor not necessarily will lead to non-satisfied factor. But if the promises are made and the organization fails to fulfill the promises or too late or too slow in delivering the process or outcome is incorrect or poor, or employees
attitude and behavior is rude or uncaring, it will lead to service failure which will annoy him and create a ‘dissatisfied customer.’ A dissatisfied customer will have negative feelings towards organization, and bring about undesired responses from the customers. Researches have proved that a satisfied customer will share his good feelings with two others but a dis-satisfied customer will convey his bad feelings to at least six customers. When dissatisfied customer is left unfixed, apart from leaving, telling other customers about his negative experiences, he may also challenge the organization through consumer forums, ombudsman and other legal channels. On the contrary a well handled customer whose problems are resolved effectively has a strong impact on customer satisfaction, loyalty, word of mouth communication, and bottom line performance and will create a positive atmosphere and will help the organization in growth.

Service quality in Banks

Whenever, the customer visits the Bank’s premises, he has certain expectation in respect of treatment to be received from employees. Service quality is the degree of actual delivery of service in comparison to the customers’ normative expectations of the service. It means that the service quality perceived by the customer may be different from the quality of service actually delivered by the Bank. The following factors that could affect the service quality are:

- Technical quality of the product (What / Whether),
  - What the customer receives,
  - When he receives it,
  - Whether the product produced or service performance is consistent,
  - Whether the product keeps the promise which customer perceived through advertisement?
  - What is the ultimate result of the product,
  - What is the attitude of other customers consuming the service,
• **Functional or process quality (How):**
  - How the service provider functions.
  - How the customer receives the service,
  - How buyer-seller interactions and atmosphere is created.
  - How he experiences the simultaneous production and consumption of the service.
  - How ably the promised performances are kept.
  - How willing the employee is to assist the customer and provide prompt service.
  - How ably employees are able to put him/her self in the customer’s shoes by seeing things through the customer’s eyes.

• **The physical environment (Where):**
  - The place where the services are received.
  - The appearance of physical facilities where the services are received.
  - The tools or equipment which are used to provide the service.

Service quality is quite a complex issue due to complex nature of services. Customers perceive service quality as the customer’s own perception of the service based on different factors contributing to the service, from the process to the final outcome. While in case of goods, the outcome or end result of the process is transferred to the customer whereas in sale of service in Banks, the process is transferred. In the above factors, most of the factors like technical specification, physical environment are mainly constant whether high-tech or high-touch, but the functional process specially employee behavior is most variable factors:

- What employee says?
- What is the body language?
- What is the Knowledge, skill and attitude level shown by employees towards the job?
- What is his moral values and motivational level at the time of providing service?
- How he does the job?
- How he reacts during interaction with customers?
The role of the internal customers (employees) in Banks:

Banks being service organization, their role is comparable to the role of the service itself. Employees are like the mirror of Bank as they interface between the Bank and the customer, what they portray is what the customers see and uses in their evaluation of the service experience. Employees are both the service and the brand of the Bank and their importance to the Bank is critical because they are in position to convert intangible (service) into tangible (product) whose impressions are imbibed in the customer’s mind and customer feels that he has purchased a product and brought to home though practically, he doesn’t carry anything.

Employees are active player in service delivery and hence, influence the buyer’s perceptions. Due to intangibility nature of product, the marketing, production, and consumption takes place simultaneously which is directly influenced by employees’ attitudes, behaviors and functionality resultantly affecting customer who will in turn be the spokes person and brand ambassador of the Bank. External marketing of the Bank like advertisement, door step mobilization of the product etc., the Bank is able to create customers’ expectations and make promises regarding what is to be delivered which help the Bank in attracting and bringing the customer but through the internal marketing, the Bank is able to deliver the promises which shall bind the customer which can be better understood by the following diagram (Peter & Mazadarani, 2008) (2):

![Diagram](image)

**Figure No.1.4.1: Relationship among company, employee and customer**
Since numbers of services are delivered in real time, the human resource strategies of an organization are responsible for closing the gap (the difference between the customers’ expectations of the service and the actual experience) in the service performance.

**Conclusion:**

Customers perceive services in terms of quality of product and overall experience. Before, 1970’s the employees were considered as cost and necessary evil for the organization. But after the advent of the Human Capital theory in 1980’s, the organization started realizing that the employee are the core strength of the organization and only committed personnel makes an edge over the competitor. When it comes to building great organization the most urgent business challenge is finding and keeping great people.

The human resource management (HRM) of an organization is directly or indirectly responsible for the quality of services the employees of an organization render to their customers. Looking to the importance of the role of employees in the organization, it is necessary to equip the employees to carry out their function successfully. There is necessity to develop their job satisfaction. Job satisfaction can be caused by:

- Possession of knowledge, skill and attitude of employees.
- The treatment given to them by the organization.
- Authority given by the management to serve the customers.
- The culture developed by the organization towards customer service.
- Willingness and ability to deliver quality services, and stay motivated to perform in customer-oriented and service minded manner.

The organization can develop several strategies to develop the competence, commitment of the employees and develop customer oriented organization culture through the wheel of Gavale:
Effective HR functions  
\[\downarrow\]  
Better HRM  
\[\downarrow\]  
Satisfied Internal customer  
\[\downarrow\]  
Better Service Quality  
\[\downarrow\]  
Delighted External Customer  
\[\downarrow\]  
Better growth & profitability  
\[\downarrow\]  
Success of the Bank \(^{(4)}\)

**End Notes**


1.5. Objective of the Study and Hypothesis

In the chapter from 1.1 to 1.4, various business figures of the Bank apart from three key concepts involved in the study are discussed i.e. strategic change management, human resource management & role of employees in creating customer satisfaction. In this chapter while discussing change in prevalent work culture in banking industry with special reference to Bank of Baroda, basis of objective and hypotheses are formulated. Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observation. In fact, many experiments are carried out with deliberate objective of testing hypothesis. Testing hypothesis enables researcher to make probability statements about population (Probability Distribution) or its parameter(s). The hypothesis may not be proved absolutely but in practice it is accepted if it has withstood a critical testing. Hypothesis means assumption or some supposition to be proved or disproved. Hypothesis can even be defined as a propositions set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as a provisional conjecture to guide some investigation or research, or it can also be accepted as highly probable in the light of established facts.\(^{(1)}\)

Before writing the objective of the study and hypothesis involved in the study, it is necessary to understand the prevalent work culture and Employee’s attitude towards customer service and development of HRD practices in Nationalized Banks (whom Jawahar Lal Nehru used to say “temples of modern India”) especially during the last decades of the century.

Banking activities being dependent upon relationship, human factor assume a very significant role in rendering better services to its customers with a smile on the face in order to cultivate and maintain long lasting relationship with the customers. In 70-
80’s, Banks recruited highly qualified personnel through Banking Services Recruitment Board (BSRB) to improve the quality of service. But these personnel were not properly utilized. The placement, transfers, career path were not properly atoned to the newly attuned recruitment process resulting in disturbances in the form of frustration and low level of performance (Sangwan, 2009, p.61). (2)

During movement of Nationalisation, trade unions were either affiliated to political parties or had strong back up of the political parties and became quite strong. In the name of protection of Labour, unions became militant and started using various coercive methods to maximise the benefits in favour of employees and improve their membership. According to Bhide & Khandelwal, 1986, p.104) (3) in achieving the growth, Banks could not give adequate attention to several important aspects of working conditions causing discipline issues, disobedience, insubordination, non-punctuality, unauthorized absence, willful defiance of rules and regulations, negative attitudes towards superiors and customers, restrictive practices, work to rule, lack of job knowledge and poor working conditions.

Similarly, James Raj Committee(4), appointed by the Government of India to review the functioning of Public Sector Banks summed up the problems of Banking industry as under:-
1. Indiscipline and apathy towards customer.
2. Emergence of restrictive practices.
3. Short term, expedient and ad-hoc approach adopted by the management to buy peace.
4. Unions started emerging as all ‘too powerful’ and managers in general felt themselves as helpless victims of the departmental process.
5. The quality of banking services has deteriorated significantly.
6. The normal safety measures have become a casualty.
7. There was no pressure of business expansion. Banks remained dependent upon WALK IN BUSINESS. Even avoiding customer was not an exception.

The scenario deteriorated the work culture of the Bank. An effective work culture is about vigorous and arduous efforts in pursuit of given or chosen tasks. In Bhagwat Gita\(^{(5)}\) Sri Krishna elaborates on two types of work culture ‘daivi sampat’ or divine work culture and ‘asuri sampat’ or demonic work culture.

- **Daivi work culture** - involves fearlessness, purity, self-control, sacrifice, straightforwardness, self-denial, calmness, absence of fault-finding, absence of greed, gentleness, modesty, absence of envy and pride.
- **Asuri work culture** - involves egoism, delusion, personal desires, improper performance, work not oriented towards service.

Similarly, Trivedi (2007) quoted the following quotation Raja Bharthahari\(^{(6)}\):

While quoting the above quotation of Raja Bharthari, Trivedi (2007) \(^{(7)}\) (Former President, All India Bank of Baroda Employees Federation) describes the work culture of employees in Banks and says there are four types of person at the work place. The employees having ‘Adarsh karya Sanskriti’ (model work culture) who consider the job as their own and complete them with involvement and enthusiasm. Second group is having ‘Madhyam karya Sanskriti’ (middle work culture) who formally completes the job as they are paid salary and other perks. The third category of person are ‘Nimna stariya karya sanskriti’ (lower level of work culture) who are neither enthusiastic nor interested in the job but completes only if the management reminds them, scolds them and put them under pressure. The fourth category of
persons having ‘no Karya Sanskriti’ (no work culture) and considers salary as their rights but working in the office is considered by them as against their dignity.

He further describes that employees having no karya sanskriti and nimna karya sanskriti cut remarks upon the employees of adarsh karya snaskriti as chamcha (spoon) and mahanbaj (butterer).

Banks are multi-unit institutions with different branches (categorized on the basis of total business of the branch) where in a small branch 3 or 4 persons work and is headed by a junior officer who hardly has 2 to 3 year of supervisory experience. Comparatively, a branch may be having hundreds of people and is headed by very senior officer of the top management grade like Deputy General Manager or General Manager supported by well experienced specialized officers like HR officer, legal officer, credit officer etc. Therefore, there is a difference in the quality of leadership, the level of maturity and understanding of branch managers.

As regards unions, the top level leaderships talks about the cooperation between management and union and among unions and understand the importance of customer service. But the situation at the ground level is just opposite. The inter union rivalries at the ground level is such that the local union representative creates hurdles and put a lot of restrictions on the local managment in working to maximise their membership. Coupled with a handful employess belonging to the category of nimna karya sanskriti and no karya Sanskriti complicates it further.

Increasing pressure from trade union and short term approach of the management to counter such pressure led to many ad-hoc practices and decision in individual banks which through ‘ripple effect’ created problem in other banks. Taking clue from this, the unions at Regional and branch level also started creating pressure for ad-hoc
practices on pity issues and the local management found it helpless except kneeling before it. Resultantly, deteriorating the customer service on one hand and demotivating hard working people and branch manager on the other hand. As Sangwan (2009)\textsuperscript{(8)} says, the unions uptill today have been successful in getting better pay and better working conditions. But such cooperation between management and unions could only satisfy the economic needs of the employees. The other issues such as career planning, recognition of talents, differentiation between performers and non-performers were sidelined. This sowed the seeds of frustration among employees and had negative impact on organisation’s performance (p.70). This also created negative impression in the customer’s mind as observed by Upadhyay (2012)\textsuperscript{(9)} that 92% customers are aware of unionism and they feel like hassle due to red-tapism while banking with commercial banks. They do not see this factor at private banks and perhaps this may be the logical reason of selecting private banks. Only 5% customers remained neutral.

To handle such situation, the Banks created Personnel department constituted by Personnel managers who identified themselves as the guardians of rules and regulations, which were designed to avoid discord rather than promote cooperation and collaboration. This legacy continued for years together and even today also continues as a constraint in development of effective HRD. After evolution of ‘X’ and ‘Y’ theory, in seventies-eighties, it was realized by the organization that most of the employees belongs to the category of ‘Y’ who have positive outlook and believe in working with sincerity and dedication. It was also realized that an average employee contributes half of its life at work place and a small number of bad fishes spoils the working culture of the organization and therefore the importance of HRD was realized (Kumar, 2008).\textsuperscript{(10)} Nationalized Banks also jumped into this race and created HRD department in their Banks but with half hearted approach where top management gave relatively low priority to the people dimensions. In most of the
Banks, the training department was renamed as HRD department. Lack of management interest towards people and department managed by so called personnel managers did not make any improvement in the situation and rather created confusion among the masses that in the name of HRD, the management gave only LIP service. As Sangwan (2009) says “HR has also been slow to change. No one wants to change the line or methods, because change always has risk factors and we are very risk averse” (p.70). (11)

The last decades of the century overwhelmed LPG (Liberalisation, Privatisation and Globalisation) and with the entry of foreign and new private sector banks, these banks started struggling for survival which compelled for series of changes in the Indian Banking Industry. Uppal (2008) in his book “Indian Banking Industry in 2020” says that Indian Financial System has witnessed a significant transformation in recent years with number of new technologies, systems, products and services. Now economy has become global village with the new entrants resulted in a paradigm shift in the way of banking in India. In this context, Indian banking system is facing severe competition from inside and outside mainly from foreign entities and non-banking financial companies. There are number of challenges these banks are facing to survive and stand in the national as well as international markets. The globalisation is major cause for these challenges. (12)

While talking over dramatic changes taking place in Banking Industry, Mishra (2004) (Chairman & Managing Director, Oriental Bank of Commerce) said “the banking scenario is changing very fast the world over. In our own times, we have witnessed the changes that have taken place and have felt the pressures that they have brought about in our working. Competitive efficiency, reduction of operating costs, fierce fight for low costs funds, the drive for technological upgradation and leveraging it for distribution of products, have become the call of the day. The
coming years are going to unfold newer and more formidable challenges. We have to prepare ourselves to face them boldly and successfully by updating our knowledge and improving our skills” (p.37).

Under these circumstances, the situation of treating the human factor just an essential evil can not be allowed to continue long and therefore, the top management and top leaders of union need to address the issue of HRD and IR at the work place in the context of competitiveness and keeping the prevailing culture in mind. If either of this does not, it will compel either the **management to resort to traditional personnel functions strictly or grow of traditional industrial relations or militancy of union** (Sangwan, 2009, p.76)\(^{(14)}\).

Sangwan also (2009)\(^{(15)}\) says “realizing the increasing significance of the human resource management in banking sector, it is imperative that a thorough analysis of the existing HRM strategies at the bank level should be carried out with a view to establishing their inter-relationship with the performance of the banks in the context of changing realities. It is important to change attitude at all levels of an organization because the quality of service determines the market share which is determined by the quality people” (p.227).

Sangwan further says that “the employer should try to play a pro-active role. They should see employees as partners rather than as problems. The employees are not just cost to be consumed but something more than that. The top management of banks should play a pro-active role and appropriate steps should be taken for empowerment of their vital resources,i.e., the human resources which never depreciate but always appreciate in comparison to other asset. This is the only factor that can make or mar an organisation/bank. It is not the fault of the Rs 500 note being used as Rs 50 note in the market, but the fault is with the user of the note” (p.97).\(^{(16)}\)
In view of these special features, it is necessary that the top management takes strategic HRD measures which are in consonance with the organizational needs and the union leaders support the same which contribute to one or more of the three C’s – Competencies, Commitment, and Culture and the manager at local levels needs to develop proper conceptual understanding of the environment in which they are operating as also change their ways to exercise authority to secure cooperation from the employees.

Having said this, one good thing took place, i.e. after inception of the foreign banks and other private banks; the Nationalized Banks also changed their business strategy and started concentrating towards the HRD strategy. During last a few years, there have been attitudinal changes in employees and public perceptions towards employees of nationalized banks too have changed. Now, the work force in majority is:-

- Comparatively feels more responsible and accountable.
- Enjoying autonomy and working with more enthusiasm.
- Believe in aggressive marketing instead of Walk-in-business.
- Prompt in customer service.
- Line of thinking has changed and customer avoidance is an exception rather than a practice.
- Business issues have become one of the agenda for the unions.
- Branch Managers and line managers feel empowered to handle day to day staff issues.
- The HR managers started aligning their role with business strategy.
- HR managers also started functioning likes a mentor and guide to the line managers and friend of workers with whom they can share their problems, differences and disputes without fear and hesitation.
Bank of Baroda also took several HRD measures during the last one decade (during 2001 to 2010). Researcher observed dramatic positive changes in the work culture of Bank of Baroda and perception of customers towards services provided to them has also improved. The financial performance of the Bank has also improved and the Bank has been able to regain its position of No. 1 among Nationalized Banks by 2013 which can be seen from appendix-C on page no. XIII. Keeping the above in mind, the following objectives and hypothesis are formulated:-

**Objectives:-**

i. To determine the approaches applicable in strategic change management in a organization.

ii. To evaluate the effectiveness of HRD in improving competence and commitment level of employees.

iii. To evaluate the effectiveness of HRD in creating OCTAPACE culture in the organization.

iv. To assess the relations between HRD interventions and improvement in competence and commitment level (knowledge, skill and attitude) of employees and in turn improving the customer service.

v. To assess the effectiveness of HRD in managing change.

vi. To assess the utilization and institutionalization level of HRD system in a large size public sector bank and measure impact of HRD in changes occurring in organizations.

vii. To assess the commitment of the top management in solving operational level problem for better customer service through better HRD practices.

viii. To determine relationship between HRD practices and improvement of financial performance of the bank.
**Hypothesis:** The following hypothesis have been formulated and tested:

4. **H1₀:** There is no association between HRD practices and general climate at work place.
   
   **H1a:** There is association between HRD practices and general climate at work place.

2. **H2₀:** HRD practices do not motivate employees to take customer centric initiative at work place.
   
   **H2a:** HRD practices motivate employees to take customer centric initiative at work place.

3. **H3₀:** There is no relationship between HRD practices and increase in business of the organization.
   
   **H3a:** There is relationship between HRD practices and increase in business of the organization.

4. **H4₀:** Level of ‘openness and confrontation values’ in the Bank has not improved during last 10 years.
   
   **H4a:** Level of ‘openness and confrontation values’ in the Bank has improved during last 10 years.

5. **H5₀:** Level of ‘trust and authenticity values’ in the Bank has not improved during last 10 years.
   
   **H5a:** Level of ‘trust and authenticity values’ in the Bank has improved during last 10 years.
6. **H6₀**: Level of ‘pro-action and experimentation values’ in the Bank has not improved during last 10 years.

   **H6a**: Level of ‘pro-action and experimentation values’ in the Bank has improved during last 10 years.

7. **H7₀**: Level of ‘autonomy and collaboration values’ in the Bank has not improved during last 10 years.

   **H7a**: Level of ‘autonomy and collaboration values’ in the Bank has improved during last 10 years.

8. **H8₀**: KSA level of employees with reference to the work requirement has not improved during last 10 years.

   **H8a**: KSA level of employees with reference to the work requirement has improved during last 10 years.

9. **H9₀**: Organization culture has not improved during last 10 years.

   **H9a**: Organization culture has improved during last 10 years.

10. **H10₀**: HRD climate has not improved during last 10 years.

   **H10a**: HRD climate has improved during last 10 years.

11. **H11₀**: Customer service has not improved during last 10 years.

   **H11a**: Customer service has improved during last 10 years.

12. **H12₀**: HRD activities have no impact upon empathetic attitude of employees towards customer service.

   **H12a**: HRD activities have impact upon empathetic attitude of employees towards customer service.
13. **H13** - HRD activities have no impact upon employees’ competence to respond the need of customer service.
   
   **H13a** - HRD activities have impact upon employees’ competence to respond to the need of customer service.

14. **H14** - HRD activities have no effect on empathetic attitude of supervisors while handling customers’ grievance.
   
   **H14a** - HRD activities have effect on empathetic attitude of supervisors while handling customers’ grievance.

15. **H15** - HRD activities have no role in changing work culture of the Bank.
   
   **H15a** - HRD activities have role in changing work culture of the Bank.

16. **H16** - HRD activities do not have any impact upon the services provided by the employee.
   
   **H16a** - HRD activities have impact upon the services provided by the employee.

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**End Notes**


4. James Raj Committee was constituted by the Government of India to study the functioning of Public Sector Banks. The Committee submitted its report in 1978. Mr. B.K Dutt, one of the members of the Committee submitted a separate report.


6. Raja Bharthari was one of the Great King in the Indian History. According to him, Persons are categorized into three categories namely Uttam (Best) who completes the job once take the assignment, Madhyam (Medium) who starts the job, does certain part but does not complete the job, and Nimna (Lowest) who surrenders immediately upon starting the job.


15. Ibid.97.

1.6. Research Methodology

Historical backgrounds discussed in the last sub-chapter has given a intuition that work culture in the Bank has improved a lot and HRD measures initiated by the Bank has helped in improvement of it. It is also observed that customer service has improved. Keeping it in mind, objective of the research are specified and hypotheses have been formulated in the last sub-chapter.

This sub-chapter deals with research methodology used. There are several ways of doing research like quantitative study, surveys, case study, experiments, histories and the analysis of archival information. Determination of appropriate methodology is normally a not straight forward matter. A research project may have mixture of methodologies depending upon the changing needs of the project. The important strategy is to identify the type of research question and then find out “how and why”, it can be replied.

In this research, primarily quantitative approach has been used. For the purpose of this study, the researcher has chosen Bank of Baroda as an example to assess the impact of HRD practices. Primary data is analyzed through quantitative techniques; however, the secondary data is discussed in the descriptive form of a case study.

Quantitative techniques may be defined as those techniques which provide the decision makers a systematic and powerful means of analysis, based on quantitative data. It is a scientific method employed for problem solving and decision making by the management. With the help of quantitative techniques, the decision maker is able to explore policies for attaining the predetermined
objectives. In short, quantitative techniques are inevitable in decision-making process.\(^{(1a)}\)

Burns & Grove (1993) defined quantitative research as a formal, objective, systematic process in which numerical data are used to obtain information about the world. The research method is used:

- to describe variables;
- to examine relationships among variables;
- to determine cause-and-effect interactions between variables (p.67).\(^{(1b)}\)

Quantitative technique is a powerful tool in solving complex managerial problem with greater accuracy and economical way through analysis of quantitative data. It is a scientific process in which study is conducted with respect to phenomenon connected with human behaviour by following the following steps:-

1. Formulate the problem.
2. Define decision variables and constraints.
3. Development of a model suitable to the problem.
4. Collection of data
5. Analyze the data through statistical tools.
6. Validate the model.
7. Implement the result.

Quantitative techniques have the element of quantities. Means, numbers, symbols and mathematical expressions are used. The important drawbacks of quantitative techniques are that though these techniques are helpful to the decision maker in supplementing judgment and intuition and enable them to evaluate planning factors and other alternative but unable to prescribes course of action and difficult to cover minute details.
On the other hand, case Study is a kind of qualitative technique in which an empirical inquiry is made to investigate a contemporary phenomenon within its real life context especially when the boundaries between phenomenon and concept are not clearly evident. According to Kothari (2) (1985), “…case study method is a form of qualitative analysis where in careful and complete observation of an individual or a situation or an institution is done; efforts are made to study each and every aspect of the concerning unit in minute details and then from case data generalization and inferences are drawn” (p.141).

According to Yin (2003) (3), “a case study as a research strategy is used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena”.

According to Odum (1929)(4), “the case study method is a technique by which individual factor whether it be an institution or just an episode in the life of an individual or a group is analyzed in its relationship to any other in the group”(p.229). Pauline (5) described case study as a comprehensive study of a social unit be that unit a person, a group, a social institution, a district or a community. (p. 247).

According to Yin (2003) (6), “the goal in making case studies is not to make generalizations on populations or universes or to enumerate frequencies (statistical generalizations) but to expand and generalize theories (analytic generalizations)”
Research Topic

During the last 10 years, Bank of Baroda has raised its position from 5th to first position step by step among the category of Nationalized Banks. During this period itself, Bank moved from manual ledger banking to stand alone computer banking and from stand alone computer banking to core banking solution with the same set of manpower that was afraid with the fear of getting electric shock by touching the computer. Apart from it, the bank won several accolades/trophies/rewards every year. Incidentally, it was also observed that during the said period numerous HRD measures were taken and most of the time HRD professionals led the Bank. The quality of customer service also improved and Bank received several awards in customer satisfaction too during this period.

Therefore, while conducting study on the topic of an evaluation of Impact of HRD measures in Strategic Change Management and Perking up Customer Satisfaction- a case study of Bank of Baroda (6), the researcher decided to establish linkage between the following variables:-

- HRD practices and 3C’s (competence, commitment and culture).
- HRD practices and strategic change management.
- HRD practices and work climate.
- HRD practices and attitudinal changes in employees so that they are committed to take customer centric initiatives.
- HRD practices and performance of the organization.
Method of data collection

Due to the nature of study, primarily quantitative method has been used which is supported by qualitative method. While the quantitative method has more to do with measurements and figures, the qualitative is more about descriptions and opinions. This is done with the purpose to analyze information gathered from questionnaires, which were handed out to a group of customers at the bank and the employees of the Bank as well. Therefore, while this work is a quantitative study, both quantitative and qualitative techniques have been used at a few places to describe the results.

Both primary and secondary data has been used for the research.

**Primary Data:** The Primary data is collected through:-

1. By study of various original circulars and other documents of the Bank.
2. By Questionnaire: Questionnaire is a standard form of recording answers on the basis of set questions. Questionnaire is basically a self administered process whereby the respondent reads the questions and records the response without the help of the interviewer.

**Secondary data:** In the present study, secondary data is collected through:

- Books, articles, texts, internet and academic journals written by various researchers including data of Bank of Baroda obtained from annual reports and internal magazines.
Employee survey

Measures for impact of HRD on change management, organization culture and customer satisfaction were done through employees survey. Since, the research question involved three key concepts integrated with each other, three different questionnaires were used:-

a) **Assessment of impact of HRD on change management:** For this purpose, questionnaire annexed as Annexure- I to this thesis was used. The questionnaire was divided into two parts. The first part consists of -37- items and second part consists of -14- items.

   a. First part was used to assess approaches used by the management for creating an environment of proactive change in the organization.
   b. Second part was used to assess the impact of HRD measure on change management initiated during the last 10 years to create general climate at work place affecting attitudinal of employees and performance of the bank.

Hypothesis numbers 1 to 3 were proved through the second part of the questionnaire. This questionnaire was sent to 400 employees belonging to clerical cadre and junior/ middle level of supervisory staff. Size of sample was decided on the basis of the following formula of Yamane:

\[ n = \frac{N}{1 + Ne^2} \]

n is the size of the sample.
N is the population of sample.
e\(^2\) is the probability of error
(At 95% confidence level- e=5%)
The overall population (42000 numbers of employees of Bank of Baroda minus 6000 employees having less than 10 years of service/senior level supervisory staff) is 36000.

\[
\begin{align*}
n & = \frac{36000}{1 + 36000 \times (0.05)^2} \\
n & = 395.608 \text{ (rounded off to 400)}
\end{align*}
\]

The size of the sample also matches with various research paper studied during review of literature.

The reliability test of this questionnaire was also carried out. In the reliability test, it was observed that Cronbach alpha value for overall scale was equal to .899 and Cronbach alpha based on standardized item was .914. Further, if the variable having lowest corrected item total correlation was removed, the overall reliability was increased just slightly i.e. .917. Means the data was reliable and if the study is repeated, the identical results will emerge.

Further, carrying upon the normality test, it was observed that significant value was less than .05 which means the sample was homogenous.

The details along with results of reliability and normality test are discussed in chapter 4.1 of this thesis.

b) **Assessment of impact of HRD on change in competence, commitment level of employee and change in organizational culture (OCTAPACE culture) during last 10 years.** For this purpose, questionnaire annexed as annexure-II to this thesis was used. This questionnaire was divided into two parts.

a. First part consists of standard questionnaire developed by T.V Rao & Udai Pareek. Part-I consists of -40- items to assess change in
OCTAPACE level (Openness, confrontation, trust and trustworthiness, autonomy, pro-action, authenticity, collaboration and experimentation represented by -5- items each).

b. The second part consists of -06- items to measure the change in KSA (knowledge, skill and attitude) of employee and change in overall HR climate and customer service.

This questionnaire was sent to 400 employees belonging to clerical cadre as well as junior and middle level of supervisory staff. The purpose of this questionnaire was to assess whether there has been change in 3Cs; competence, commitment and OCTAPACE culture. If yes, whether it is positive or negative. Size of sample was decided on the basis of the formula of Yamane.

No reliability test or normality test of this questionnaire was carried out firstly because the questionnaire to test OCTAPACE culture was an standard questionnaire developed by T.V Rao and Udai Pareek and was used by several researchers and secondly, most of the respondents were common who participated in responding to questionnaire mentioned in Annexure-I.

c) **Assessment of impact of employee behaviour** in improving service quality and Customer satisfaction level. This questionnaire, consisting of -19- items, was sent to 400 customers of the Bank. The size of the sample was decided based upon the above formula of Yamane. Since number of retail customers of the Bank is about 1.5 crores, the sample size needs to be:

\[
n = \frac{15000000}{1+15000000*(.05)^2}
\]

\[
n = 400
\]

The size of the sample also matches with various research paper studied during review of literature.
This questionnaire is annexed in the annexure marked as Annexure-III.

The reliability of this questionnaire was also carried out. In the reliability test, it was observed that Cronbach alpha value for overall scale was equal to .883 and Cronbach alpha based on standardized item was .888. Further, if the variable having lowest corrected item total correlation was removed, the overall reliability was increased just slightly i.e. .888. Means the data was reliable and if the study is repeated, identical results will emerge.

Further, carrying upon the normality test, it was observed that significant value was less than .05 which means the sample was homogenous.

The details along with results of reliability and normality test are discussed in chapter 4.3 of this thesis.

**Sampling and procedure:**

Multi-stage sampling method was used. The Bank is having 13 Zones. Out of 13 Zones, three zones namely Bihar, Orissa & Jharkhand Zone, Eastern U.P Zone and Western U.P Zone were selected for study. These 3 zones constitute 14 Regions out of 59 Regions of the Bank. Out of these 14 Regions, 9 Regions (3 from each Zone) were selected for the purpose of study. Each Region consist 50 to 100 numbers of branches. From each Region, 10-15 branches depending upon number of branches each region has were selected. The questionnaire containing annexure-I and annexure-II were sent to the Branch Heads of such branches with the request to obtain the response from at least 2 to 4 staff, based upon their convenience. While obtaining feedback, it was also requested to Branch Head of the concerned branch that annexure-II should be given only to those staff that has experience of at least -
10- years in Bank. However, in case of questionnaire (annexure-I), they were requested to obtain feedback of staff preferably having service of -10- years or more but not less than -05- years as these staff have participated in the journey of change. Accordingly, it was expected to cover sample of 400 employees.

In the same branches of Uttar Pradesh and Bihar where questionnaire annexed as annexure-I and II were sent, the questionnaire annexed as annexure-III was also sent with the request to the Branch Heads to get the response from 5 to 8 customers of their branches who are banking through their branch preferably for more than 5 years or more. It was expected to cover sample of 400 customers for the purpose of study.

Before finalizing the final questionnaire, the Pilot testing was also done for the following questionnaire by sending it to 50 respondents on the basis of convenience sampling.

1. **Questionnaire to assess the impact of HRD measure in change management.**
2. **Questionnaire to assess impact of employee behaviour** in improving service quality and Customer Satisfaction level.

However, no pilot testing was done for questionnaire annexed as annexure-II i.e. questionnaire to assess the change in organizational culture as this questionnaire was developed by Dr. Udai Pareek and Dr. T.V Rao and several researchers have already used it in the past.

After conducting Pilot testing the questionnaire annexed as annexure-I and annexure –III were suitably modified.
Research Instruments:

The questionnaire is measured on end anchored 5 point Likert Scale. A Likert scale is a type of psychometric response scale often used in questionnaire and is the most widely used scale in survey research. When responding to a Likert questionnaire item, respondents specify their level of agreement to statement. The scale is named after Rennis Likert, who published a report describing its use (Likert, 1932). The Likert technique presents a set of attitude statement. Subjects are asked to express agreement or disagreement on a five point scale. Each degree of agreement is given a numerical value from one to five. Thus a total numerical value can be calculated from all the responses. Certain questions were also measured on 10 point scale.

After the data were collected, it was fed in the excel sheet and apart from using pie chart, graphs etc., software programme SPSS 15.0 was used to analyze by using following statistical techniques:-

i. Reliability analysis: Reliability test is carried to reduce the possibility of getting the answer wrong means. The reliability is the degree of accuracy of collected data, i.e. if the study is repeated, the identical results will emerge. Cronbach’s alpha was used by using following tools:-

   Analyze → Scale → Reliability Analysis → Alpha → Statistics

ii. Normality test: Normality test is carried to determine whether the sample is homogenous or not. By use of SPSS, one-Sample Kolmogorov-Smirnov Test was carried out for normality test by using the following tools:-

   Analyze → Non-parametric Test → Sample K-S

iii. Factor analysis: Factor analysis is carried out to put number of items in different set of groups. The following tools are used in SPSS:

   Analyze → Dimension Reduction → Factor → Descriptive → KMO & Barlett’s test of sphericity → Anti image → Extraction → Principal Component → Rotation
iv. **Correlation:** Correlation is carried out to look at the relationship between two variables in a linear fashion. The following tools are used in SPSS for carrying out correlation:

   Analyse ➔ Correlate ➔ Bivariate

v. **Regression analysis:** Regression analysis is also carried out to establish relationship between two variables. The following tools are used in SPSS:

   Analyze ➔ Regression ➔ Linear ➔ Select dependant & independent variables

vi. **Paired T Test:** Paired T-test used to determine the significant difference between two sets of scores obtained from same set of sample. The following test was used in SPSS:

   Analyze ➔ Compared Means ➔ Paired Sample Tests ➔ Select paired variables

vii. **Non Parametric One Sample Chi Square Test:** Chi square test is done to determine if categorical data shows dependency or the two classifications are independent. The following tools are used in SPSS:

   Analyze ➔ Nonparametric test ➔ Chi square test

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**End Notes**


7. It is not a case study in the strict sense as defined by Yin (2003) & Odum (1929). In fact, here case study means example of Bank of Baroda.