CAIIB
Module-A

Human Resources Management

HRM Module A Human Resource Management

Index

No. of Unit	Unit Name
Unit 1	Fundamentals of HRM
Unit 2	Organisational Behaviour
Unit 3	Organisational Change
Unit 4	HRM in Indian Banks
Unit 5	Knowledge Management

CAIIB HRM Module A Unit 1- Fundamentals of HRM

Fundamentals

Concepts, Policies and Practices

- **"HRM" is concerned** with the people dimensions in management. It is a series of integrated decisions that form the employment relationships, their quality contributions to the ability of the organisations and the employees to achieve their objectives. This is true, regardless of the type of the organisation – government, business, education, health, recreational, or social action.
- HRM is a management function that helps managers to attract, set expectations and develop members for an organisation. Concerned with the people dimensions in organisations, HRM refers to a set of programs, functions, and activities designed and carried out for maximum efficiency.

Objectives of HRM

- **Advisory Role:** HRM advises management on the solutions to any problems affecting people, policies and processes in the following manner:
- ✓ **Employment Policies:** Designs the structure and guidelines on Organisation Structure, Social Responsibility, Employment Terms & Conditions, Compensation, Career and Promotion, Training and Development and Employee Relations as well as Retirement.
- ✓ **Procedures:** Lays down SOPs (Standard Operating Procedures) for all activities starting from manpower planning and recruitment to cessation of employment.
- **Functional Role:** The HR functionaries interpret and help to communicate HR policies. Provides guidance to line managers, to ensure that agreed policies are implemented in letter and spirit. The HR department also acts as a mentor and guide to other functional verticals.
- **Service Role:** This requires the HRM department to be the provider of useful information on HRM matters. This is most important in times of change when the organisation needs to make sure that it is up to date with what is happening.

- **Specialist Role:** The demands made on the HR profession over the years has led to the growth of the Functional HR specialist who has developed expertise in one major aspect of the HR function. Thus, over a period of time there emerges functional HR specialists like IR Specialists, HR Analytics, Compensation specialist, Competency Assessment practitioner, PMS expert and the most common, the Recruitment specialist.

Managerial Functions of HRM

- **Planning:** Planning is a pre-determined future course of action to achieve the desired results. Planning function involves – Plan and research about best employee practices, wage trends, labour market conditions and ensure right talent for right position by forecasting manpower needs for optimum efficiency.
- **Organizing**: Organising is a process by which a group of human beings allocates the tasks among its members, identifies relationships and integrates the activities towards achieving common goal. Given this concept to organizing, the function of Organising encompasses – Allocation of resources and authority & responsibility to achieve the organizational goals and objectives.
- **Staffing**: Organisation process results in the creation of a structure with various positions. Staffing is a process by which the various functional departments are optimally employed by cost effective Recruitment and Selection, to attract not the best employee but the best fit.

- **Directing:** Directing is a process of leading, supervising and guiding the personnel and activities of the organisation. This function involves various tasks like laying down policies, providing guidance and motivation of employees for optimum efficiency.

- **Controlling:** Controlling is an activity of regulating, checking and verifying whether everything is in conformity with the laid down plans and objectives. It facilitates to know whether the actual performance is in conformity with the planned one so that in the event of deviations, appropriate corrective measures can be taken.

Operational Functions of HRM

- **Procurement:** HR Planning, Recruitment and Selection, Induction and Placement.
- **Development:** Training, Skill Development, Career Planning and Mentoring, Counseling.
- **Compensation:** Wage and Salary determination and administration.
- **Integration:** Integration of human resources and its values with organization
- **Maintenance:** Sustaining and improving working conditions, motivation, employee communication.

Developmental Functions of HRM

- **Retention Management:** To ensure that the key talents are attached to the organisation for a reasonable period and also to ensure filling up the slots timely so as not to hamper business continuity plans.
- **Counselling or Advisory Management:** Providing expert advice and preventive counselling for all levels of employees for maintaining a healthier work environment.
- **Change Management:** HR is often called on to manage change whether initiated internal subsequent to some restructuring as also when mergers/acquisitions take place.
- **Employee Engagement:** To ensure that the employees are fully engaged in their given jobs and to enhance their morale levels and loyalty levels.
- **Attrition/Turnover Management:** To reduce the attrition rate, find the reasons for attrition/ tunover and minimise the impact of separations caused by resignations, terminations, layoffs, death, medical reasons etc.
- **Talent Management:** To ensure that the required talents are hired, developed and retained through progressive career plans and employee-benefits schemes/plans.

Employee Policies

- It is a set of rules or guidelines for the organization and employees to follow in order to achieve a specific goal. An effective policy should outline what employees must do or not **do, directions, limits, principles, and guidance for decision making.**
- A Policy is a Plan of Action. An employee policy spells out the Vision of the Management, addresses basic needs of the employees and helps ensure a consistent treatment to all personnel by minimising favouritism and discrimination. These policies are also plans of action to resolve intra-personal, interpersonal and inter-group conflicts.
- A well thought out and a well-defined policy helps manage the human resources effectively. Ideally, such policies should evolve over a period of time.

Human Resource Accounting

- The Human Resources Accounting which has been introduced by a number of leading corporates internationally as also in India take into account the cost of human resources, their potential value to the company as also a replacement cost when good talent leaves.
- Human Resource Accounting is defined as 'accounting for people as an organisational resource. It involves measuring the costs incurred by organisations to recruit, select, hire, train, and develop human assets. It also involves measuring the economic value of people to the organisation'.

HRM and Management of Transformation

- In the ever-changing business environment as of today, changes in the outside world have made the need to consider the environment more important than

ever. The external environment of an organisation is a subject of increasing interest and challenge for today's managers.

- An accurate assessment of the future opportunities and threats is crucial to the success of any organisation. Further, effectiveness of the business organisation lies in converting the threats into opportunities. Political, Economic, Socio-cultural and Technological changes, etc., in the environment are so extensive and frequent which affect any or all activities in the organisations.
- **'Organisational Change'** is the modification in any or all the internal environment of the organisation like organisation's structure, technology, physical settings and human resources. **Human Resources Management (HRM) is in a state of great upheaval and constant change**

Key HRM Practices in Indian Organisations

HRM Practice	Observable Features
Job Description	Percentage of employees with formally defined work roles is very high.
Recruitment	Strong dependence on formal labour market. Direct recruitment from institutions of higher learning is very common amongst management, engineering and similar professional cadres. Amongst other vehicles, placement agencies, internet and print media are the most popular mediums for recruitment.
Compensation	Strong emphasis on security and lifetime employment in public sector including range of facilities like, healthcare, housing and schooling for children.
Training and Development	Poorly institutionalised in Indian organisations. Popularity of training programmes and their effect in skill and value development is unrecognized/obscure.
Performance Appraisal	A very low coverage of employees under formal performance appraisal and rewards or organisational goals.
Promotion and Reward	Moderately variable across industries. Seniority system still dominate the public sector enterprises. Use of merit and performance limited mostly to globally orientated industries.
Career Planning	Limited in scope. The seniority based escalator system in the public sector provides stability and progression in career. Widespread acceptance of voluntary retirement scheme in public sector by high performing staff. Cross functional career paths are uncommon.
Gender Equity	Driven by proactive court rulings, ILO guidelines and legislature provisions. Lack of strategic and inclusion vision spread.
Reservation System	The Central Government has fixed 15 per cent reservations for scheduled castes, 7.5 per cent for scheduled tribes and 27 per cent for other backward classes. States vary in their reservation systems.

New Insights Into HR Management

Contemporary Issues in Indian HRM

- Growing internationalization of business has its impact on HRM **in terms of problems of unfamiliar laws, languages, practices, competition, attitudes, management styles, work ethics and more.**
- Employee expectations and attitudes have also changed; traditional allurements like job security, house, and terminal benefits are less attractive today; employees now demand high cash compensation, empowerment and a high degree of freedom to operate. HR is required to redesign the profile of workers, and discover new methods of hiring, training, remunerating and motivating employees
- In today's dynamic world, even unions have understood that strikes and militancy have lost their relevance; trade union membership has fallen

drastically worldwide and the future of labour movement is in danger. HR has to adopt a proactive industrial relations approach and be prepared to renegotiate bargainable rights.

- The HR manager's focus on people has to be justified and sustainable. Managers who demand decision-making, bossism, and operational freedom have to realign their roles in enhancing organisational and people capabilities.

- The role of women employees in overall organisational productivity is increasing day by day. Many organisations have reserved certain percentage of women employees in the organisation in order to ensure gender equity.

- It has been observed that new employees remain loyal as long as they are comfortable with compensation and have job satisfaction.

Moonlighting

- It means taking up a second job or multiple other work assignments apart from one's fulltime job. This topic comes in light, especially, in IT industries, where employees took other jobs, during after COVID-19, while working on '**Work-from-home' model. This is also termed as Dual Employment**.
- The concerns about this emerging concept are data confidentiality breaches, loss of productivity, reduced employee engagement at workplace etc. Several Tech companies fired many employees engaged in moonlighting. Many other companies have cautioned their employees and raised their concerns on this, calling it an unethical trend.

Current Research

The World Competitiveness Report has noted HR capabilities in India as comparatively weaker as against other Asian nations. **One reason for this lack of professionalism could be that India has three types of firms:**

- ✓ Indian firms with a global outlook.
- ✓ Global firms seeking to adapt to Indian context.
- ✓ The home-grown private and public sector undertakings with their own outdated HR approach.

Add to this, regional variation in types of industry size, business and culture The number of unemployed school graduates, those who leave jobs at an early stage are increasing among the young. *Factors behind this problem include the following:*

- ✓ Significant decrease in job openings.
- ✓ Increase in young workers who are unable to set goals for the future.
- ✓ Education, employee training and employment systems that have not adapted to economic and social structural changes.

Relationship between HRM, PM, HRD

- **Human Resource Development (HRD) is an approach to people management**. Setting expectations before a carefully selected individual,

providing development tools and assessing performance as part of the performance management system, led to a structured career and succession planning, leading to growth for the individuals as well as the organisation.

- **In Banks**, the Staff Department which was christened as the Personnel Department continued to function till the late 80s. It was in some of the foreign banks that the designation slowly started to change to the HR department and the Manager/Officers of the Department had the nomenclature of Relationship Managers.

- The departments with which a particular officer interacted became the customers of that HR Relationship Manager. Having regard to these contemporary approaches being followed in New-generation banks and foreign banks, in order to keep pace with this transformation, the Public Sector Banks and old-generation private banks have re-designated **the 'Personnel Department'** into '**HR Department'** with simultaneous change in the designation of **'Personnel Officers' into 'HR Officers'.**

Role of the HRD Professional

- While most HR professionals are required to perform routine activities, the HR head has to work with the management to develop a plan that would support a specific business strategy. Thus, he/she would advise the management as to how to bring about change, develop an incentive scheme that will make compensation structure most competitive in the industry and provide expert professional advice for optimal use of the human resources available.

- His/Her first role would be to put in place a clear organisational structure, then develop an internal competitive environment and establish a very clear line of communication so as to result in coordination and cooperation between business units as well as the various tiers of management.

The traditional HR approach includes the following as major responsibility areas for the HR head:

- ✓ **Planning** – includes projections and planning for the skilled matrix of manpower required for the future organisation.
- ✓ **Staffing** – providing the competency matrix required to face future challenges

- ✓ **Employee development –** identify cost effective and modern methods of training for skill and competency development.

- ✓ **Performance Management –** developing an entire gamut of performance linked measures to align individual performance to the overall corporate performance.

- ✓ **Employee Rewards –** with the pronounced emphasis on Pay for Performance, develop an incentive scheme that would reduce fixed costs while at the same time being motivating enough to induce best performance from an employee.

- ✓ **Maintaining Quality of Work Life and Discipline –** with the impact of global workforce it is necessary to develop a linked work-life discipline for all employees in the organisation.

Responsibilities and Tasks

Human Resource Planning

- Develop, monitor use and update policies in line with the Company's strategic objective.
- It is a process to forecast the requirement of Human resources. It is planning of right number of people at right place and at right time.
- It ensures the continuous supply of human resources in alignment with the company's strategic objectives.

Recruitment and selection

- According to Edwin Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization."
- Selection is the process of differentiating between applicants in order to identify and hire the most suitable candidate for the job.

Performance Management

- Review performance processes and evaluate performance to ensure that the tasks performed are in line with the Company's strategy.
- Put in place measurement systems for periodic reviews and correction.

Training and Development

- Design a comprehensive training plan for the organisation.
- Implement the staff career development plans annually.

Compensation and Rewards

- Develop and implement a competitive remuneration strategy, updated annually, based on current best incentive practices.
- Design an Incentive plan to link rewards to performance.

Maintaining Quality of Work life and Discipline

- Develop and implement a healthy retention strategy
- Continually monitor statutory compliance
- Ensure methods for creative work-life balance.

Building an Employment Brand: Responsibilities of an HR Executive

HR head wishing to convey focused messages about the attribute and values of products uses and promotes branded components (say of service conditions) whose own image reinforces the desired attributes and values. As for banks, many in the clerical cadre (especially women employees) joined because bank jobs were easy to perform and were considered fairly remunerative as well. Now, in a more competitive environment, this image also needs to undergo a major change.

Having a brand image as a good employer will help them:

- Keep ahead in the talent war
- Attract and induce the right kind of people the organisation is looking for
- Enhance their ability to get quality resumes to choose from
- Retain their existing employee pool
- Subsequently see a dip in employee turnover

The HR Head in the Indian Banking Industry

Some of the developmental roles need to own and perform by HR Head, are:

- **Under the Talent Acquisition function of HR Head:** he/she should develop a recruitment roadmap to continuously attract high-quality talent. He/She should position the organisation as an employer of choice. It should build futuristic recruitment processes and systems to create industry differentiators.
- **Under the Organisational Development role:** HR Head should work towards championing developmental HR. Under this function, the tasks of HR encompass – designing and managing the performance management landscape, competency management, career planning, designing interventions aimed at increasing employee engagement, process improvements and job evaluations, etc.
- **Under role as an effective leader,** HR head should act as an internal consultant in the organisation and will also interface with external experts, in order to build knowledge in new areas. He/she will determine the implementation strategies for structure and process interventions that can lead to organisational effectiveness.
- **Under the role as a Business Partner**, the HR Head should perform the roles of strategic business partner, employee champion and change agent. He/she should lead the HR function of the organisation to establish, manage and develop HR in alignment with the organisational business strategy, within the framework of the organisation's philosophy, objectives and policies.

New Roles of HR Managers in Banks

- **Counselor**: Consultations to employees about personal, health, mental, physical and career problems. A friend and career advisor to employees in the time of promotions, transfers as well as lateral movements.
- **Mediator**: Playing the role of a peacemaker during disputes, conflicts between individuals and groups and management. Display proficiency in union handling.
- **Problem Solver:** Solving problems related to engagement of human resources and long-term organisational planning.
- **Change Agent:** Introducing and implementing institutional changes and installing organisational development programs; most critical in PSU banks where major transformations take place due to increased use of technology.
- **Management of Manpower Resources:** Concerned with people management at various levels– individual level and group level and organizational level.

Qualities and Traits of a Successful HR Professional

- **Should possess good leadership traits.**

- **They should be known for their honesty, integrity, sincerity, fearlessness and a sense of balance and justice.**
- **Must have the ability to understand human psychology**. He/She should be humane and skilled in human relations. They should possess good and effective communication skills.
- **Should be of positive mindset and provide good growth opportunities to people** and encourage them to take up higher positions and responsibilities and also to provide required motivation for their development.
- **Should have passion for anonymity**. They should be broad-minded and pass on the credit to the subordinates and superiors in case of success and to own up responsibility of failures not only of self but of their subordinates.
- **Should have high level of intelligence and knowledge.**

Ethics in Human Resource Management (HRM)

- Corporate Social Responsibility (CSR) practices in human resource management include valuing human capital, providing safe and healthy workplace and congenial work-life balance; embracing diversity in human resources and continual skill development for all employees. An organisation can chose to extend ethical human resource management practices by ensuring that they only work with suppliers/customers who value the same human resource ideals.
- Ethics in HRM basically deal with the affirmative moral obligations of the employer towards employees to maintain equality and equity justice. Treating employees ethically can garner long-term employee trust and loyalty, which conveys a range of distinct advantages to employers. Loyal employees gain more experience and prosper with the organisation in terms of their rich experience and expertise.

Ethical Issues in HRM Function

- **Compensation issues:** The HR function is often presumed to justify a higher level of base salaries, or a higher percentage increase than what competitive practice calls for.
- **Incentive plans :-** The HR Manager may be forced to design and administer top-management incentive plans, at higher rates than what the individuals deserve. As far as Banks are concerned, generally, each bank will have Board approved incentive plans and as such, the scope for arising ethical issues on this score is very minimal.
- **Perquisites :-** Executive perquisites may sometimes raise ethical dilemma for the HR executive because their cost is often out of proportion to the value added.
- **Performance Appraisals :-** Ethics should be the cornerstone of performance evaluation, and the overall objective of high ethical performance reviews should be to provide an honest assessment of the performance and mutually develop a plan to improve the work effectiveness. For this purpose, a well-defined Performance Appraisal System based solely on measurable traits/quantitative parameters should be evolved in respect of every cadre of employees, without scope for ethical issues on this score.

- **Diversity issues:-** A framework of laws and regulations are evolved in India that has significantly improved workplace behavior. Most of the organisations believe in treating their employees equally irrespective of their demographic variables.

- **Recruitment & Promotion Issues:-** 'Recruitment and Promotion' is a potential area where ethical challenges may arise since it may have grey areas which are based on judgment of the recruiters or promoters. While organisations are vocal about anti-discrimination and anti-harassment policies, HR functionaries are more likely to face ethical dilemmas in the areas of employee hiring.

- **Confidentiality/Privacy:-** Privacy issues pertain to protecting a person's personal life from intrusive and unwarranted actions. Exceptions are permitted only when such issues are specifically permitted under Right to Information Act.

CAIIB HRM Module A Unit 2- Organisational Behaviour

Organizational Behaviour

- As defined by **Kossen**, 'an organisation is a group of individuals co-ordinated into different levels of authority and segments of specialization for the purpose of achieving the goals and objectives of the organisation.'
- This definition to the concept of 'organisation' reveals that organisation is a group of individuals and as such individual and group dynamics are core to the organisation and the study of '**Organisational Behaviour'**. Organizational behavior (OB) is the study of how individuals, groups, and organizations interact and influence one another.

Behavioural Dynamics In Organisations

Organisation Charts

- An organisation chart is a simple and understandable representation of the formal organisation structure. It is a formal record of the chain of command, along with titles assigned to the various individuals in the organisation.
- The organisation chart well drawn, can give an insight in to the organisation's philosophy, its hierarchical structure, line and staff authority, authority and responsibility levels, chain of command, line of delegated authority, decentralisation or otherwise in an organisation as well as span of control.

Organisation charts can be divided into

- ✓ **Master chats and**
- ✓ **Supplementary charts**.

The master chart shows the entire formal organisation structure, and the supplementary charts shows details of relationships, authority and the job-roles within the prescribed area of a department or major component of the organisation.

Formal and Informal Organisations

- An organisation is said to be a **formal organisation** when two or more than two persons come together to accomplish a common objective, and where, formal relationships, rules, and policies are established for compliance, and there exists a system of authority.
- On the other end, there is an **Informal organisation** which is formed under the formal organisation as a system of social relationship, which comes into existence when people in an organisation, meet, interact and associate with each other.
- The intention to clearly define the structure and roles in a formal and organised manner, leads to an enterprise that is a formal organisation. The informal group in an organisation is the network of personal and social relationships unrelated to the firm's formal authority structure. These informal units can make the formal organisation more effective by providing **support to management, stability to the environment, and become important communication channels.**

Matrix Structure

- In a matrix organisation, teams are formed and team members report to two or more managers. A matrix design is the result of combining a project design with a functional structure. It helps to achieve economies of scale.
- In this structure, there will be several communication channels for transmitting decisions. This is considered to be a well-balanced structure of organisation.
- In this structure, the person right at the top of the structure is responsible for the success of the project. The line and staff officers can provide support according to the requirements of the project. Once a project is completed, the persons involved will be drawn back to their original jobs, thus, ensuring optimal use of personnel and enhanced productivity. This form is ideally suited for companies, such as constructions that are project-driven.

Advantage

- ✓ This form of organization retains the expertise and management skills of functional managers while executing the project. The expertise available can be applied in a most flexible and efficient manner to benefit a number of projects.
- ✓ Matrix project organization is a fascinating arrangement for the highly skilled professionals who want to work on new and challenging projects.
- ✓ The project manager can devote his/her time towards complex issues of the project and coordinate various tasks and priorities of the organization without being distracted by any other details of project implementation.
- ✓ Policies and procedures can be set up independently for each project provided that they do not contradict company policies and procedures.
- ✓ A strong technical base can be developed and more time can be devoted to complex problem-solving. Knowledge is available for all projects on an equal basis.

Disadvantage

- ✓ Each project unit operates independently.

✓ Functional managers may be biased according to their own set of priorities.
✓ People do not feel that they have any control when continuously reporting to multiple managers.
✓ Dual line of command can cause delay in decision-making and may create conflicts also.
✓ Difficulty in monitoring and controlling.

Divisional Structure

- In a divisional organisation, corporate divisions operate as relatively autonomous businesses under the larger corporate umbrella.
- Made up of self-contained strategic business units each of which produces a single product, the controlling authority focuses on results, coordinates and controls the activities, and provides support services between divisions.
- Functional departments achieve division goals. A weakness however, is the tendency to duplicate activities among divisions.

Organic and Mechanistic Structure

- Organic organisations have a flat structure with only one or two levels of management, emphasizing a decentralised approach to management that encourages high employee involvement in decision making.
- This structure creates independent small businesses or enterprises that can rapidly respond to customers' needs or changes in the business environment.

Functional Structure

- Functional structures group similar or related occupational specialties or processes together under the familiar headings of finance, manufacturing, marketing, accounts receivable, research, human resources, etc.
- However, in this type of organisations, there is an avoidable risk of losing sight of its overall interests as different departments pursue their own goals.

The Person – Job Fit

- Most HR Managers would like to profess that their ultimate aim is to provide the right man for the right job, in other words, the perfect job fit.
- Basic orientation training and extensive skill upgradation at frequent intervals during work-life of the individual in the organisation and the clear focus of individual skills, knowledge and attitudes vis-à-vis various job-roles are key to ensure a perfect job-man fit in the organisations.
- The contemporary method of learning forum is **'Assessment/Development Centres'**. This method is used for higher learning especially to those who are required to handle higher echelons in the organisation.
  Assessment/Development Centers are batteries of simulations of work challenges that participants are likely to face in future roles.
- Common job simulations used in assessment centres are: In-basket exercises, Group discussions, Simulations of interviews with **"subordinates" or "clients"**,

Fact-finding exercises, Analysis/decision making problems, Oral presentation exercises, Written communication exercises.

Group Dynamics

- Group dynamics refers to the attitudinal and behavioural characteristics of a group and is concerned with how groups form, their structure and process, and how they function. Group dynamics is relevant in both formal and informal groups of all types.
- In an organisational setting, groups are a very common organisational entity and the study of groups and group dynamics is an important area of study in organisational behavior.

Group vs Team

Dimensions	Group	Team
Definition	Group is defined as two or more persons come together based on task, activities, interests etc.	Team is defined as two or more persons come together to achieve the goal/ perform the task/ project.
Goal	May/May not share a common goal	Share a common goal
Dependency	Independent	Interdependent
Nature	May/May not be formal in nature	Formal in nature
Focus	Focus is on achieving **individual goals**	Focus is on achieving **collective goals**

Group Development

- Group dynamics is concerned with why and how groups develop. There are several theories as to why groups develop. A classic theory, developed by **George Homans**, **suggests that groups develop based on activities, interactions, and sentiments**.
- Basically, the theory means that when individuals share common activities, they will have more interaction and will develop attitudes (positive or negative) toward each other. The major element in this theory is the interaction of the individuals involved.

Social exchange theory:

- ✓ Individuals form relationships based on the implicit expectation of mutually beneficial exchanges based on trust and felt obligation. Thus, a perception that exchange of relationships will be positive is essential if individuals are to be attracted to and affiliate with a group.

Social identity theory:

- ✓ It suggests that individuals get a sense of identity and self-esteem based upon their membership in salient groups.

According to Tuckman's theory, there are five stages of group development:

i)Forming,

ii)Storming,

iii)Norming,

iv)Performing, and

v)Adjourning.

Group Types

One common way to classify group is by whether they are formal or informal in nature. Formal work groups are established by an organisation to achieve organisational goals. **Formal groups may take the form of command groups, task groups, and functional groups.**

- **Command groups:** Command groups which are often called as 'Permanent work groups', are specified by the organisational chart and often consist of a supervisor and the subordinates that report to that supervisor.
- **Task groups or 'temporary work groups'**: are created for a specific purpose – to solve a specific problem or to perform a defined task and typically disband once that purpose is accomplished. **Task groups consist of people who work together to achieve a common task.**
- **Functional group:** It is created by the organisation to accomplish specific goals within an unspecified time frame.

Three common types of informal groups are 'Friendship groups', 'interest groups' and 'reference groups'.

- **Friendship groups:** are formed by members who enjoy similar social activities, political beliefs, religious values, or other common bonds. Members enjoy each other's company and often meet after work to participate in these activities.
- **Reference group:** is a type of group that people use to evaluate themselves. According to Cherrington, the main purposes of reference groups are social validation and social comparison. **Social validation** allows individuals to justify their attitudes and values while **social comparison** helps individuals evaluate their own actions by comparing themselves to others.
- **Interest group:** consists of persons who share common interests; they may be job-related interests, such as an intense desire to learn more about computers and non-work interests such as community service, sports or religion.

Group Structure:

Group structure is a pattern of relationships among members that hold the group together and help it achieve assigned goals. Structure can be described in a variety of ways. Among the more common considerations are group size, group roles, group norms, and group cohesiveness.

Group Size:

- Group size can vary from 2 people to a very large number of people. Small groups of two to ten are thought to be more effective because each member has ample opportunity to participate and become actively involved in the group. Large

groups may waste time by deciding on processes and trying to decide who should participate next.

- This includes a concern for **'Social loafing'** which is also called **'Ringlemann effect'.**

It acknowledges that people may tend not to work as hard in groups as they would individually for two reasons:

i)Their contribution is less noticeable, and

ii)They prefer to see others carry the work load.

Group Roles:

- In formal groups, roles are usually predetermined and assigned to members. Each role will have specific responsibilities and duties. Group roles can then be classified into work roles, maintenance roles, and blocking roles.

Group Norms:

- Norms are acceptable standards of behavior within a group that are shared by the members of the group. Norms define the boundaries of acceptable and unacceptable behavior.
- They are typically created in order to facilitate group survival, make behavior more predictable, avoid embarrassing situations, and express the values of the group.

Group Cohesiveness:

- Cohesiveness refers to the bonding of group members and their desire to remain part of the group. Cohesiveness in work groups has many positive effects, including worker satisfaction, low turnover and absenteeism, and higher productivity.

Group Effectiveness

Group effectiveness is the capacity a group has to accomplish the goals or objectives administered by **an authorized personnel or the organisation**. The measures of effectiveness of group depends largely on the characteristics of a group and its activities which are as under:

- ✓ **Productivity**
- ✓ **Satisfaction and attitudes**
- ✓ **Attendance**
- ✓ **Retention**
- ✓ **Learning and adaption**
- ✓ **Physical and mental well-being**

Leadership

- **According to Stephen P. Robbins and Timothy,** "leadership is a process and the ability to influence a group toward the achievement of a vision, set and attends to a common goal within its group context".
- leadership skills can be innate in person and they can also be acquired, and honed. But then leadership actually differs from management skills in a number of ways.
- ✓ **Management involves planning and budgeting. Leadership involves setting direction.**
- ✓ **Management involves organizing and staffing. Leadership involves aligning people.**
- ✓ **Management provides control and solve problems. Leadership provides motivation.**

Leader vs Manager

Dimensions	Leader	Manager
Definition	A leader is the one in the charge, the person who convinces other people to follow	Managers are defined as the who get the work done from others in the organization
Source of Motivation	Leaders' goals arise from self-motivation.	Managerial goals arise out of necessities rather than desires
Risk	Leaders take risk	Managers control risk
Nature	Leaders, tolerate chaos and lack of structure and are willing to delay closure in order to understand the issues more fully	Managers embrace process, seek stability and control, and instinctively try to resolve problems quickly
Nature	Leadership is qualitative	Management is quantitative

The Six Leadership Styles by Goleman

The 6 leadership styles given by Goleman, their origin, when they work best, and their impact on an organisation's climate and thus, its performance.

Leadership Style	Coercive	Authoritative	Affiliative	Democratic	Pacesetting	Coaching
The leader's modus operandi	Demands immediate compliance	Mobilizes people towards a vision	Creates harmony and builds emotional bonds	Forges consensus through participation	Set high standards for performance	Develops people for the future
The style in a phrase	"Do what I tell you."	"Come with me."	"People come first."	"What do you think?"	"Do as I do, now."	"Try this."
Underlying emotional intelligence competencies	Drive to achieve, initiative, self-control	Self- confidence, empathy, change catalyst	Empathy, building relationships, communication	Collaboration, team leadership, communication	Conscientiousness, drive to achieve, initiative	Developing others, empathy, self-awareness
When the style works best	In a crisis, to kick start a turnaround, or with problem employees	When changes require a new vision, or when a clear direction is needed	To heal rifts in a team or to motivate people during stressful circumstances	To build buy-in consensus, or get input from employees	To get quick results from a highly motivated and competent team	To help an employee improve performance or develop long-term strengths

Situational Leadership Theory

- **This theory was propounded by Hershey and Blanchard** in 1969 as Life cycle theory of leadership. Later on, this theory was named as Situational Leadership Theory.
- This theory says that one leadership style does not fit in all the situations. Leaders have to modify their styles according to the **followers' willingness and ability**. Willingness refers to intention and motivation to do the job task, whereas, ability refers to required skills and knowledge to perform the task at workplace. There are four types of employees based on the willingness and ability.
- ✓ **Low willingness, Low ability:** employees having low intentions and low skills and knowledge to perform the task. Such employees need specific instructions and constant supervision.
- ✓ **High willingness, Low ability:** such employees have intentions and confidence to perform the task but they are not having the required ability. The performance of such employees can be enhanced by providing training and guidance.
- ✓ **Low willingness, High ability:** employees in this category have the required skills to perform the task but lacks willingness. Leaders need to inculcate interest in such employees by assigning job role according to their interest, assigning goals that are relative to their personal goals and implementing the incentive policy.
- ✓ **High willingness, High ability:** employees, high in willingness and ability, prove to be assets for the organization. They do not need specific instructions and much supervision. They are self-motivated. Leaders should work on to retain such employees by providing relative incentives and benefits.

Accordingly, this theory suggests four leadership styles:

- ✓ **Telling Style:** this style is characterized by high task guidance, low-relationship style where the leader gives explicit directions and closely supervises the employees' performance. This style is usually followed for employees who are low in willingness and low in ability.
- ✓ **Selling Style:** this style is characterized by high task guidance behavior, as well as supportive behaviour. This type of leadership style is usually followed for employees high in willingness and low in ability, as such employees are self-motivated but lack of required ability.
- ✓ **Participating Style:** this leadership style provides opportunities to employees to participate in exchange of ideas and decision-making. This is done to impart the willingness in employees having required skills and abilities. Hence, this leadership style is suitable for employees high in ability and low in willingness
- ✓ **Delegating Style:** Delegating means assigning the work and responsibilities to the employees who deserve the same. This is suitable for employees who are high in ability and high in willingness.

Managerial Grid' Theory of Leadership

Managerial Grid' Theory of leadership is developed by Blake and Mouton. They emphasize that leadership style consists of factors of both the task-oriented and

relation-oriented behaviour in varying degrees. **The grid depicted two dimensions of leader behavior, concern for people** on y-axis and **concern for production** on x-axis.

Blake & Mouton have described the five leadership styles as follows:

- **(1,1) (improverished) –** Leader has minimum concern for production and people- Laissez Faire leadership
- **(9,1) (Task-oriented) –** Leader having less concern for people and more concern for production – Autocratic Leadership style
- **(1,9) (Country Club) –** Leader having less concern for work and more concern for people – People oriented leadership style.
- **(9,9) (Team Builder) –** Leader having high concern for production as well as people – Team building leadership style.
- **(5,5) (Middle Path) –** Leader having adequate performance through balance of work requirements and maintaining satisfactory morale.

Some Contemporary Approaches To Leadership

Whether to Lead from Front, Back or Center?

There has been a modern thought which advocates that 'Leader should lead from the back' on the theme that – 'Being a leader is not about being in front but it is about taking care of his/her team'. If the leader wishes to lead from behind, he/she should ensure to adhere the following:

- **Set goals and parameters:** 'Leading from behind' is still active leadership which shapes organisation's culture and drives change. To lead from behind, leader need to build a strong team that is united by shared values and goals. The leader need to make the group's goal clear, whether that's developing a new product or overcoming a problem the organisation is facing.
- **Enable innovation:** The goal is to enable the team members to emerge as innovators and leaders themselves. When leading from behind, leader should provide support and inspiration. Leader should create opportunities for learning and growth, such as workshops and a collaborative work environment, and reward new ideas.
- **Step forward in key moments:** While leading from behind often means playing a supporting role, there are times when it's necessary to step forward. This is the particularly the case if you notice your team veering off-track.

Be Dynamic and Constantly Adapt to Change

- Leaders and people employed therein is that to find and focus on inventing and creating the best suited solution to meet these emerging challenges resolutely with timeliness.

Strategic Leadership

The more uncertain your environment, the greater the opportunity—if you have the leadership skills to capitalize on it.

A research at the Wharton School and at the authors' consulting firm, involving more than 20,000 executives, had identified six skills that, when mastered allow leaders to think strategically and navigate the unknown effectively. They are the abilities to:

- ✓ **Anticipate**
- ✓ **Challenge**
- ✓ **Interpret**
- ✓ **Decide**
- ✓ **Align**
- ✓ **Learn**

Transformational Leadership

It is a leadership style in which leaders encourage, inspire and motivate employees to innovate and create change that will help grow and shape the future success of the company. This is accomplished by setting an example at the executive level through a strong sense of corporate culture, employee ownership and independence in the workplace.

Four Factors of 'Transformational Leadership'

- **Inspirational Motivation –** A transformational leader should inspire people to move in the right direction. Even when the leader is not present himself, his people should be motivated and inspired in their professional and personal life to follow the leader and to do the right things. Inspirational motivation describes leaders who motivate associates to commit to the vision of the organisation.
- **Intellectual simulation –** It describes leaders who encourage innovation and creativity through challenging the normal beliefs or views of a group. Leaders with intellectual stimulation – constantly innovative, challenges subordinate to be innovative and creative, promote competitiveness, critical thinking and problem solving in an effort to make the organisation better.
- **Idealized influence –** It describes leaders who are exemplary role models for associates. Leaders with idealized influence – drive the subordinates towards purpose, they actually 'walk the talk', can be trusted and respected by associates to make good decisions for the organisation.
- **Individualized consideration –** It describes leaders who act as coaches and advisors to the associates. Leaders with individual consideration - are 'people' driven, genuine concern for needs of subordinates, encourage associates to reach goals that help both the associates and the organisation.

Qualities of a 'Transformational Leader'

- Encourages the motivation and positive attitudes and a culture of development among subordinates.

- Exemplifies moral standards within the organisation and encourages others for the same.

- Fosters an ethical work environment with clear values, priorities and standards.

- Builds organisation culture by encouraging employees to move from an attitude of self-interest to a mindset where they are working for the common good.

- Holds an emphasis on trust, authenticity, cooperation and open communication.

- Empowers followers to do what is best for the organisation.

- Trusts the followers and allows the followers the required freedom.

- Strong role model with high values.

- Listens to all viewpoints to develop a spirit of cooperation.

- Creates a vision, using people in the organisation.

- Acts as a change agent within the organisation by setting an example of how to initiate and implement change.

- Helps the organisation by developing other's contribution to the organisation.

- Focuses on turning followers/subordinates into future leaders.

Transactional vs. Transformational Leadership

- **Transactional Leadership** heavily relies on motivating employees through rewards and punishments. It requires supervision, oversight, and performance-monitoring. This leadership model doesn't try to innovate. Instead, it's rooted in keeping things consistent and predictable over time. Errors and faults are closely investigated, and the overall goal is to create efficient, routine procedures. This style is best suited to departments or organisations that require routine and structured areas where businesses want to reduce chaos or inefficiency.

- **Whereas Transformational leadership**, on the other hand, supports agile environments. Conscious effort must be made to adopt a transformational style. Transformational leadership is a vital role for effective leaders because leader effectiveness determines the ultimate success of the organisation.

Human Resource Implications Of Benchmarking

Benchmarking

- 'Benchmarking' is the process of comparing the business processes and performance metrics including cost, cycle time, productivity, or quality to another that is widely considered to be an industry leader and hence considered as the standard benchmark or best practice. Benchmarking helps to compare and understand where a given business is in relation to the recognized standard.

Types of Benchmarking

- It includes process benchmarking, financial benchmarking, performance benchmarking, product benchmarking, functional benchmarking, best-in-class benchmarking, operational benchmarking.

Latest Initiatives by Major Indian Banks on Technology / Automation Front

SBI takes lead in blockchain, to use it to prevent fraud

- The SBI's initiative, christened Bankchain, is in partnership with IBM, Microsoft, Skylark, KPMG and 10 commercial banks. The country's largest lender has also tied up with a startup firm Prime chain Technologies for this exercise. Bankers said that digitially signed documents that are part of consortium lending and which have to be shared can be put up as a block so that they will be known to all members.

New initiatives on technology/automation by Bank of Baroda

- Bank of Baroda announced several new initiatives on the occasion of its 110th Foundation Day on 20 July 2017. The bank is introducing new products like Baroda E-Business Pack for MSME customers for availing overdraft/demand loan/term loan and composite loan, Baroda Champs saving account which is aimed at children below 17 years of age and paperless pre-approved digital personal loans which are transferred instantly through net banking and mobile banking apps.

Quality Initiatives In Organisations

Total Quality Management (TQM)

- TQM is defined both a philosophy and a set of guiding principles that represent the foundation of a continuously improving organisation.
- It is the application of quantitative methods and human resources to improve all the processes within an organisation and exceed customer needs now and in the future.
- It integrates fundamental management techniques, existing improvement efforts, and technical tools under a disciplined approach.

Principles (Pillars) of TQM

- A committed and involved management to provide long-term top-to-bottom organisational support.
- An unwavering focus on the customer, both internally and externally.

- Effective involvement and utilization of the team work.

- Continuous improvement of the business and production.

- Benchmarking

- Treating suppliers as their business colleagues.

- Establish performance measures for the processes.

- Involvement of employees in decision-making

- TQM as a Large Scale Systems Change, is seen primarily as a change in an organisation's technology and its way of doing work. In the human services, this

means the way client servicing is processed, the service delivery methods applied to them and ancillary organisational processes such as paperwork, procurement processes, and other procedures. TQM also brings about a change in an organisation's culture, its norms, values, and belief systems about how organisations function.

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TQM- Sources of Resistance

- Implementation of large scale change such as TQM will inevitably face resistance, which should be addressed directly by change agents. Historical worker antipathy to the use of statistics and data in the human services may carry over into views of TQM, which encourages the gathering and analysis of data on service quality.
- For many traditional managers, this transition will require training, self-reflection, and time as well as assurances from higher management that they are not in danger of being replaced.
- There are several tactics which can be helpful in dealing with resistance to TQM implementation. Generally, they have to do with acknowledging legitimate resistance and changing tactics based on it, using effective leadership to enroll people in the vision of TQM, and using employee participation.

Relevance of TQM in Banking Industry

- Banking industry caters to the needs of the vivid categories of people in the society. The service quality of commercial banks plays a dominant role in its success story. Providing the best service quality is viewed as the pre-requisite for the success in banks.
- Since the institutional performance largely depends on quality of service rendered to the customers at large, the total quality service is an imperative need. High quality in customer service creates synergies and value creation for

banks. Therefore, in banking industry, high customer value has become a source of competitive advantage.

- Therefore, commercial banks have employed creative business platforms like Total Quality Management (TQM) for mammoth value creation for their sustainability in the severe competition.

Business Process Reengineering (BPR)

- **Business Process Reengineering (BPR)** is one approach for redesigning the way work is done to better support the organisation's business goals and improve efficiency on all parameters.
- **"Reengineering** is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed".
- BPR focuses on processes and not on tasks, jobs or people. Reengineering starts with a high-level assessment of the organisation's mission, strategic goals, and customer demands.
- Reengineering identifies, analyzes, and redesigns an organisation's core business processes with the aim of achieving dramatic improvements in critical performance measures, such as cost, quality, service, and speed.

BPR Implementation: Broad Guidelines

BPR which can be applied universally by following these broad guidelines.

Envision new processes

- ✓ Secure management support
- ✓ Identify reengineering opportunities
- ✓ Identify enabling technologies
- ✓ Align with corporate strategy

Initiating change

- ✓ Set up reengineering team
- ✓ Define desired performance goals

Process diagnosis

- ✓ Describe existing processes
- ✓ Uncover deficiencies in existing processes

Process redesign

- ✓ Develop alternative process scenarios
- ✓ Develop new process design
- ✓ Design HR architecture
- ✓ Select IT platform
- ✓ Develop overall blueprint for action and gather feedback

Reconstruction

- ✓ Develop/install IT solution
- ✓ Establish process changes

Process monitoring

- ✓ Performance measurement, including time, quality, cost, IT performance
- ✓ Link to continuous improvement

International Organisation for Standardisation (ISO) & ISO 9000 Series

- The ISO 9000 family addresses various aspects of quality management and contains some of ISO's best known standards. The standards provide guidance and tools for companies and organisations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved.
- Originally published in 1987 by the International Organisation for Standardisation (ISO), a specialised international agency for standardisation composed of the national standards bodies of 90 countries.
- Underwent major revision in 2000.
- Now includes ISO 9000:2000 (definitions), ISO 9001:2008 (requirements) and ISO 9004: 2000 (continuous improvement).

ISO 9001:2015

- **ISO 9001**:2015 sets out the criteria for a quality management system and is the only standard in the family that can be certified to (although this is not a requirement). It can be used by any organisation, large or small, regardless of its field of activity.
- **Using ISO 9001**:2015 helps ensure that customers get consistent, good quality products and services, which in turn brings many business benefits.

Standards in the ISO 9000 family include:

- **ISO 9001:2015** – sets out the requirements of a quality management system
- **ISO 9000:2015** – covers the basic concepts and language
- **ISO 9004:2009** – focuses on how to make a quality management system more efficient and effective
- **ISO 19011:2011** – sets out guidance on internal and external audits of quality management systems.

Potential Benefits

- **ISO 9001**:2008 covers an extensive range of requirements and seeks to improve the quality of all of the organisation's management activities, which has the potential to result in some substantial overall organisational improvement.
- **ISO 9001:**2008 is one of the most nationally and internationally known quality standards that affirms the independent approval of a management system designed specifically to deliver high levels of customer satisfaction.
- It has the potential to improve internal and external accountability and communication of management and production procedures.

- ISO 9001 certification can help an organisation qualify for a tender or to achieve preferred supplier status, typically in the western countries.

Potential Limitations

- Pursuing the standard has the potential to be expensive in terms of start-up and running costs and has the potential be time consuming to implement.
- There is less flexibility than other tools and it is much more difficult to use in smaller parts of for single issues.
- Its origins are in the industrial sector and whilst the latest version, has been made more user friendly for service organisations it may be less suitable for socially enterprising organisations.
- The vast majority of ISO standards are highly specific to a particular product, material, or process. However, ISO 9001 (quality) and ISO 14001 (environment) are 'generic management system standards'.

'Quality Circle': HR Strategy To Quality Improvement

- Participative methods in the workplace are one way to improve both the work environment for employees and productivity and quality for the company. Quality Circle is one such employee participation method.
- It involves the channelization of skills, capabilities, confidence and creativity of the workforce through cumulative process of education, training, work experience and participation. Quality Circles have emerged as a mechanism to develop and utilize the tremendous potential of people for improvement in product quality and productivity.
- Quality Circle is a small group of 6 to 12 employees doing similar work who voluntarily meet together on a regular basis to identify improvements in their respective work areas using proven techniques for analysing and solving work related problems coming in the way of achieving and sustaining excellence.

Objectives of Quality Circle

- **Change in Attitude:** From "I don't care" to "I do care". Continuous improvement in quality of work life through humanisation of work.
- **Self Development :** Bring out 'Hidden Potential' of people. People get to learn additional skills.
- **Development of Team Spirit:** Individual Vs Team – "I could not do but we did it" Eliminate inter departmental conflicts.
- **Improved Organisational Culture:** Positive working environment, total involvement of people at all levels, higher motivational level and participative management process.

Organisational Structure of Quality Circle

- **A steering committee:** This is at the top of the structure. It is headed by a senior executive and includes representatives from the top management personnel and human resource development people. It establishes policy, plans and directs the program and meets usually once in a month.

- **Coordinator:** He / She may be an HR or Administrative officer who co-ordinates and supervises the work of the facilitators and administers the programme.
- **Facilitator:** He/She may be a senior supervisory officer. He/She co-ordinates the works of several quality circles through the circle leaders.
- **Circle leader:** A Circle leader organises and conducts Circle activities
- **Circle members:** They may be staff workers. Without circle members the programme cannot exist. They should attend all meetings as far as possible, offer suggestions and ideas, participate actively in group process, take training seriously with a receptive attitude.

Implementation of Quality Circle

The operation of quality circles involves a set of sequential steps as under:

- **Problem identification:** Identify a number of problems, decide the priorities and select the problems to be taken up first.
- **Problem is clarified and analyzed** by basic problem solving methods.
- **Generate alternative solutions:** Identify and evaluate causes and generate number of possible alternative solutions, and select the most appropriate solution. Discuss and evaluate the alternative solutions by comparison in terms of investment and return from the investment.
- **Prepare plan of action** for converting the solution into action plan and implement solution as a test case. The management evaluates the recommended solution. Then it is tested and if successful, implemented on a full scale.

QC in Banks

- Quality Circle is a voluntary group of employees in the same work area, coming together, working as a team, solving work related problems resulting in self-development and organisational benefit. The concept has been built on the basic foundation of "**Participative work culture**" with motivation and involvement of employees at grass roots level exploring their potentials, creativity and capabilities.
- With a view to provide greater exposure and wide experience, Quality Circles which have successfully completed their projects are nominated:
- ✓ To participate in Bank's Apex Quality Circle Contest.
- ✓ For presentations at external forums like – Local Chapter Conventions and Annual National Convention on Quality Circles (NCQC) organised by Quality Circle Forum of India (QCFI).

Although, some Banks including SBI have been forming the QCs and have experienced the benefits of this concept, still this concept remains to gain popularity.

'Six Sigma': A Model For Improving In Business Processes

- Six Sigma is a fact-based data driven structured methodology that is used to create breakthrough improvements in business processes with a strong focus on customer needs. It is used to solve tough business problems when the root cause of the problem or the solution is not known.

- Six Sigma is a top-down solution to help organisations align their business strategy to critical improvement efforts, mobilize teams to attack high impact projects, accelerate improved business results and govern efforts to ensure improvements are sustained.
- Six Sigma began in 1986 as a statistically-based method to reduce variation in electronic manufacturing processes in Motorola Inc in the USA.

Six Sigma DMAIC and DMAICT Process Elements

Most practitioners and users of Six Sigma refer to Motorola's early DMAIC acronym (extended since to DMAICT) as a way of reinforcing and reminding participants what needs to be done.

- **D – Define opportunity**
- **M – Measure performance**
- **A – Analyze opportunity**
- **I – Improve performance**
- **C – Control performance**
- **T – Transfer best practice**

KAIZEN METHOD

- Kaizen is a Japanese word which means **"improvement"**. It refers to the continuous efforts by the employees of each and every level in the organization to improve the quality.
- This works under '5S' technique - **Sort, Set in order, Shine, Standardise and Sustainability.** Initially it was developed for housekeeping but later it was adopted as a sound management practices by the organizations.

The details about these '5S', are mentioned below:

Seiri (Sort) – The first step is decluttering.

- ✓ The decluttering process is done to remove the unnecessary items from the desk or the organization.
- ✓ Remove the unused items.
- ✓ Assess the difficulties in achieving the goals and remove those obstacles.

Seiton (Set in order) – it includes:

- ✓ Arrange the things in order.
- ✓ Prioritise the work, which work is important, which work can be deferred, in order to handle the workload efficiently.
- ✓ Proper process should be followed to avoid confusions and manage time efficiently.

Seiso (Shine) - this step talks about the cleanliness.

- ✓ The workplace such as desktop, offices should be clean to induce positive vibes.

✓ Machines and equipment should be clean and maintained regularly to prevent early deterioration.

Seiketsu (Standardise) - this step talks about the standardisation.

✓ F.W. Taylor also talked about standardisation in Scientific approach of management. He mentioned that standardised processes should be followed to do the work in efficient manner.
✓ It means work should be done in standard format to save the time and avoid the errors.

Shitsuke (Discipline and Sustainability) – It includes:

✓ Rules and regulations should be followed at workplace.
✓ Dedication should be embraced and procrastination should be avoided.
✓ The work should be done in a sustainable manner avoiding the wastage of resources.

'Positive Attitude': The Core Behavioural Capital Of Organisations

An attitude can be defined as a predisposition to respond in a favorable or unfavorable way to objects or persons in one's environment. When we like or dislike something, we are, in effect, expressing our attitude toward the person or object.

It is imperative for the organizations to develop the feasible mechanisms to instill and reinforce positive attitudes among its workforce, which will improve organizational performance.

- **Identification of employees with negative attitudes and to counsel them:** In the first step, the organizations should identify the employees infested with negative attitudes and behaviours through attitudinal survey exercise.
- **Disseminate the need for imbibing Positive Attitudes:** This can be achieved through either positive measures i.e., through persuasion, education and rewards or negative measures i.e., through reprimands and punishments.
- **Effective communication of policies and decisions that may influence assessment of employee's performance:** Under the positive intervention which is mostly an employee-friendly measure, the organization needs to communicate its policies and decisions which are likely to influence assessment of employee's performance.
- **Creating a healthy Organisational climate:** the organizational climate should foster the growth and development of positive attitudes. Since organisational climate has a strong influence on employee performance, it should be responsive to attitudinal changes. Organisational climate refers to the prevalent attitudes, values, norms, beliefs, perceptions and feelings of employees concerning the organization.

Stress Management

Stress is the way human beings react both physically and mentally to changes, events, and situations in their life. The reaction is based on one's perception of an event or

situation. If a situation is viewed negatively, one will likely to feel distressed—overwhelmed, oppressed, or out of control. The other form, eustress, results from a **"positive"** view of an event or situation, which is why it is also called "**good stress."** Eustress helps the individual to rise to a challenge and can be an antidote to boredom because it engages focused energy.

The stress has the following features:

- ✓ It is a physical and/or mental process originated from the body response out of the physical and psychological events individuals experience
- ✓ It is a part of life and if exceeds it becomes difficult to cope with.
- ✓ It has positive as well as negative effects on the individuals
- ✓ It has a cumulative effect. If stress is not managed well on time, the hardships one faces in forthcoming period will add upon to the existing stress.

Coping Strategies for Stress

- ✓ To adopt effective time management techniques by proper planning the schedule of daily work priority-wise
- ✓ To learn to relax by taking up a hobby, physical & mental exercise by way of morning walk, yoga, meditation etc. so as to feel physically and mentally relaxed
- ✓ To set up a flexible plan in the life by setting goals that are achievable.
- ✓ To learn to get along with other people and to maintain inter-personal relations
- ✓ To learn to face the things as it comes in the life
- ✓ To get physical examination in frequent intervals and to take adequate medical care.

- ✓ To encourage upward communications in the organisations

- ✓ To define the job roles properly without any ambiguity.

- ✓ To enhance employee participation in decision making process.

- ✓ To have required resilience in selection and placement of personnel so as to ensure that high-stress jobs are entrusted only to experienced individuals.

- ✓ To delegate the authority down the hierarchy and to empower the subordinates with an objective not to penalize them for mistakes but enable them to develop and prosper.

- ✓ To practice positive thinking, develop best skills, attitudes & behaviour and to be innovative, creative and practical approach.

Business Etiquettes

- • **'Business Etiquette'** is a set of manners that is accepted or required in a business or profession. The basic definition of Business etiquettes is that it is the forms, manners, and ceremonies established by convention as acceptable or required in social relations, in a profession, or in official life.
- • Proper etiquette is important in a social setting, but it is equally crucial in a business setting. Banks being service organisations, maintaining proper

etiquettes at workplace and also while delivering service and augmenting business is very essential as, any deficit in etiquettes by the workforce at large will reflect badly on the organisation and business.

Five important elements of business behavior:

- ✓ Work Behavior;
- ✓ Meeting People;
- ✓ Telephone Etiquette;
- ✓ Dining Etiquette; and
- ✓ Etiquette for Correspondence.

Work Etiquettes

The following behaviours and principles can be followed at work environment to reflect good work etiquettes:

- ✓ Maintain proper Time Management:
- ✓ Exhibit proper behaviour and attitude
- ✓ Be conscious about office behaviour
- ✓ Be knowledgeable about the Organisational policies, rules and regulations etc – both written and unwritten
- ✓ Be as professional as possible
- ✓ Accept challenge with resolve and commitment
- ✓ Be flexible in approach/attitude but without losing your individuality

CAIIB HRM Module A Unit 3- Organisational Change

Organisational Change

- **'Organisational Change'** is the modification in any or all the internal environment of the organisation like organisation's structure, technology, physical settings and human resources.
- Changing the Organisational structure involves making modifications in human relations, co-ordination mechanisms, job-design and other similar structural aspects like job specification, span of control, organisational designs, etc.
- Changes would also **help individuals, groups and departments in the organisations to work together as a well-knit team**. Hence, Organisational Change also involves discovering and adopting new attitudes, values and behaviours. Behavioural changes include changes in employee values, skills, attitudes, expectations, perceptions and needs commensuration with the changing times and situations. The processes of effective communication, appropriate decision-making and timely problem solving mechanisms help in changing attitudes of employees.

Change And Development

- **Change management is defined as the methods and manners in which a company describes and implements change within both its internal and external processes**. This includes preparing and supporting employees, establishing the necessary steps for change, and monitoring pre- and post-change activities to ensure successful implementation.
- To initiate organisational change and begin guiding successful change efforts, the change agent should have at least a broad understanding of the context of the change effort. This includes understanding the basic systems and structures in organisations, including their typical terms and roles. This requirement applies to the understanding of leadership and management of the organisations.
- Organisational change efforts should be geared to improve the performance of organisations and the people in those organisations.

Strategies for Managing Resistance to Change

- Resistance to change can be defined as any obstacle that becomes an impediment to implementing change.
- According to Kotter and Schlesinger (1979) proposed six crucial techniques for overcoming the resistance to change.

These are given below:

- ✓ Widespread Education and Improving Communication
- ✓ Facilitating Participation and involvement
- ✓ Support and Facilitation
- ✓ Agreement & Negotiation
- ✓ Co-optation & Manipulation
- ✓ Coercion-Both Explicit and Implicit

Emerging 'Change Initiatives' in Banking Industry

- The concept of '**mass banking**' which was the main theme of **Nationalisation of Banks during 1969** has gradually been shifted towards '**class banking**' and the concept of '**Profitability' has become the 'new mantra'** in the Banking World.
- The liberalization and globalisation measures initiated by the Government and the consequential decision like lowering of entry barriers enabled new players with sophisticated technology to enter the Banking Industry thereby perforce the Nationalised Banks to enhance their operational efficiency by inventing new products and innovative services matching with the ever-increasing customer needs and preferences.
- This situation had led the Reserve Bank of India (RBI) to initiate certain expeditious measures, viz., gradual reduction in Bank Rate, substantial cut in CRR in phases, deregulation of interest rates by leaving enough freedom to the individual banks to fix the interest rates on their own full disclosure, transparency and effective supervision of banking operations through introduction of tighter prudential norms, operational flexibility to banks, evolving Asset Liability Management (ALM), risk management systems, laying

more emphasis on recovery of loans and reduction in Non-Performing Assets, etc.

- Extensive computerisation and increased usage of Information Technology in banking operations, **First and Second Generation Reforms and attempts to reduce government's stake in State owned Banks**, etc., had led the Banks to function under greater competitive atmosphere by re-orienting their programmes, policies and products towards changing environment so as to ensure sustainability of their business operations.
- Banks have begun to explore new areas and innovative business opportunities like Universal Banking, **Any Where and Any Time banking, Tele-banking, installation of ATMs, etc.**
- The recent action of the Government in abolishing **Banking Service Recruitment Boards (BSRBs)** manifests the Government's resolve to grant autonomy to individual banks in infusing new and young talents with good mix of educational qualifications, functional experience and skill content, through any source/s according to their local requirements.
- Further, in the recent past, the banks have also taken steps for instituting Call Centers, selling third **party products like Insurance Policies, Wealth Management products, etc.**

Change Agent

Dave Ulrich has completed extensive research in this area. His research, validated by HR professionals and their line **manager "clients", showed** that successful change agents had the ability to:

- ✓ Diagnose problems
- ✓ Build relationships with clients
- ✓ Ensure that the Vision is Articulated
- ✓ Set a Leadership Agenda
- ✓ Solve Problems
- ✓ Implement plans to achieve change goals

The four key factors for the successful implementation of change within an organisation are:

- **Pressure for change** – demonstrated senior management commitment is essential.
- **A clear, shared vision** – you must usher everyone with you. This is a shared agenda that benefits the whole organisation.
- **Capacity for change** – you need to provide the resources: time and finance.
- **Action and performance** – "plan, do, check, act" – and keep communication channels open.

The most important contributions to be made through the change agent role are those that sustain the organisation's current performance and assure its future performance by:

- ✓ Enabling people to work effectively as they plan, implement and experience change.
- ✓ Increasing people's ability to manage future change.

Managing Change

Various Phases in Implementing Planned Change

A '**Planned Change**' is one, which is effected in a planned manner after assessing the need for change. Detailed plan has to be worked out as to when and how these changes will be carried out. This is also called as pro-active change because management should be sensible to the environmental changes by proper anticipation so that the organisational crisis situations can be averted.

- **The first phase is the preparatory stage** in which the management has to create a felt need for change among the workforce. This is a stage in which the system shall be suitably prepared to start the change. This can be done by establishing good relationship with the employees and helping them to realize that present behaviours, attitudes and efforts are not effective and sufficient to survive and sustain in the future.
- **The second phase is the is the stage in which the actual change is initiated** and carried out by the management by seeking and enlisting cooperation and support from all those who matter in the change process. This can be done by:
  - ✓ Identifying new and more effective ways of doing things,
  - ✓ Choosing appropriate changes in tasks, people, culture, technology and structure, and
  - ✓ **T**aking appropriate and suitable steps to put these changes into action.

- **The third and the last phase of the change process is the stage in which the management should ensure that the planned change so introduced in the organisation conforms to the objectives of the change process and it stabilizes as fast as possible**. This can be done by:

  - ✓ creating acceptance and continuity for the new behaviors, attitudes and/or work processes, etc.,
  - ✓ **P**roviding necessary resource support – human and finance, and
  - ✓ Providing necessary motivation through performance-linked rewards and positive reinforcement for carrying out the changes so introduced.

John P Kotter's Eight Step To Successful Change

Kotter's eight step change model can be summarised as:

- **Increase urgency –** inspire people to move, make objectives real and relevant.
- **Build the guiding team –** get the right people in place with the right emotional commitment, and the right mix of skills and levels.
- **Get the vision right –** get the team to establish a simple vision and strategy, focus on emotional and creative aspects necessary to drive service and efficiency.

- **Communicate for buy-in –** Involve as many people as possible, communicate the essentials, simply, and to appeal and respond to people's needs.
- **De-clutter communications –** make technology work for you rather than against.

- **Empower action –** Remove obstacles, enable constructive feedback and lots of support from leaders – reward and recognise progress and achievements.

- **Create short-term wins –** Set aims that are easy to achieve – in bite-size chunks.

- **Make change stick –** Reinforce the value of successful change via recruitment, promotion, new change leaders. Weave change into culture.

Responsibility Charting

- A method of assigning role and defining the interrelationship of roles for specific decisions and tasks.
- A foundation for sound delegation.
- A basis for holding people accountable for their roles in specific decisions and tasks.
- A short-hand language for communication about roles and responsibilities.
- A decision matrix or grid with actual and potential stakeholders (those involved in or affected by a decision or task) listed horizontally and decisions or tasks listed vertically.

Use of Responsibility Charting

- Identify individual and team roles and inter-relationships.

- Clearly state procedural specification of individual and team and set time frames.

- Understand and clarify roles and expectations.

- Improve accountability, delegation, communication and teamwork.

Key Elements of Responsibility Charting

- Decisions or tasks.

- Stakeholders

- Level of participation of each stakeholder in each decision of task.

Responsibility Chart Design

- Responsibility Charting is a good example of a project management tool. This tool can be used in a very interactive and participatory way to engage a group of stakeholders who all have some connection to a common set of tasks or decisions that **must be made in carrying out a 'project'.**

- The process is used to compare how different stakeholders currently perceive their roles, to identify discrepancies, and then to reach consensus on how decisions ought to be made.

- It can be quite a good design activity, and in the end produces a clear picture of the interrelated roles and relationships that must be managed to accomplish the project within a given time frame. It usually produces a lot of learning for the participants as well.

- It can be used in a bureaucratic manner that precludes participation, or in an interactive way that encourages exploration and action learning.

CAIIB HRM Module A Unit 4- HRM in Indian Bank

Traditional Role of HRM In Indian Banks

- The qualitative changes in staff composition, skills required, absorption of functionally skilled personnel, retaining staff in the face of competition, and in dealing with a host of problems arising out of massive and sudden expansion in the last few decades have not been given the attention they deserve.
- The introduction of **Golden Handshake** voluntary retirement scheme in the year 2000 has made the public sector banks virtually bleed a very sizeable portion of their performing personnel. Even after the introduction of the voluntary retirement scheme, the problem of overstaffing has not been totally solved. The overstaffed cadres still remain with the banks and the areas where there is more manpower requirement have been further depleted in strength due to this scheme.

Human Resource Planning

Human Resource Planning (HRP) is the process by which an organisation ensures that it has the right number and kinds of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organisation to achieve its overall objectives.

Human resource Planning process generally comprises of the following steps:

- Assessing current human resources.
- Assessing future business expansions and projections and new business lines, etc.
- Assess and forecast of number and type of human resources additionally required to meet thee above business forecasts.
- Assessing the internal and external HR supply sources.
- Acquiring people at right time from within and outside as per the pre-drawn estimates.
- Making the people available at required places at right time.

Recruitment And Selection

- **Under this function**, the HR Department has to make plans to acquire the human resource as per the estimates arrived under HR Planning. Apart from the people required for traditional support functions, the bank recruits talented

individuals from the external market to supplement their internal wealth of talent and also to **man the new and contemporary business lines like Wealth Management, Treasury Management, Assets & Liability Management**, etc.

- Selection of employees is based on knowledge, skills and talent. As an Equal Opportunity Employment practitioner, the Bank is committed to providing equality of opportunity to all candidates, regardless of gender, race, nationality, age, disability, ethnic origin, or marital status while at the same time, identifying the unique strengths each individual brings which can be harnessed.

Training & Development

The Bank provides a framework within which the employee can identify the training and development needs. Such an approach provides a consistent standard of management learning throughout.

The Bank has a unique one year training period for fresh graduates during which the employee can expect to **experience a blend of core and discretionary elements, through exposure to the following:**

- ✓ Induction, the process that introduces the new entrant to the bank, the employee's own business or function and particular department.
- ✓ Training in specific products and technical skills.
- ✓ On the job training post the initial exposure, to all operational areas
- ✓ Work-based assignments in respective business or function,
- ✓ Cross-functional attachments – experiencing short stints spent in another business or support function.

Employee Welfare

- The **Bank believes that the health and well-being of their employees and their families is important**. Concerned not only about the physical health of their employees, but also of their mental and emotional well-being, the Bank has policies and practices that provide for a safe and healthy working environment.
- The importance of employee-welfare in banks has set new standards as the Government of India has mandated Public Sector Banks to spend an amount upto 3% of their net profits towards staff welfare activities.
- The Government of India has mandated to form Staff Welfare Committees in the banks to administer to devise and administer the staff welfare schemes in the respective banks suiting the needs of their employees within the allocable funds. **In the wage settlement of 2015,** a uniform Medical Insurance Scheme has been implemented through Health insurance.

Compensation

- In Public Sector Banks, the compensation and wages are covered by the bilateral agreements/settlements being entered at Industry level, i.e., at Indian Banks Association (IBA) after obtaining necessary mandates to this effect from individual banks. **The operation of these settlements are for 5 years and these settlements encompass entire gamut of compensation aspects.**

- Private Banks regularly conduct salary surveys to ensure that the reward package remains competitive in the market place. The compensation package provided to the employees can be divided into two categories; one for the sales personnel who are compensated on their ability to meet their targets and the other for executives who are responsible for the overall functions of the Bank.
- The bank also provides various incentives in the form of bonuses to encourage the employees and motivate them to continue with their high performance. **These include Spot Award, Surprise Awards, Best Performer Award and Service Quality Awards.**

Performance Management

- Performance management is the process through which managers ensure that employee activities and outputs are congruent with the organisation's goals.
- In Public Sector Banks (PSBs), a Uniform set of Performance Appraisal formats as devised by **the Government of India**, is being followed with various Key Responsibility Areas (KRAs) and Management Dimensions different for each category or scale of officers. These formats are the tools for measuring the performance of officers against budgets on annual basis.
- However, in Private Sector Banks, a number of measures and tools are used for the **implementation of PMS (Performance Management System**). The performance appraisal system is the primary means for managing employee performance. A performance measurement system is developed that incorporates a tool for measuring and rewarding performance.

Expectations From HR Department

- The HR department in Banks has to undertake many functions which are of developmental HR viz., **Talent Management, Succession Management, Performance Management, Competency Mapping, HR Audit, HR Accounting**, Attrition Management and as such the HR professional requires to possess new skills to handle all these contemporary functions of people management.
- The HR department need to respond quickly and appropriately in making the right human resource available at right time, at right place and also by constantly developing them in terms of career and skills besides formulating viable schemes/policies for retention of performing talents.
- Factors such as skills, attitudes and knowledge of personnel, play a critical role in determining the competitiveness within the organisation or the industry. The availability of trained manpower would greatly influence the ability of banks to deliver value to clients or customers.

Changing Profile Of 'HRM' In Banks

- Banks have initiated the task of reviewing the existing Training methods in a bid to harness the skill content of the people and to enhance their creativity. The extensive use of E-learning initiatives ably aided by the technology and also usage of advanced training methods **like Assessment Centre Approach (ACA**),

Management Games, Psychometric Tests methods of training being followed by many of the **public and private banks –** come under this initiatives.

- The action of **the Government in abolishing Banking Service Recruitment Boards (BSRBs)** and thereby granting autonomy to individual banks in framing their own Recruitment strategies for infusing new and young talents with good mix of educational qualifications, professional experience and skill content.
- Banks are attempting to inculcate a work culture that breeds high productivity, voluntary sharing of jobs and an environment free from restrictive practices.

<div align="center"><u>**Major HRM Challenges Facing Banks**</u></div>

The HR strategy for banks must therefore address the following major issues:

- HR planning must illustrate the process of developing human resource available from all sources. The strengths and weaknesses of staffing options such as outsourcing, use of contingent workers, and downsizing must find a place in manpower planning.
- The recruitment process must be done strategically to source the correct talent mix for an early fit for the position.
- The selection process should emphasize ways of minimizing errors in employee selection and placement to improve the bank's competitive position.
- An effective training program to define expectations, actual training needs, develop competencies and grow talent for the future need of the bank. Revamp the training systems towards experiential training and to **transform 'Training' endeavour** to '**Learning' process.**
- To handle Performance Management function with more rigor so as to distinguish '**Performers' and 'Non-performers'** with a genuine intention of transforming the '**non-performers'** through '**carrot and stick' approach**.
- To ensure '**Job-man fit'** by placing '**right man on the right** job' through robust **'Competency Mapping'** systems.
- To evolve well-knit policies and procedures for employee engagement and retention of key talents so as to address attrition issues timely and effectively.
- To prepare them to take higher responsibilities.

<div align="center"><u>**Core Banking And People Challenges**</u></div>

- Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices.
- Core banking covers basic depositing and lending of money. Normal Core Banking functions will include transaction accounts, loans, mortgages and payments. Banks make these services available across multiple channels like **ATMs, internet banking, mobile banking and branches**.
- The core banking services rely heavily on computer and network technology to allow a bank to centralise its record keeping and allow access from any location. Core banking Solutions (CBS) packages in banks are developed by external

software vendors like TCS, Infosys etc. that allowed core banking solutions to be operational in banks.

Core Banking Solutions

- The platform where communication technology and information technology are merged to suit core needs of banking is known as **Core Banking Solutions**.
- Here, computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, interest calculations on loans and deposits, customer records, balance of payments and easy facilitation of withdrawals with the use of anywhere banking. This software is installed at different branches of bank and then interconnected by **means of communication lines like telephones, satellite, internet** etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions.
- This new platform has changed the way banks are working. Now, many advanced features like regulatory requirements and other specialised services like share (stock) trading are being provided. Core banking solutions have helped revolutionize banking in India.

CAIIB HRM Module A Unit 5- Knowledge Management

Knowledge Management

- The banking is steadily shifting from **'labour-intese enterprise'** to **'knowledge-driven economy'** and as such in the futuristic outlook, the effectiveness and success of the banks largely depends on the level of intellectual capital which they could build up and nurture. This necessitates the banks, not only to acquire young talents potent with new and up-to-date knowledge and skills in abundance, but also to retain such talents by employing attractive HR interventions.
- The banks need to handle a new area of management, i.e., 'Knowledge Management' as the '**Management' as the 'Knowledge'** is the key to manage all other areas of management. The quality of performance in other areas of management depends greatly upon how effectively the banks manage their key knowledge assets.

Types of Knowledge Management

Knowledge is of two types. They are explicit and tacit knowledge.

- The term **'explicit knowledge'** can be defined as that component of knowledge which can be codified and transmitted in a methodical and prescribed language. For example, documents, databases, webs, e-mails, charts, etc.
- On the other hand, **'tacit knowledge'** is personal, intuitive, contextual, and difficult to formulize, and record or articulate. It is built out of experience and is stored in the minds of people

- **'Knowledge Management'** can be defined as a process encompassing various steps, viz., gathering, organizing, sharing and analyzing the knowledge of individuals and groups across the organisation in order to leverage such knowledge for organisational performance and to generate a new set of value system in the organisation.
- The companies where KM initiative are already in place and practiced with success may be called **Knowledge Intensive Firms (KIF). A Chief Knowledge Officer (CKO)** as is called, is mainly assigned the task of managing the reservoir of knowledge residing in the individual employee and setting up a mechanism by which knowledge is shared by all concerned that would otherwise remain in some remote department of the company.

The key drivers for KM initiative are:

- ✓ Rapid advances in the field of Information and Communication Technology (ICT) which has revolutionized the way in which businesses are being carried out.
- ✓ Extremely high business competition arising because of the globalisation of economies
- ✓ Increased complexity of business and complexity of management.
- ✓ Faster pace of innovation because of growing industry competition.
- ✓ Increased mobility of workforce.
- ✓ Growing recognition across all industries regarding the need and significance of ongoing and life-long learning, etc.

Significant Features Of Knowledge Management

- **KM initiatives can substantially contribute towards cost cutting, product and process innovations, competitiveness,** and hence can ensure improved operational efficiency as well as better systems, procedures and internal control systems.
- KM can tremendously improve the competency profile of the employees in an organisation in respect of their skills and knowledge levels. It provides the employees with a wider and holistic perspective of their own organisation vis-à-vis competitor firms.
- Unlike in case of physical assets which deteriorate in value over a period of time, organisational value gets enhanced progressively as it is used.
- KM initiatives can significantly contribute towards creation and addition of value in organisations.

- KM initiatives can significantly contribute towards customer service to a large extent and can support CRM initiatives considerably.

- KM can provide inputs in assessing the risks associated with a loan proposal and hence can help in taking more informed and objective credit decisions. Latest developments like **Knowledge Discovery and Data Mining (KDD)** software have further revolutionized the field.

- KM ensures the availability of relevant and up to date information regarding customers, competitors as well as other markets and enables faster and more scientific decision making in organisations.

- KM initiatives can inculcate a habit of continuous learning among the workforce to drive the organisation towards a **'Learning Organisation'.** A 'Learning Organisation' is an organisation which is not only skilled in creating, acquiring and transferring knowledge but also at modifying behaviour to reflect new knowledge and insights.

Knowledge Management In Banks

- The term knowledge itself is in a banks' context – **the difference between ordinary and the extraordinary handling of any task, process or interaction-between employees**, with customers or with any other stake holder of the bank-has always been the explicit and tacit usage of knowledge by the person guiding the transaction.
- Successful banks of the 21st century will be those who do the best job capturing, storing and leveraging what their employees know.
- Continuous improvisation of selection procedure for quality manpower, a more competitive compensation structure, promotions based on competency assessment, are certainly aimed at an objective and knowledge based procedure.
- Encouragement for Study, Training, Group Activities, and Knowledge sharing through network portals have improved communication within organisations and helped development of knowledge sharing attitude to some extent.

- KM guides the personnel in being able to deliver projects in time in a cost effective manner which is critical in a service industry like banking. KM instills in the minds of the employees that projects assigned to them have to be delivered.

- In present era of competition, banks have to acquire, develop, update and make use of the requisite knowledge of business environment by identifying the areas in respect of which knowledge is required and acquiring the desired knowledge by induction of the right quality manpower.

- Some banks have recruited '**Chief Knowledge Officer (CKO)'** in the rank of **Asst. General manager/Dy. General Manager** who is exclusively responsible for managing the entire portfolio of KM in the bank right from identifying the knowledge needs, identifying the sources of knowledge, process of acquiring and sharing and disseminating such knowledge among workforce.

KM Models for Banks

Banks can follow the DIKAR model, which is recommended strongly for the software industry. This model is different from the usual approach in the sense it starts from the end i.e. from the results, which is a reverse process. Since, results are kept at the very top and one works backwards, there is greater possibility of achieving the desired results. In that sense, DIKAR is turned upside down and approached as RAKID where:

- ➢ **R = Ensuring Worthwhile Results.**
- ➢ **A = Taking effective action such that the effects of which generate data.**
- ➢ **K = Procuring the knowledge which is the basis for the above.**
- ➢ **I = Having the necessary information which is reflected to produce.**
- ➢ **D = Accordingly data is collected, stored and processed to create the above information.**

Implementation of 'Knowledge Management' Systems in Banks

- The **banking culture, knowledge acquisition, learning and innovation** are all important aspects of the knowledge Management Practices in Banks. In the preparatory stage, banks help the employees make an effort to understand the critical business processes within.
- KM is used for developing a new or customising an existing scheme or product with suitable enabler technology. Once implemented, banks can set up evaluation machinery which could generate data and knowledge about the KM systems, status and awareness. The essence of KM implementation is thus, developing individuals' capabilities to deal with the organisational knowledge profitably and developing organisational capability through enhancement of support systems.
- Considering the high rate of attrition in the IT Sector which is a highly knowledge-based industry, some of the world-class players in this industry said to have introduced certain incentives and rewards for encouraging

- Its employees to share knowledge, besides incorporating the aspect of **'Contribution to Corporate Memory/Intellectual capital'** as one of Key Result Areas (KRAs) in their Annual Performance Appraisal.

- Such initiative has a dual objective, i.e., to encourage the knowledge-workers to stay attached to the organisation thereby preventing high exodus on one hand and to enhance the organisational knowledge out of their implicit talents, which will keep the organisation intellectually alive even after such talents eventually leave the organisation.

Application of Knowledge Management in Banks

- The increased thrust of service orientation in banks have brought in considerable use for technology as knowledge management plays a pivotal role in not only securing to protect the customer base but also broad-basing it in the long run. Customer Experience Management (CEM) which involves understanding the customers, their preferences, dislikes as also reasons for choosing another bank, could all, form a major decision making tool.
- The ultimate objective of instilling the effective Knowledge Management Systems in the banks, is to meaningfully apply such acquired knowledge for the business development.
- The success of such meaningful application of knowledge in the organisation largely depends on the concerned employee's attitude and also the organisation's rules and policies.

Knowledge Management Applications in Banks — Present & Future

With liberalization and globalization of business, competition has become the very core of business success or failure of firms. This is particularly relevant in the banking industry in India in the post reforms period. **KM can facilitate competitiveness of a product significantly;** because it can contribute, towards putting into practice all the three generic competitive strategies viz.

- ➢ **Cost Leadership**
- ➢ **Differentiation and**
- ➢ **Focus.**

In the present scenario, especially in the public sector banks, and old private sector banks, there is no provision to consider knowledge contributions of the employees as part the performance appraisal system and also to offer rewards or incentives to such contributions. For solving such cultural and behavioral issues, banks can adopt certain measures like changing their HRM policies to incorporate rewards/incentives to staff for sharing of their knowledge and also consider such contributions during the performance appraisal process.

The Future

- Banks will see themselves appointing **Chief Knowledge Officers** who would be responsible for the implementation of the KM concept effectively in the near future.
- Since the future of banking industry would be based on the knowledge economy which is thriving and developing by the day, thanks to IT explosion, KM would be the only way in which banks can sustain themselves till another major revolution which could match the one on the IT front takes place and which would force people and processes to look for alternatives to IT.

IT And Database Management

- In banks, the Data Management is done through application modules driven by information technology. A **Database Management System (DBMS)** is a computer software application that interacts with the user, other applications, and the database itself to capture and analyze data.

- The Centralized Data Warehouse where the data of all customers of the branches of a bank is stored-should be in a position to provide readily the required information called for, as undue delay would tell upon the quality of service.

- New technologies are also making knowledge less dependent on the direct contribution by employees as the only means of acquiring new knowledge such as:

- ➢ **Data mining allows for gaining new knowledge by analyzing past performances.**
- ➢ **Electronic access to external sources of information, provide rich resource to create new knowledge.**

> ➤ **Video conferencing, application sharing and electronic meetings are useful knowledge sharing enablers.**

Some of the commonly used KM tools and technologies as a part of their Database Management Systems are as under:

- **Online Discussion Forums:** Discussion groups enable the exchange of ideas and information, helping a geographically separated team function as efficiently as if the team members shared the same office. It provides an efficient way to get specific answers and keeping every one informed on the relevant issues.

- **Online conferencing and collaborations:** Online meetings and collaborations make it easier to communicate and collaborate with people in an organisation's network.

- **Instant messaging:** Instant messaging system helps every day, more people to collaborate with co-workers, immediately sharing business information across widespread geographical locations and time zones.

- **Communities of Practice:** KM technologies provide a convenient and effective way to form 'Communities of Practice' (COP), around areas of common interest or projects. Communities are subgroups of people who have a shared specialisation, interest or project.

- **Document and Content Management:** Document management is a systematic method for storing, locating and keeping track of information that is valuable to a business. A structured document management system can increase productivity by workers reusing existing documents and expertise already generated.

- **Web Intelligence:** It brings together some key information pieces vital for an organisation's survival by focusing on the organisation's information, public relations and market intelligence needs. It also helps integrate the organisation with its customers, so as to offer a seamless, time-independent blend of services.

- **Personalized Portal Interface:** A personalized, portal interface becomes a great motivator to receive and share information. Different users are able to have different home pages based on their roles. One single screen on the computer enables the user to find relevant information in minimum possible time.

Role of Contemporary Information Technology Tools in Knowledge Management

Knowledge Management (KM) has become the key factor for the success of all organisations. Information and Communication Technologies (ICTs) are technologies which facilitate the management to share knowledge and information.

The following contemporary technologies contribute in organisation's knowledge management environment:

- **Intranets:** An intranet can be defined as a private network used by an organization. Its primary purpose is to help employees securely communicate with each other, to store information, and to help collaborate.

- **Dashboards**: A dashboard is a visual display of the most important information needed to achieve one or more objectives; consolidated and arranged on a single screen so the information can be monitored at a glance.

- **Document Management System:** Document management systems are repositories for organisation's document or explicit knowledge in an organisation. These systems are mainly used for creating, processing and reviewing documents.

- **Information retrieval engines:** Information retrieval from corporate text repositories or searching through intranet exist in many organisations as a knowledge silo.

- **Groupware and Workflow systems:** Groupwares are used in the organisation for communicating and collaborating among workgroups and departments in formal or ad hoc conversations when users cannot communicate in real time. The workflow systems are used for codification of knowledge transfer processes.

- **Brain storming applications:** These are used to convert tacit knowledge into explicit knowledge. hese applications are useful knowledge creating tools that help in categorizing, organisation and identifying knowledge resources.

- **Data warehousing and mining tools:** Organisations create data warehouse and provide the managers with data mining tools to take decisions based on increasingly complex set of data.

Artificial Intelligence (AI) in Banking Industry

- AI is the ability for machines to interact and learn to do tasks previously done by humans. Through machine interaction and learning, natural language can be processed and decisions made faster and more accurately than was possible in the past.
- AI makes it possible to automate vast amounts of data, analyzing and applying it at record speeds. New cognitive-based solutions also enables a more pro-active and personal customer experience at a lower cost than was ever possible before.
- Two of the biggest challenges that remain in banking is the absence of people experienced in data collection, analysis and application and the existence of data silos. This was reflected in the research done by Narrative Science.

Benefits of Artificial Intelligence (AI) in Banking

➢ **Enhanced customer personalization:** Personalized communications and advice as enabled by AI can be reflected by robo advisors – online wealth management services that provide automated, algorithm-based portfolio management advice without the help of a human counterpart.
➢ **Productivity Gains:** From customer communication flows to basic back office processing, AI can take rather routine, repetitive processes and make them both more efficient and effective

> **Fraud detection:** By an ongoing review of account activity patterns can be monitored, with aberrations to patterns being flagged for further review. Over the last decade, AI has not only significantly improved the monitoring process, but is now able to respond in real time to potential fraud.

> **Better Customer Recommendations:** AI provides the ability to have improve customer recommendations and advice. Mobile banking apps like Moven and Simple let users track their spending and increase their savings with automated, personalized recommendations via a specialized debit card linked with their smartphone app.

Database Management – Adding Value to Customer Services in Retail Banking

- The databases of the clients can play a very important role in customizing the services and hence adding value to it. Highly competitive environment has made the marketing of retail banking services a challenging job.
- The Indian Banking Sector has evolved immensely through history—starting from the early coinage system to the era of credit cards and now furthers on to Internet and home banking.
- Today we have a host of Nationalised, Public sector and Private sector banks that are ready to cater extensively to the needs of the customer. Banks are no longer restricted to any particular arena of Finance. With rapid changes in the economic environment, Indian banks have diversified into several sectors, viz.: **Consumer/Retail banking, Corporate Banking, Rural Development, Industrial Development, etc.**

Customer Knowledge: Relevance in Knowledge Management

- This is one of the most vital sources of knowledge of a bank. However, banks in India, in general, **except a few foreign banks and progressive private sector banks, are yet to put in systems for creation, maintenance and updation** of suitable customer databases, and to advantageously use the same for various managerial decision making.
- These decisions include customer segmentation based on various parameters, studying the behavior of customers based on their track record in respect of facilities already availed, launching various innovative and "**tailor made**" products to different customer groups/ segments, etc.
- **Customer Relationship Management (CRM)** is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with an objective of improving business relationships with customers and assisting in customer retention. KM along with sufficient IT support can be used as a powerful enabler of CRM.

- **KM for Business Innovation:** KM can act as an important enabler for the innovation efforts of a bank, since it can provide the latest and relevant information and other decision inputs. The basic point behind product

innovation or process innovation being such factors as changing customer tastes, preferences, aspirations, profitability considerations etc. KM systems can make development of new products and processes very fast as well as very cost effective.

- **KM for assessing loan risks:** KM can provide tremendous inputs in assessing the risks associated with a loan proposal. Modern KM systems make use of latest **Knowledge Discovery and Data Mining (KDD) software**. These systems can extract unknown useful information from different databases and use the same in the given application. Accordingly, these systems can predict the repayment behavior, credit risk of loans and hence, help take sound credit decisions.

- **Knowledge Analysis:** The process of identifying specific skills contributing to the success of a firm is called knowledge analysis. It is not an easy subject. Constant practice is required for its development. Leadership among banks will depend on which bank leads in knowledge.

Database Management in Banks

- **Database Management' is "a collection of related data organized for efficient retrieval and manipulation".** The names of customers in the database could be obtained from internal and external sources. They may also have been created to meet specific requirements of the bank.
- Most organisations now make or try to make optimal utilisation of the database in its marketing activities and in the up gradation of the quality of its services. Such kind of marketing is termed as the Database Marketing. Database marketing can be defined as "**A Direct marketing technique emanating from the use of data collection on actual and prospective customers**".
- **Database Management and Database Marketing** adds to the strength of this pillar by helping in knowing a clear picture of the customer profile to understand who requires what and the specific type of service and meet such expectations as closely as possible.

Database Management Methodology

Among the various methods used by Banks the world over are:

- Segmentation Techniques,
- Custom Clustering,
- Data mining technologies,
- Online Analytical Processing Methods,
- E-Retail, Database Conquest Marketing,
- Telebanking.

Call Center and Call Processing Units. In banks, the Data Management is done through application modules driven by information technology. A Database Management System (DBMS) is a computer software application that interacts with **the user, other applications, and the database itself to capture and analyze data.**

Data Mining

- '**Data Mining**' is the process of analyzing data from different perspectives and summarizing it into useful information – information that can be used to increase revenue, cuts costs, or both.
- Data mining software is one of the number of analytical tools for analyzing data. It allows users to analyze data from many different dimensions or angles, categorize it, and summarize the relationships identified. Technically, data mining is the process of finding correlations or patterns among dozens of fields in large relational databases.
- Towards a systematic approach to the knowledge generation, the banks need to introduce the Data Warehousing and Data mining by leveraging the Information Technology for its competitive advantage so that such pooled data can be used as a source of knowledge and intelligence to the workforce.
- As most of the knowledge is generated through constant learning, research and its application in the work arena, banks have to encourage its employees to take up research in the core business areas and also to depute them to outside.

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