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Benchmarking HRM Practices among Banking Sectors in Chennai

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Abstract: *Benchmarking is the process through which a company measures its products, services and practices its toughest competitors, or those companies recognized as leaders in its industry. There are different methods through which benchmarking can be carried out. The study was carried out with an extensive literature survey covering areas such as HR practice, Benchmarking, link between HR practice and benchmarking and the link between TQM and HRM. The gaps were identified and addressed in the study. The independent variables considered for the study are recruitment and selection, training and devolvement, performance appraisal, employee engagement. The dependent variables for the study were talent management. The sample consists of 218 employees from the banking sector. The HR practice in the study was using ANOVA. The impact of HR practices on talent management was studied through regression analysis.*

Keywords: *Human Resource, Benchmarking, Recruitment, Training, Talent management*

INTRODUCTION

The world of human resources (HR) is changing swiftly and it is operating in a dynamic environment. HR today is a key contributor to solve organizational issues and achieve positive outcomes in business. the importance of human resource management(HRM) to the success or failure of an organization has, until recently been generally overlooked. In recent years it has been increasingly recognized that, getting HR policy and management "right" has to be at the core of every organization. A well motivated and appropriately skilled and deployed workforce is crucial to the success of organization. Liberalization of the economy and its movement towards globalization has brought in new challenges for Indian business in terms of business strategies, technologies, quality concern, cost effectiveness, management systems and so on. All these, in turn have brought new challenges for the HR function. The organization should ensure that the employees have good careers, receive rewards, trainings, feedback, job rotation and other such development opportunities.

Good HR practices can influence financial and performance indicators of corporations generating employee satisfaction which in turn can influence customer

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satisfaction. Recent studies confirm that most successful corporations believe that it is their people who provide them a competitive advantage. The mission statements, annual reports, value outlines, vision statements and training calendars of these corporations reflect the great value that they attach to their employees.

NEED FOR BENCHMARKING HR PRACTICES IN THE BANKING SECTOR

Benchmarking is a management tool whose time has come in banking. It is the process of learning, emulating, and exceeding the world's best practices to dramatically improve product and service quality. Benchmarking is a competitive strategy to win market shares and a survival strategy for threatened corporations and industries. As the banking industry becomes globalized and liberalized, clients anywhere in the world will soon expect the same world class service from any bank or financial institution offering the same products. A bank which does not benchmark may lull itself into dangerous complacency and deceive itself that it is doing its best or is at its best, while its customers may think otherwise. As customers seek better and better service, those banks which do not do continuous improvement through benchmarking are bound to lose customers and sales rapidly and irreversibly.

Benchmark processes and process targets like service times that matter to customers, rather than financial performance like sales, assets and volumes which matter only to management these are the benchmark in bank. Benchmarks can be practices or numerical process targets or standards set by your best competitors, whether or not they have been achieved. Quantitative benchmarks are more useful and objective than qualitative ones. They make it easier to assess how far you have gone in closing the gap with the best players.

Bank benchmark with their competitors in the world. Then it can be benchmark with affiliates, sister companies, and subsidiaries which may be doing certain processes much better. Finally, benchmark with companies outside the industry whose processes can be adapted to own organization. After benchmarking, regularly find out how bad or slow or poor in certain key processes. The perceived gap with the best player will be the basis of your continuous improvement programs and goals. Of course, also discover that it may be the best in certain areas, but it will benefit from knowing how far behind the second best in the industry is. Benchmarking will inform how much harder one have to work to increase the gap or advantage.

Quantitative benchmarks in banking service are at par with or above or below these standards.

Loan processing is a major area for benchmarking because customers expectations are very high from these products. Unexpectedly, the small and medium banks and organizations have set the pace in speedy loan processing, approval, and release. These lively organizations are unsaddled by the slow bureaucracies of big banks. The benchmarks here are the size of the loan and the corresponding processing time.

Finally, an important benchmark is the cost of transaction which can affect the future of banks as information technology changes the economics of financial transactions. A survey of Internet Banking by Booz-Allen & Hamilton showed that the cost of a typical payment transaction using the Internet was 13 cents or less, 26 cents using a personal computer running the bank's software, 54 cents for a telephone banking service, and $1.08 for a bank branch teller transaction. The cost benchmarks should spur banks to improve efficiency, cut wastes, and adapt new technologies to match the benchmark leader.

REVIEW OF LITERATURE

Literature on HR Practices

In a society based on knowledge, the human force develops into the best tag to get a competitive advantage. The HRM practices can make the divergence in a situation in which competitiveness becomes the main component and the economic growth is influenced by diverse factors. In the past, researchers focused almost completely on how changes in HRM practices affect employee performance or satisfaction, but now researchers are beginning to ask how organizational conditions shape HRM practices.

Human resource management (HRM) practices are being increasingly treated as dependent rather than independent variables. The technical perspective leads to research designed to develop techniques for maximizing the match between employees' knowledge, skills and abilities on the one hand and the demands of the jobs on the other (Schneider 1985)[1]. The presumed result of good matching is organizational effectiveness, from which individual employees and the organization as a whole both benefit. The technical perspective presumes that organizations wish to plan, staff, appraise, compensate, train and develop their employees in order to ensure that the right people (skill-wise) are in the right place (job) at the right time (Collins 1979)[2].

As suggested by Kochan and Chalykoff (1987)[3] the economic perspective can also explain variations in HRM practices. Relatively affluent conditions in an organization permit it to pay higher wages. This in turn enables an organization to attract more job applicants and be more selective. Higher selectivity (lower selection ratios) diminishes the need to train employees. Furthermore, the attraction of more highly qualified individuals may lead to conditions that give more power and discretion to the employees, thus reducing the attractiveness to them of collective bargaining. The reverse scenario holds under less affluent economic conditions (Osterman 1984)[4]. According to Khatri (1999)[5], people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997)[6] argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment. Managing people is more difficult than managing technology or capital (Barney, 1991; Lado and Wilson, 1994)[7]. However those firms that have learnt how to manage their human resources well would have an edge over others for a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer (Wright *et al.*, 1994)[8]. The effective management of human resources requires sound Human Resource Management systems. Storey (1995)[9] defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage.

BANKING SECTOR AND HR PRACTICE

Human resources management practices play a very crucial role in achieving the organization's goals and maintain the competitive advantage. HRM practices refer to organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson 1987).[10] Human resource management practices is the management of people within the internal environment of organizations, comprises the activities, policies and practices involved in planning, obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate numbers and skill mix of employees to achieve the organization's objectives (Appelbaum 2001).[11] Presently organizations are competing through implementing the unique HRM practices and due to the globalization organizations adopt the most up-to-date HRM practices in order to accomplish the organizational goals. Best HRM practices are advantageous for both employee and employer; it plays an important role in constructive growth of the organization. As Mankidy (2000)[12] observes, in Indian banking, "from a stage of extreme exploitation of employees prior to the 1940s, the industrial relations process unfolded itself into labour militancy and crises in the 60s and 70s. Most of the human resource management practices in the industry, such as salary structure, promotion, transfer, placement, etc are the by-products of this reactive process." In the 1940s the management could extract work out of employees as there was a fear of losing the job due to the scarcity of jobs elsewhere. The employees had stretched working hours and low remuneration and there was much discontent with salary and working conditions. A landmark in this period was when the Bank of India Staff Union called the first ever strike which lasted 17 days. This led to the Divatia Award that provided employees with a number of facilities such as a pay scale, annual leave, gratuity etc that were hitherto absent. This led to many awards covering bank employees in different states as banks were under state regulation. The passing of the Industrial Disputes (Banking and Insurance Companies) Act in 1949 brought banks under the central government and uniformity in human resource practices began from then onwards. The subsequent disputes between bank employees under the umbrella of the All India Bank Employees Association (AIBEA) and bank managements led to a series of prominent awards such as the Sen Award of 1950, Sastry Award of 1953, and Desai Award of 1962. The Industrial Disputes Act allowed for settlements covering only the clerical and subordinate staff and the collective bargaining which started in the early 1960s led to the evolution of a bipartite relationship in the industry. The industry wise uniformity in service conditions and salary for officers in nationalized banks began with the Pillai Committee Report in 1979.

ANALYSIS AND DISCUSSION

This study elaborately discusses on benchmarking hr practices in banking sector. There is a requirement for the banking sector to study and benchmark their hr practices to implement the best and retain the best. The sample consist of 218 employees from the public sector employees (N=218).

The hr practices in banking sectors were studied using twoway ANOVA in hypothesis. It was found that there was a significant difference in the mean values of perceived opinion among employees of varied experience levels from banking industry. For this 218 respondents working with public bank in Chennai district of Tamil Nadu state were selected for the sample. In order to collect the data for this study, the survey questionnaire method was adopted. An interview schedule was also developed based on the analysis of the responses in the survey questionnaire. The questionnaire and interview schedule were validated to ensure that the instruments were appropriate for their purposes. The reliability of the questionnaire was 0.70 indicating that the questionnaire would measure what it was purported to measure. To test the hypothesis various statistical techniques like mean, standard deviation, factor analysis and regression test and ANOVA was applied.

Out of total 218 respondents from public sector bank, 143 respondents (66%) were male. the respondents were spread over all age groups with majority of the respondents 119 (54%) being the young group of employees between 20-30 years and only 25 (12%) of them were above 50 years. Since majority of the respondents are from the younger generation. The respondents were also divided based on their experience; majority of 82 (38%) employees had experience between 2-5 years. 98 (45%) respondents were from junior level. Out of 218, 154 (71%) of them are single.

In the model regression coefficient value of $R^2 = 0.545$, the observed value of TM can be explained by the given 9 practices. 54.5% of the variability can be explained by the HR practices and remaining 45.5% variability is due to other variables. The variance is statistically significant (p-value=.00).

According to study the goodness of fit index score is 0.995. Adjusted goodness of fit index score is 0.994, the root mean square error of approximation secured 0.018 that indicates the model is a moderately fit with error of appropriation.

CONCLUSIONS

The Indian banking sector has grown rapidly in short span of time. Pay for performance and pay for knowledge must be used in proper proportions. Most of the bank employees are in constant stress due to time bound assignments. It should go without saying the line managers need to be actively involved when developing and monitoring an HR performance measurement system; in practice, however, it becomes convenient and easy for HR managers to stay within unless some existing ones are eliminated creeping numeration will be the result.

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