

Chapter 64

OCTAPACE Human Resource Development Culture Impact on Bank Performance

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ABSTRACT

Initiation of economic reforms in India overwhelmed the large banks starting in 1991. Liberalisation, privatisation, and globalisation, along with foreign direct investment exposed Indian banks to operational and credit risks. To overcome these risks, the banks have upgraded their financial, technological, and Human Resource Development (HRD) processes. The case study organization was one of the nationalized banks in India that lost its supremacy, slipping in rank from first to eighth. During the last decade, this bank adopted several HRD practices to create a strong OCTAPACE culture. As a result, the bank won several HRD awards over 10 years. This study critically reviews that bank as a single case study. Data were collected from 153 employees of the case study bank (all had completed at least 10 years of service). The focus was to examine if the OCTAPACE culture had impacted performance. The findings were that the OCTAPACE culture improved and the bank increased its financial performance without experiencing credit risk.

INTRODUCTION

During the period of '80s and '90s, the banks in Public Sector Banks in India were operating in a monopolistic, risk free, competition less environment on 4+4+4 basis. This means to obtain a deposit at 4%, lend it at 12% and earn another 4% through fees. During this period, industrial relation was on the peak and to handle the situation, the Banks created personnel department constituted by Personnel Managers who identified themselves as the guardians of rules/regulations, which were designed to avoid discord rather than promote cooperation and collaboration.

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This legacy continued for years together and even today also to some extent. As Sangwan (2009) says, “the unions up till today have been successful in getting better pay and better working conditions. But such cooperation between management and unions could only satisfy the economic needs of the employees. The other issues such as career planning, recognition of talents, differentiation between performers and non-performers, performers were sidelined. This sowed the seeds of frustration among employees and had negative impact on organisation’s performance” (p. 70).

Soon it was realized that an average employee contributes half of their life at work place and a small number of bad fishes spoil the working culture of the organization and therefore, the importance of HRD was realized. The PSU Banks in India also came in the race and created HRD department in their Banks but with half hearted will where top management gave relatively low priority to the people dimensions. In most of the Banks, the training department was renamed as HRD department. There was a lack of management interest towards people; the personnel department did not make any improvement in the situation and instead it created confusion among the employees.

Meanwhile, the initiation of economic reforms in 1991, namely Liberalisation, Privatisation and Globalisation (LPG), put Indian banks into a tailspin. This was further exacerbated by the entry of foreign direct investment and new private sector banks. All banks started struggling for survival which served as a catalyst for a series of changes in the Indian Banking Industry. The three most important challenges facing Indian banks became:

1. The question of external adaptation for ‘survival and sustainability’ in amidst cut throat competitive environment; what is to be done.
2. The question of internal integration; how do members resolve the daily problems associated with living and working together?
3. The question of reducing or mitigating the risk factors which means a focus on how to meet the operational risk that banks are exposed due to easy accessibility by unethical people (customers as well as internal employees).

Under these circumstances, the Banks need to develop a strategy for effective use of three resources optimally, namely man, money and machine but if the money (finance) is borrowable from the market, the machine (technology) is purchasable. However, the human resource is the core strength of the organization which cannot be replicated. The importance of people can be best understood by the following sentences of Mr. Henry ford, who said, “Take away my building, machinery, but leave my people with me, I will become Henry Ford again” (as cited in Sangwan, 2009).

Research Focus

The researchers used a case study to explore this phenomenon. A large successful bank in India was selected as a single case study. The organization was one of the nationalized banks in India that lost its supremacy from number position, slipping to eight.

The researchers examined the case study organization over ten years as it tried to improve its HRD practices to create a strong OCTAPACE culture. Data were collected from 153 experienced employees of the bank and surveyed in order to assess their OCTAPACE culture. Other data were collected to measure the banks performance and credit risk levels.

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