



Human Resource Development Growth Strategy: An Exploratory Study on State Bank of India

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Abstract

This paper aims to investigate the HR policy initiatives of the State Bank of India, the country's oldest and largest Bank which is going through a momentous phase of Change and Transformation. The State Bank of India is also attempting to change its age traditional thinking, attitudes and take all employees together on this exciting road to Transformation. Three notable initiatives in the recent past are considered under the purview of this paper. Through these initiatives which are designed by the bank for creating a sense of belief and togetherness, SBI has been able to strengthen its base and core in the changed environment which is clear from the recent performances and awards received by the bank. The focus of this paper is on the HR initiatives taken by the management of SBI and its relation with the profitability of the organization concluded that how development in the human resource is related to growth of a concern.

Keywords: HR strategy, growth strategy, policy initiatives, SBI and development.

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1. INTRODUCTION

Human resource is one of the most important elements of any business organization and it becomes much more important when the business is a part of service industry where the business and its growth primarily depend on the quality of the service provided by the human resource. Human resources is a term used to describe the individuals who make up the workforce of an organization and with the changing business environment the development of the existing human resource and search for new and efficient human resource has become a strategy in today's world for survival and growth.

The State Bank of India, the country's oldest and largest Bank which is going through a momentous phase of Change and Transformation is also attempting to change old thinking, attitudes and collectively with all employees on this exciting road to Transformation. The transformation of the bank was felt by Mr. O.P. Bhatt the then Chairman of SBI who took over the this position in 2006. In his view:

"Transformation is not instantaneous. It takes decades in some cases. That is why we need to start the process today. We are already 20 years too late" - **O.P. Bhatt Chairman S.B.I, September 2006**

With liberalization in 1991 many Multinational Companies entered into Indian market and this led to a change in the business environment. The banking sector also faced a similar change when the private sectors banks entered the banking industry. There was a total change in the environment in which the banks operated. The emerging private sector banks with aggressive strategy and different work culture captured a big share of the business from the public sector banks. The rich and the youth customers were mostly heading towards the private sector banks in search of better service. The ICICI bank emerged as an alternative of SBI and became the second largest commercial bank in India and was thought to replace SBI as the largest commercial in the country by 2010. The task was not easy for SBI to maintain its legacy and to get back the market share which it has lost to the private banks. **(Rastogi & Rastogi, 2010)**

The top management team led by Mr. O.P. Bhatt recognized the need for a transformation. They identified areas that needed to be transformed and communicated the new transformation agenda to all the people in the organization. The top management realized that to achieve the transformation they sought, getting the grassroots level employees on board was extremely important. They wanted to change the mentality of the employees and wanted to infuse that customers were the king and they have to satisfy them. So, with the objective to improve communication skills of the employees the first initiative of its kind named *Parivartan* (which means transformation/change) was undertaken by the management. **(IBS Center for Management Research, 2009)**

The journey of transformation did not end with *Parivartan*, to journey continued with a new programme named *Citizen SBI* with the objective of spiritual development in the employees; And then, *Udaan*, the third initiative, which was designed to create a sense of difference and pride in the employees of SBI was finished.

2. OBJECTIVE OF THE STUDY

The objectives of this paper are as follows:

- (i) To investigate the various HR initiatives taken by the bank during the period of transformation.
- (ii) To investigate the relationship between the HR initiatives and the growth of the concern.



3. METHODOLOGY

The present study is a case study done on State Bank of India with the prime focus to know the relationship between HR initiatives and growth of a concern. For the study the data has been taken from secondary sources. To know the various human resource development strategies the researcher has taken help from various studies done on HR initiatives of SBI and from various interviews and lectures given by the then Chairman of SBI, Mr. O.P. Bhatt.

To find the relationship between HR initiatives and growth of the organization the researcher has taken help from the Annual Reports of SBI and data from Reserve Bank of India. The data is taken from the year 2006-07 (the year just preceding *Parivarthan* – the first HR initiative) to 2010-11 (the year following *Udaan* – the last major HR initiative till date) to show a trend in the various aspects of the business. The researcher has analyzed the data with the help of Line and Bar Diagram to show the trend in the business growth and profitability.

The Remaining paper is organized with the HR initiatives and the three phased programme as envisaged by the State Bank of India in the recent past followed by the Results & Discussion and concludes at last.

4. HR INITIATIVES- AN EXPOSITORY ANALYSIS

The whole process of conversion and changing the mindset of employees started with the identification of various important factors both internal and external that were prominent and caused the poor performance. The internal factors were more prominent and needed more attention to increase its strength. Some of the internal factors were traditional mindset of the employees, customer relations, hierarchy, staff shortage etc. So the focus was given on developing the human resource so that problems relating to HR can be solved and a better customer service can be provided to retain the existing customers and bring new customers. Taking all the factors into consideration a well-designed strategy needed to be introduced to bring required change in the organisation. (Rastogi & Rastogi, 2010)

5. PROJECT PARIVARTAN

On 16th July 2007 SBI introduced its first ever HR initiative with the name Project *Parivartan* meant to bring change in the whole organization. The *Parivartan* initiative was reportedly the brainchild of Bhatt. The program was aimed at obtaining the support and acceptance of employees for the change initiatives undertaken by the bank, and at explaining to them why change was necessary. Employees in the organization were suffering from low self-confidence and a complete change in the approach and attitude was required for the large work force of the organisation. The front liners shall respond in a better way to the queries and requests of the customers and the middle level shall keep the performance targets in mind. The Project *Parivartan* was specially designed to activate the employees to the environmental change and bring the sense of togetherness among the work force. The campaign was divided in two phases, the first to cover the junior executives and the clerical staff that came out to 1,30,000 employees and the second phase covered 45,000 members of the subordinate staff. A strong message was required to be given through the project that can bring a mental change in the employees which was not possible only with sharing of facts and figures. It was decided to organise a two day workshop covering the different aspects of behavioral science to bring change and activate them about the transformation efforts. The

program was divided into eight segments and four objectives to sensitize, to energize and to help the employees to become customer oriented and bring a sense of togetherness. (**Bhatt, SBI - The Transformation Story, 2009**)

Parivartan was designed to give a team thinking platform but was not a regular exercise but aggressive enough to had a tremendous effect on the employees. The project caught the imagination of all the employees it made them to think in a positive way and forced them to change their attitude towards work. Based on a survey of SBI customers conducted by one of the leading Management Institutes in the country hired by SBI it was found that the programme had a biggest effect on the various aspects of the employees. The study after the project revealed that there was an improvement in the employees regarding knowledge about new products and services and also customer service and attention. 24 different aspects were studied and most of them gave a positive result. (**Rastogi & Rastogi, 2010**)

Though the programme was a grand success and its positive effect were evident but a two day workshop was not enough the transformation required follow up and everyday reaffirmation at the workplace. To take the employees motivation to the next level another programme was conceived in September 2009 as Citizen SBI Campaign.

6. CITIZEN SBI

Citizen SBI was another discovery and transformation initiative of Mr. O.P. Bhatt covering two hundred thousand plus employees of the Bank. The Bank has experienced a lot of changes during the 2-3 years post *Parivartan*. Project *Citizen SBI* is the next step to carry forward this good Change. The formulation of this Project has taken more than a year and a half to build up. *Citizen SBI* was more ambitious programme than *Parivartan*, while *Parivartan* aimed at making the staff aware of the problem on behavioral front and provided a platform to look into the changes required in their attitude; *Citizen SBI* was planned to touch the core value system of the employee inspired by the teachings of Swami Ranganathnanda of the Ram Krishna Mission. The campaign was designed at motivating the employees by an approach based on traditional values of Indian culture and philosophy of self development. The focus of this Project was to transform the Bank into a platform that provides inner fulfillment to its employees and tries to transform the communities around by going beyond institutional and personal success. (**Bhatt, Chairman's Inaugural Message, 2009**)

Citizen SBI was a two day programme with the objective to give the employees a thought process, touching their soul and taking the customer relationship from commercial level to the service level. The programme started with a question to the participants that what they imagine of an ideal SBI Citizen and how it should act in various situations. During the project they were taught how they can convert them from the present state to the ideal state. Thus, the idea was to reflect upon how each one of them can contribute to self, to the bank, to the customer, to the society. To accomplish the task help was taken from 500 specifically trained trainers. (**Rodrigues, 2009**)

7. UDAAN (FLIGHT)

After successful launch of the projects *Parivartan* and *Citizen SBI*, SBI has launched another HR initiative named *Udaan* in the late 2010. This program is aimed at appraising the employees about the outstanding achievements of the bank over the last four years (after *Parivartan* and *Citizen SBI*)

and grooming them for their total transformation towards achieving the bank's aspirations to be amongst top 25 banks globally.

It aimed to find out the individual contribution – what did I do? To motivate the employees further it was very important to let them know what they have done, what has been achieved, to create a sense of pride. In the programme the focus was to share the amazing story of transformation of the bank from a real crisis situation when the bank was losing its market share to the private banks like ICICI and its business in every aspect was declining to the position where it is now.

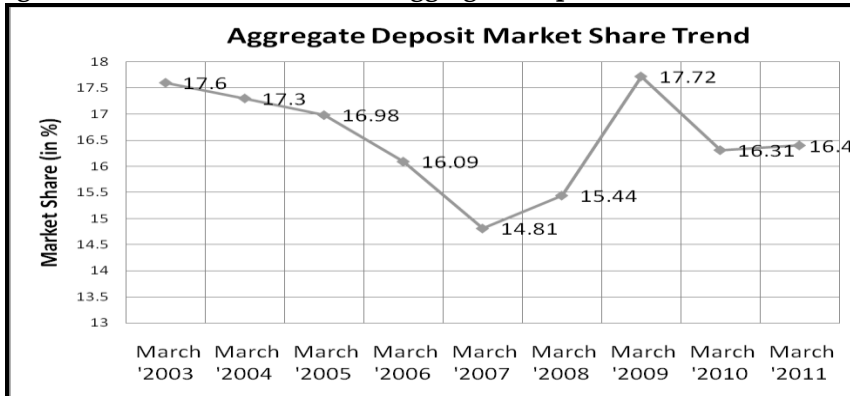
The message was “though with the team efforts and willingness the bank has been successful in coming out of the situation but there is a long way to go on”. The programme highlighted the achievements of the bank inspiring the employees to raise the standards for future growth. During the program many Success stories of the bank was shared like customer base of 180 million, over 42 million transactions every day, over 17000 group branches and over 21500 ATMs, over 71 million debit card holders, Home loan portfolio of over Rs. 71,193 crores, over 4, 33,000 students have availed the Education loan and many others. And to motivate the employees further the bank has also shared with them what the bank has done and what is yet to be done citing examples of other banks that are doing better than SBI in some areas. The information was given about the other banks that were better than SBI based on the figures provided by RBI like United bank of India, despite of being much smaller bank was performing better as far as profit per employee and other income growth was concerned. This was done to make them realize though they have done better in the past but there is a long way ahead. The employees were motivated to work collectively and individually to bring more and more business. (Rastogi & Rastogi, 2010)

8. RESULTS AND DISCUSSION

Human resource development has always been an area of prime focus for State Bank of India. Training and development of its human resource is always looked in as a continuous process in SBI. Prior to 2006 the employees of SBI were low in moral and their attitude towards customers was that the customers will come to them because of which it lost much of its market share to private banks like ICICI and HDFC bank. The then new chairman of SBI, Mr. O.P.Bhatt took the initiative to change the mindset of the employees with mass training programs and to take back those lost market shares. He has started his process of human resource development with Project *Parivarthan* and then followed with *Citizen SBI* and *Udaan*. The projects had a major impact on the business of the SBI.

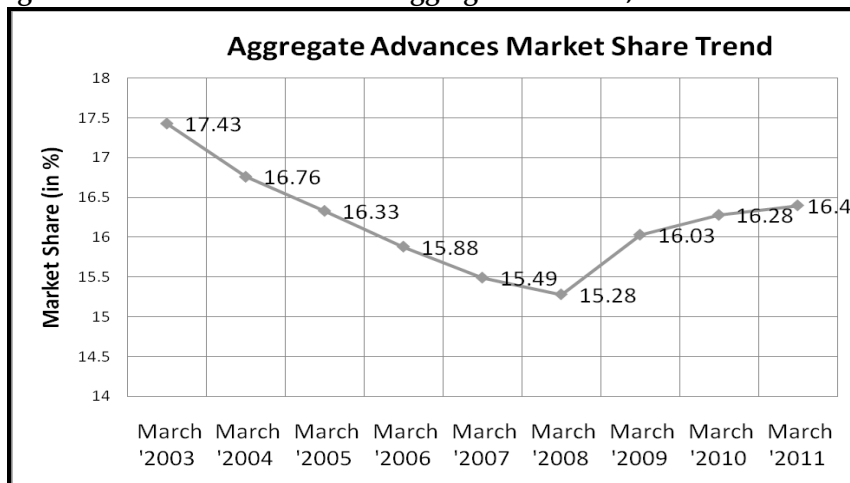
SBI was losing its market share from 2003-04 in respect of both advances and deposits. One of the major reasons for this was the attitude of their employees. From Figure 1 and 2 a secular decline is visible during the three years from March, 2003 to March, 2005 but after that to March, 2007 it shows a steep decline in the market share during which ICICI bank became the second largest bank of India and was in the verge of becoming the No.1. Mr. O.P. then took the 1st HR Initiative *Parivartan* on 16th July, 2007 with the motive of changing the attitudes of the employees. From the Graphs it can be seen that aggregate market share in both deposits and advances took off and started to increase from March, 2008 just after the Project *Parivartan* was initiated.

Figure 1: Market Share Trend of Aggregate Deposits, SBI from 2003-2011



Source: Author's calculation based on various Annual Reports of State Bank of India

Figure 2: Market Share Trend of Aggregate Advance, SBI from 2003-2011



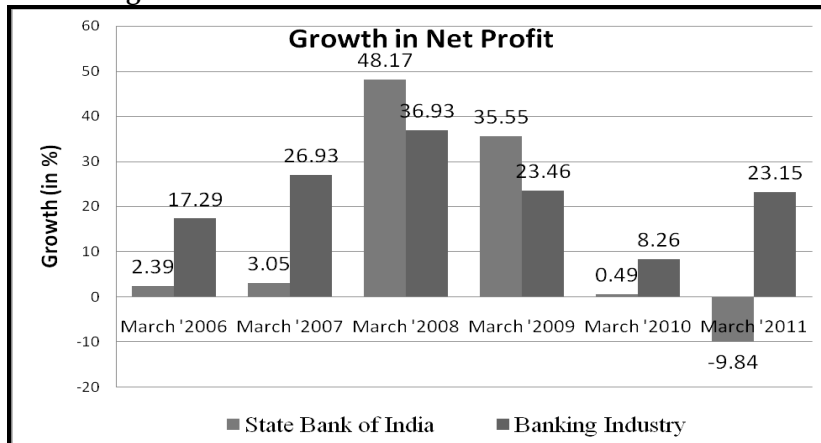
Source: Author's calculation based on various Annual Reports of State Bank of India

In case of Deposits (Figure 1) the growth in market share has shown a rapid increase in the two years after the *Parivartan* project. The market share which went to a lowest of 14.81% in March, 2007 went up to 15.44% in March, 2008 after Project *Parivartan* and then to a whopping 17.72% after one year on March, 2009, the highest in seven years starting March,2003. But it declined to 16.31% at the end of March, 2010. Again, in an increasingly competitive environment, SBI's market share in total deposits stood at 16.40% in March'11 which is 9 bps higher than 16.31% in March 10, the period after Project *Udaan*.

In case of Advances (Figure 2) it shows a steady growth after March, 2008 and rose to 16.4% in March, 2011. After the Project *Parivartan* the rate of decline reduced in 2007 and the results of the HR initiatives are visible from 2008 which shows an increasing trend in the market share of advances.

One of the important aspects to measure the performance of any organization is its profitability. The growth in profit of SBI was very low in 2006 and 2007 if it compared with the Industry growth; this was the phase when SBI was struggling to compete with the emerging private banks. The competitive banking environment, shift of the young and rich customers towards private banks led to low profitability of SBI.

Figure 3: Growth in Net Profit of SBI from 2006-2011



Source: Annual Reports of SBI and Statistical Table Relating to Banks in India

With the introduction of the first HR initiative when the employees realized what was going around them in the industry and at what position SBI was therein made them change their attitude, thanks to Project *Parivarthan* that a shift can be seen in the growth of profitability of SBI.

From the Figure 3 it can be seen how the trend in the growth of profitability of SBI has changed in comparison to the Industrial growth. In 2008 and 2009 SBI has outperformed the market with a growth of 48.17% and 35.55% respectively in comparison to 36.93% and 23.46% of the Industrial growth. However, in 2010 and 2011 the growth rate has declined in comparison to market, it was due to high increase in operating expenses compared to earlier years. The reasons which can be attributed to high operating expenses in 2010 and 2011 are sharp increase in number of employees, arrears for wage revision and additional contribution to pension.

SBI which was suffering from low profitability and low business growth in the period 2003 to 2007 because of lower moral and poor attitude of its employees but when the moral and attitude of the employees were improved through various HR initiatives it resulted in increased business growth and increased profit at the time when the world economy was suffering from crisis. This clearly shows a direct relationship between human resource development and growth of a concern because SBI by developing its human resource has increased its market share in deposits and advances and also increased its profitability.

9. CONCLUSION

Human resource is a very important tool in the hands of every business concern development of which can lead to growth and profitability. State bank of India which took its transformation strategy because of its poor performance in the industry started with developing its human

resource and has set an example that how the same human resource which was the reason for decline in business, can be used to uplift your business growth by developing them.

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