

Achieving Strategic-Fit in Private Banks - A Study of Indian Banking Sector

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Abstract: The key objective of the study is to examine that whether strategic fit exists between various business and human resource strategies of private banks in India. Strategic Human Resource Strategies (SHRM) processes used by the organisations can be aligned, integrated or separate. To reach at strategic fit, it is important that HR strategy to be a part of business strategy forming an integrated process.

Data collection is done by the way of Questionnaire and is personally administered to clarify the data. The respondents consist of 50 Managers with diverse roles and functions. These 50 respondents comprised 30 General Managers (i.e., Managers of the strategic Business units) and 20 Managers in charge of the Human Resource function at these Banks. The results propose that in order to study the presence of a strategic role orientation, a wider analytical outline is required that both includes multiple elements within the HR function – especially its structure, extent of devolution of HR activities and skill-set of workforces – and responds to the various and differing viewpoints of different participants in a complex and fast-changing industry environment.

Keywords: Synergies, Strategic- Fit, Business strategies, Human resource strategy.

I. Introduction

The environments in which societies operate today are different. Steep competition, globalization, rising customer demand and exposure to progressive credit risks are obliging the banks to find new ways of providing healthier customer service so as to progress. To endure and flourish in a competitive marketplace, societies must adopt a broad strategy that gives them a sustainable competitive advantage. The execution of corporate and practical strategies depends on the company's resources particularly, on manpower. The key focus should be on how an organisation should manage its staff to contribute in the achievement of business objectives (Walker, 1992). The strategic management of human resources is one of the ways organization usages to increase their effectiveness in the new organizational landscapes. To manage global markets, new technology, developing organizational knowledge, better customer service and product quality, we require "human equation" (Pfeffer, 1998). Nevertheless how SHRM is achieved, what is not in doubt is that Business strategy needs to be allied into the right quality and quantity of human resources. Without appealing and holding the right people in the right jobs with the right skills and training, we cannot succeed (US office of Personnel Management, 1999). The HR strategy should influence the business strategy and in turn be influenced by it. This study assimilates business strategy and human resources practices at the Private banking sector in India, and advocates their interdependence.

II. Literature Review

2.1 Concept of Strategy: The beginning of this concept can be traced back to the Greek word 'strategos' used in the military, for a general who organises, leads and directs his armies to the most beneficial place (Bracker, 1980; Legge, 1995; Lundy and Cowling, 1996). Strategy is the art of commander-in-chief, the art of projecting and directing the larger military movements and operations of a campaign. Strategy by Chandler (1962) was defined as 'determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals'. Strategy helps in addressing the critical and success factors, and these strategic results aim to make a most important and extended term impact on the conduct and success of the organisation. The main stress of strategy is thus to allow an organisation to achieve competitive edge with its unique skills by focusing on present and future direction of the organisation (also see Miller, 1991; Kay 1993).

2.2 Strategic Human Resource Management (SHRM): Developments in the field of HRM are now well known in the literature (see e.g Boxall, 1992; Legge, 1995; Schuler and Jackson, 2007; Sisson and Storey, 2000; Torrington et al., 2005). The roots of HRM go back as far as the 1950s, when authors like Drucker and McGregor stressed the need for idealistic goal-directed governance and management of business integration

(Armstrong, 1987). This was followed by the 'behavioural science movement' in the 1960s, controlled by Maslow, Argyris and Herzberg. The main emphasis of the authors was the 'value' feature of human resources (HR) in organisations and claimed for a better class of working life for workers.

The discussion relating to the nature of HRM endures today even though the focus of the discussion has changed over time. It started by trying to describe the differences between 'Personnel Management' and 'HRM' (see e.g. Legge, 1989; Guest, 1991), and moved on to efforts to incorporate Industrial Relations into HRM (Torrington et al., 2005), examining the relationship of HRM strategies, integration of HRM into business strategies and devolvement of HRM to line managers (Lengnick-Hall and Lengnick-Hall, 1988; Brewster and Larson, 1992; Budhwar and Sparrow, 1997) and then the degree to which HRM can act as a key means to attain competitive benefit in organisations (Barney, 1991). Most of these progresses have taken place over the last couple of decades and have bring on variations in the nature of the HR function from being reactive, rigid and administrative to being proactive, expressive and executive (Boxall, 1994; Legge, 1995). The contribution of HRM in refining a firm's performance and success of any organisation is being highlighted in the literature (see e.g. Guest, 1997; Schuler and Jackson, 2005; 2007). There are numerous models within which the perspective of the concept of strategic HRM describes several approaches to its development. These methods include the Best Practice Approach (Universalistic), Best-Fit Approach (Contingency) and Configurational Approach (Armstrong and Baron, 2006).

The 'Best Practice Approach' is based on the trust that there is a set of best HRM practices and that adopting these practices will lead to superior organizational performance (Armstrong and Baron, 2006). The best known set is Pfeffer's (1994) list of the seven HR practices of successful organizations; employment security, selective hiring, self-managed teams, high compensation Delery (1996, 1998) based on performance, training, flatter organizational structure and information sharing. These HR practices suggest that business strategies and HRM policies are mutually liberated in determining business performance.

The 'contingency' viewpoint emphasise on the fit between business strategy and HRM policies and strategies, implying that business strategies are followed by HRM policies in determining business performance. The 'configurational' viewpoint gives concurrent internal and external fit between a firm's external environment, business strategy and HR strategy implying that business strategies and HRM policies interact, according to organisational framework in determining business performance.

Study in this field (see Lengnick-Hall and Lengnick-Hall, 1988; Purcell, 1989; Schuler, 1992; Budhwar and Sparrow, 1997; Truss et al., 1997; Budhwar, 2000a; 2000b) highlights a various aids of integration of HRM into the corporate strategy. These includes providing a wider range of solutions for solving difficult organisational problems; assuring the successful implementation of corporate strategy; backing a vital ingredient in achieving and maintaining effective organisational performance; safeguarding that all human, technical and financial resources are given equal and due attention in setting goals and assessing implementation capabilities; preventing the subordination and negligence of HR issues to strategic considerations; providing long-term focus to HRM; and helping a organisation to attain competitive advantage.

III. Research Methodology

3.1 Research Objectives: This study attempts to find the integration between business strategy and human resources strategy. The integration between business and human resource strategy is a vital strategy that banks obliged to do in order to be more operative in providing finest services for their clients. This integration works as a way for change program in organization towards excellence.

3.1.1 Objective: To establish the extent of strategic fit between various Business and Human Resource strategies used by Private Banks in India.

3.1.2 Research Question: What is the extent of strategic fit between various Business and Human Resource strategies used by private banks in India?

3.1.3 Study Problem: The banking sector has been growing at a very fast pace in India not only in the terms of its size but also in terms of the services being provided by them. With banks reaching the remote areas in the country one can look forward to positive things like financial aid to farmers and increased financial awareness. However, with the increase in size and activities of banks, the number of banks in private sectors has also increased thereby posing challenges like cost-efficiency, technological advancement, and credibility related issues. The task before the HR is to develop strategies that help banks in gaining competitive edge and encourage innovation in its products and services.

3.1.4 Study Community and Sample: The community of the study is all HR managers (20) and General Managers (30) in commercial banks in the North Region. A simple-random sample was chosen from the study

community the researcher distributed questionnaires. The distribution took into consideration covering managers in different levels, functions, experiences, ages, genders, and educational levels. (50) Questionnaires were received with the rate of return (100%).

3.1.5 Study instrument: In this study theoretical background and previous studies about strategic human resources management were reviewed. It also concentrated on HR strategy and Business strategy and many questionnaires that used in the previous studies and a questionnaire was designed that reflects the integration of Business strategy and HR strategy

3.2 Study Validity and Reliability

Instrument reliability: In order to test the reliability of the instrument to be used in this study, Cronbach’s alpha test was run on a sample of 50 managers. Cronbach’s alpha is a coefficient of internal consistency. It is commonly used as an estimate of the reliability of a psychometric test for a sample of examinees. We find that Cronbach’s alpha is 0.812, which indicates a high level of internal consistency for our scale with this specific sample. The researcher used the "Descriptive Analytical Method", which considers the most proper method to seek and scan the sample member's opinions. The researcher used questionnaire which distributed to HR managers and Strategic Business unit managers in commercial private banks. Furthermore, Analytical method was used to analyze the data from questionnaires throughout the statistical package for social sciences.

IV. Data Analysis

Strategic Fit between HR Strategies and Business Strategies: Findings of the study (Table 1) show strategic fit between HR Strategies and Business Strategies as there is positive relationships with the following HR strategies; Selection and Recruitment, Induction, Training, Performance management, Skill flexibility, Accountability, Team working, Communication, Involvement and Participation, Partnership and a negative relationship with Compensation.

Table 1

HR Strategy-	Strategic Fit- HR Manager Vs General Manager (Correlation on an average)	
1. Selection and Recruitment	0.539	Positively correlated (r > 0)
2. Induction	0.395	Positively correlated (r > 0)
3. Training	0.336	Positively correlated (r > 0)
4. Performance management	0.517	Positively correlated (r > 0)
5. Skill flexibility	0.543	Positively correlated (r > 0)
6. Accountability	0.504	Positively correlated (r > 0)
7. Team working	0.471	Positively correlated (r > 0)
8. Communication	0.525	Positively correlated (r > 0)
9. Involvement and Participation	-0.612	Negatively correlated (r < 0)
10. Partnership	0.682	Positively correlated (r > 0)
11. Compensation	-0.417	Negatively correlated (r < 0)

(Correlation is significant at the 0.05 level (2-tailed)).

V. Conclusions

It is evident from the study that the HR strategies are coherent with the business strategies. The HR strategies are interpreted into the correct quality and extent in order that the business is “rightly sized” by excluding work with less importance and reacting to economic, legal, technological and consumer changes. Findings of the study show strategic fit between Selection and Recruitment and Business Strategies as there is positive relationships with the following HR strategies; Bank selection process (r = 0.757), Promotion (r = 0.475), Referrals (r = 0.364), Campus recruitment (r = 0.408), Interviews (r = 0.452), Aptitude test (r = 0.726), written test (r = 0.333), Structured Interviews (r=0.458) and Panel Interviews (r=0.879) and a negative relationship with Consultants (r = -0.019). Further the study also showed that Induction and Business Strategies

also hold a strategic fit. It is seen that the HR strategy; Induction process duration retain a positive relationship ($r = 0.672$), and Orientation ($r = -0.039$) shows a negative relationship. In addition, Training and Business Strategies also maintain a positive relationship; Coaching ($r = 0.674$), Apprenticeship ($r = 0.408$), change in system ($r = 0.408$), Individual learning style ($r = 0.408$) and whole personality development ($r = 0.688$) have positive impact on Business while Given due importance to the employees ($r = -0.408$), Review of critical objectives ($r = -0.408$), Adequate free time to perform ($r = -0.612$), Individual potential ($r = -0.879$) put negative impact. Also Performance management and Business Strategies are strategically fitted and we find that parts of Performance management such as Opportunity to self review, and reflection ($r = 1$), Critical Incident Appraisal method ($r = 0.535$), Self appraisal ($r = 0.408$), Appraisal committee ($r = 0.309$) has a positive effect while Opportunity to express through Appraisal system ($r = -0.408$), HRD identifies training needs during appraisal ($r = -0.408$), Review by top management ($r = -0.612$) and 360 Performance feedback ($r = -0.612$) throw a negative influence. Additionally, HR Strategy Skill flexibility also imparts positive impact as Development training ($r = 0.452$), Job rotation ($r = 0.309$), Job enlargement ($r = 0.612$), Fixed job description ($r = 0.802$) has positive correlation and Development of skills ($r = -0.688$) poses a negative relationship with Business strategy. Further findings of the study shows that Accountability holds a positive relationship with the Business strategies as Ownership of team results ($r = 0.494$), Encourage risk and innovation ($r = 0.408$) and Organisation belief-Proactive Accountability ($r = 0.612$) are positive. HR Strategy Team working and Business Strategies are also aligned positively as Individual assignments($r = 0.356$), Team and group assignments ($r = 0.612$), Individual reward system ($r = 0.447$) bear a positive correlation and Self motivation with the preferred way ($r = -0.408$), Training to develop and encourage ($r = -0.408$) are negatively aligned. Other than this there is also a strategic fit between Communication and Business Strategies as HR strategies such as Importance of top management interferes between middle and lower for the employees management ($r = 0.557$), Direct meetings ($r = 0.612$) and Others ($r = 0.408$) are positively aligned while Importance of top management interferes between middle and lower for the organisation ($r = -0.408$), Newsletter ($r = -0.879$) imparts negative effect. We further see that HR Strategy Involvement and Participation such as Involvement in decision making ($r = 0.612$) is positively aligned while Opportunity given to take initiatives ($r = -0.612$) and importance given by Organisation to the employee ($r = -0.612$) put a negative effect. We further see that Partnership with trade union plays important role for employees ($r = 0.667$) and also for organisation (0.653) as both impart positive effect. Also Collective bargaining and negotiation used to have partnership with trade union ($r = 0.726$) plays an important role. Findings also shows a strategic fit between Compensation and Business Strategies as the following HR strategies; Employee needs motivation to be retained in the organisation ($r = -0.309$), Salary division norms formulated gives satisfaction ($r = -0.535$), Performance related compensation method is used for the basis of the salary ($r = -0.408$) are negatively aligned.

Thus the study demonstrated the importance attached to SHRM practices by the Indian private banks and we find that HR strategies influences both ways positively and as well as negatively but it imparts positive effect more and therefore it is very important to select which HR strategies can be adapted at a particular time as opposed to the belief under best-practice that there is a set of universal best HRM practices and that assuming them will lead to superior organizational performance.

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