

## **TRAINING AND SKILL DEVELOPMENT FOR EMPLOYEE RETENTION AND PERFORMANCE ENHANCEMENT IN BANKS**

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### **ABSTRACT**

*Private and public sector banks are rigorously competing with one another to face the challenge and also equipping their employees to successfully transform themselves, a process started in the nineties in the banking sector. The economies have been profoundly affected across the globe because of the forceful effect of globalization and deregulation. Training and Skill development therefore is of utmost importance, as in the banking sector it strengthens the organization on one hand by helping it in realizing objectives, vision and dreams, and on the other hand helps the employees in performing better. This synergistic approach helps in meeting out the most critical factor in an organization 'Employee Engagement' which is considered to be the key measure for organizational performance in the twenty first century. Training and Skill development thus plays a key role in addressing the issues of talent retention and performance enhancement by making the employees visualize the gap between what they are currently and what status they could attain by bridging this gap through training programs. An organization can thus achieve high levels of business success by having a Workforce which is highly engaged and possesses knowledge, necessary skills and expertise.*

**KEYWORDS:** Skill Development, Employee Retention, Globalization, Performance Enhancement.

### **Introduction**

Service sector plays a very crucial role in the development of economy of any country. Banking sector though facing various challenges and undergoing transformation since nineties contributes majorly to our economy. Public sector banks accounting for 70 per cent assets of our banking system are the backbone of our economy. PSBs in their endeavor to deliver their best focus on value creation, which does not mean simply adding skills, abilities and technical knowledge to the human resources but also their development and retention on a priority basis. Hence the fact, being the back bone of the Indian financial sector, the Public Sector banks need to retain their valued talent through a well defined Retention policy. Robert Colman (2003) in a study proved that employee retention was a major challenge for all those corporate who wanted to compete on the basis of knowledge. The employees of a corporate are the only assets having knowledge and hence they have to be used in a proper way for organizational benefit. Several veterans held the same view that organizational performance and employee retention are closely associated. Invancevich (2008), through a study suggested that Human Resource Management (HRM) is concerned with the most effective use of people to achieve organizational and individual goals for organizational success, through a coherent and strategic approach by the management.

### **History of Banking with Current Scenario**

Banking originated in India in the last decade of the 18<sup>th</sup> century, dating back to 1786, when the first bank was established in India. Nationalization of banks took place in 1969 the policy of liberalization was introduced in 1991. The banking sector comprises of Public and Private sector banks, regional rural

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banks and co-operative banks. K.V Kamath is of the opinion that the Banking sector in every economy acts as a mirror portraying the sequence of happenings in the past. With a series of reforms since the nineties, the banking sector has highly evolved in the last decade with highly advanced products like ATMs, SMS Banking, Net Banking and Mobile Banking. Also the banks are providing a variety of loans and account facilities with plastic money and money transfer facility worldwide being the technological advancements.

The last decade experienced a complete reform in the financial and banking sector. With the advancement of technology, banking sector has become easier, fast, and accurate and also time saving, ATMs, Mobile Banking, SMS Banking and Net Banking is only the tip of an ice-berg. Bouquets of services are at customers demand in today's banking system. Different types of accounts and loans are facilitated with plastic money and money transfer across the globe. So that the HRM issues, VRS, Training & development, empowerment and career plan etc, need to be considered to cope up with the changing environment. The banking sector being in the transition phase is facing various problems (also published in FICCI Report, Annual survey Feb.'2010') like high overhead cost, poaching of skilled quality staff, high attrition rates and difficulty in hiring highly qualified young staff. Besides all these difficulties the private sector banks are consolidating themselves through mergers and acquisitions and developing into stronger and technologically advanced entities while PSB's already facing problems of excessive non Performing Assets (NPA's), excessive governmental equity and excessive manpower shortage are burdened with pressures of revamping their policies as per the current competitive challenges. Priti Jain (2006), in her study has suggested that if any organization aspires to be growth oriented, then the employees in their team need to be trained, motivated, rewarded, recognized and empowered to perform to their best capacities.

#### **Public and Private Sector Banks: Notable Differences**

Chakrabarty (2012) in his study suggested that Management of Risk and Management of People are the two major challenges faced by the banking industry. He also suggested that during this decade (2010-20) lacs of people will be retiring, Retiring Decade' so it will be the best time to focus and reframe the HR policies so that the banks will be well equipped to face the challenges.

Kamath 2003, Bharati 2007 in a study pointed out the major issues faced by the banks; succession planning, performance appraisal, talent management (acquisition and development), Staffing and promotions, leadership Gap, compensation and incentives and leadership Gap.

Shalini Shukla(2014) has through a study found out that Private sector banks are better in performance than public sector banks (IBA, 2008), have less HRM issues than PSB's, give more importance to the performance of employees and are more successful in implementing the various HRM initiatives ( Selvaraj (2009).

Private sector banks have been very effective in managing their workforce in a competitive manner as can be seen from the continuous decrease in their cost per employee whereas the public sector banks have been suffering from the problem of high cost per employee hence less effective. Besides these HRM challenges the banks are also facing problems like high Attrition rate, skill shortage and low quality of workforce, high employee turnover and difficulty in succession planning causing detrimental growth of the banks.

#### **Public and Private Sector Banks Employee Retention**

<b>S. No.</b>	<b>Public Sector Banks</b>	<b>Private Sector banks</b>
1	Well defined employee retention Policy is lacking	Proper policy to retain valuable talent is present with all private banks
2	The traditional approach of workforce management that causes brain drain is still dominant in the HR policy	The HR policy is framed as per the market scenario and changes are incorporated according to environmental and strategic changes occurring from time to time.
3	Some not so encouraging employee retention schemes are present.	The bank adopts proper employee retention schemes to prevent employee turnover and retain their talent.
4	PSB's are facing increasing and continuous problem of Employee turnovers.	Here the Employee turnover is not increasing and is not at all a big problem for banks to face.
5	The high employee turnover is resulting in increase in the cost per employee.	As Employee turnover is not increasing hence the cost per employee is decreasing year by year in private sector banks.

In the case of Public sector banks the traditional approach of managing and retaining their employees is still prevalent hence even if the HR manager decides the case of an employee hiring and firing cannot be carried out as the power of hiring and firing is centralized. Hence in PSB's the HR practices do not have much of relevance due to the centralized policy formulation. In the case of private sector banks more autonomy exists hence due to this decentralized approach the HR manager has liberty to make changes in the HR policies as per the requirement. He can also take decisions like changing of job location, job profile and increase or decrease in the salary, looking into the matter of attrition of an employee or need of the hour. Hence the best talent can be retained without any rigidity. The private sector banks thus have a good HR alignment strategically because of decentralization and accountability prevailing in the system. The Public sector banks do not have such competitive and market linked HR policies which is the need of the hour in keeping the various issues encountered during workforce management on day to day basis.

### **Relevant Theories**

Theories that are relevant as per the study include:

#### **Herzberg two-factor theory**

Herzberg et al (1959) propounded the two factor theory as cited by Bormann (2004), is an important theory explaining employee retention in terms of what satisfies or dissatisfies employees. The two-factor theory or the motivator-hygiene theory propounds that there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction, forming the crux of the theory. Hygiene and motivator factors were the job factors classified by Herzberg et al. (1959). The hygiene factors represent the physiological needs of an individual which the individual wants necessarily to be fulfilled as per his expectations. These factors work as the motivators at the workplace, they do not result in positive satisfaction on a long term basis but if they are absent at the workplace they definitely lead to dissatisfaction for an individual. These factors in fact form the basic job environment or the workplace environment of an individual.

Pay or salary is the first important hygiene factor, which should be equal to those in the same industry and reasonably good. The company policies should not be too rigid but be clear, transparent and fair for the employees. The employees should be provided flexible working hours, breaks, vacations and a dress code. The employees should also be offered health care and insurance plans for self and family members. The working environment should be clean, hygienic and safe. The equipment and machinery should be well maintained and in good working condition. The employee should have a family like atmosphere, good and healthy relationship with peer, superiors and subordinates with no conflicts. The hygiene factors are satisfiers and cannot be regarded as motivators (according to Herzberg et al. (1959). These factors being inherent to work help the employee in giving a superior performance congenial to the workplace. The motivational factors depict psychological needs and give positive satisfaction and additional benefits to an individual.

Motivational factors include recognition, i.e., praise for exemplary work by the seniors; secondly the employee should have a feeling of achievement for his good performance. The organization must have a growth path hierarchy wise for the employee to remain motivated and give a good performance at workplace. The managers should depute or give responsibility of work to the employee but make him accountable. The work should be challenging and interesting for the employee to keep him motivated and perform well. The theory is relevant and explains what satisfies or dissatisfies employees and gives guidelines for reduced turnover and employee retention.

#### **Abraham Maslow's Hierarchy of Needs Theory**

The hierarchy of needs is Maslow's most widely accepted theory of satisfaction and motivation (Wehrich and koontz, 2001). Maslow (1943) propounded that a person has various levels of motivational requirements, once a level of needs is satisfied; motivation and satisfaction can only be achieved by activating the next higher level. Maslow identified five levels of needs hierarchy wise: physical needs, (food, clothing, shelter, sex), these represent the first level and are the basic requirements of an individual; safety needs which means physical protection, this represents the second higher level; social needs which involves developing close associations with others, this is next higher or third level; self-esteem needs, that is prestige given by others, this is the fourth level and self-actualization, which is self-fulfillment and accomplishment through personal growth, this is the highest level achieved by a person. (Winger & Norman, 2010). The role of the organization is very crucial in identifying the needs of an

individual and helping to satisfy those needs. If particular needs have been satisfied then they should not be over satisfied as this creates an imbalance between the needs. Also, it has been argued that if the order of achievement of needs is disturbed then it affects employee performance as he might strain to achieve the need by looking for better opportunities with better pay package and benefits that are satisfying. Safety at workplace is motivating too as it relaxes a person mentally and allows him to focus on his goals by giving his best performance. The various hindrances in safety include lack of fire exits, poor maintenance of machines, poor ventilation, poor sanitation, lack of drainage and slippery floors.

The five steps represented by Maslow's motivation theory are: Physiological needs - such as hunger, thirst, and sleep, representing first step. Safety needs - such as security, protection from danger and freedom from pain, which is the second step. Social needs - sometimes also referred to as love needs such as friendship, giving and receiving love, engaging in social activities and group membership, representing the third step. The fourth step represents Esteem needs - these include both self respect and the esteem of others. It also includes recognition and appreciation and the desire for self-confidence and achievement. Finally we have Self-actualization which is the fifth step depicting the desire to develop and realize your full potential and to be what you really wanted to become, (Worlu & Chidozie, 2012).

### **Vroom Expectancy Theory**

The theory suggests that the behavior of an individual is the final choice from amongst the alternatives which helps in maximizing pleasure and minimizing pain. (Winerger & Norman, 2010). Victor Vroom along with Edward Lawler and Lyman Porter suggested that the relationship between an individual's behavior at workplace and their goals was not as simple as was first imagined by other scientists, based on their study. Vroom suggested that an employee's performance is based on factors such as knowledge, experience, abilities, personality and skills. Vroom in his theory suggested a very good correlation between efforts, performance and reward i.e. individuals may have different sets of goals but if they believe that there is a positive correlation between efforts and performance then they can be motivated strongly for a desirable reward by performing well, and this reward will satisfy an important need. Nzuve, 2009 suggested that if the desire to satisfy the need is strong enough then it will make the effort fruitful. The following beliefs form the basis of this theory:

**Valence:** the emotional orientations people have with respect to outcomes (rewards). How strong the want is for extrinsic [money, promotion, time-off, benefits] or intrinsic (satisfaction) rewards. The management must find out what the employees' value and should act accordingly.

**Expectancy:** Employees have different expectations and they know how capable they are of performing i.e. they are aware of their confidence level. Management must analyze and find out what training, supervision and resources are required by the employees.

**Instrumentality:** It is how the employees perceive whether what they desire they will actually get, even if it has been promised by a manager or a person in authority. It is the duty of the management to ensure fulfilling promises of rewards and this should be the awareness of employees. Vroom suggests that the psyche of an employee is the result of interaction of his belief about Valence, Expectancy and Instrumentality.

### **Designing an Effective Training Evaluation Process**

Wendy F. Carr (1999) in today's environment of increased accountability, the training evaluation process is a critical component of an organization's training program, for judging the effectiveness. Organizations administering the training program not only are accountable for what employees learn, they are also accountable for ensuring that employees utilize their knowledge to their work performance, hereby contributing to organizational success. Traditionally the training evaluation methods used to focus on assessment of training delivery and how to improve it, but today information is collected to determine whether training is assisting the organization to improve its business performance effectively.

### **Training Evaluation Approach**

The Evaluation methods should be implemented judiciously based on two important aspects namely: the goals of the training process and should meet the demands of the various stakeholders involved with the business entity. Each and every organization has multiple stakeholders and not everyone within the organization has the same information needs but vary as per their involvement. Normally organizational stakeholder groups include the business units, employees and the training department. The information requirements fall into two categories: whether the competencies have been learned and whether the learning's have to be applied towards improved performance, as per the market scenario.

### Assessment of Competency Learning

The assessment of competency learning is best conducted at the individual level and the reactions at the individual level help in the best assessment of employees. If the reaction of the employees is negative then it is less likely that whatever has been learnt will be transferred to work but if it is positive then the new or improved knowledge, skills etc will be utilized which is the basic aim of conducting a training session. The information about competency learning has to be given to the Training department so that the effectiveness of training delivery and approach could be ascertained and the information received can be helpful in revising and redesigning the training session so as to make it more effective and useful for the stakeholders associated with the organization.

**Analysis of Training Return on Investment (ROI)**-ROI is a measure of the investment in a training program and the monetary benefits achieved by an organization over a period of time. The information obtained hereby can be used effectively to assign and apply resources to ensure organizational success and improve performance. ROI is calculated by obtaining measurements of the costs and benefits associated with a training program. ROI is also used to justify a planned investment.

An organization by designing an effective training evaluation process can reap a number of benefits like: it can get information for a focused and continuous organizational improvement, the information can help in improving both training program delivery and business performance and it can also provide information to multiple stakeholder groups.

### Employee Promotion Leading to Retention

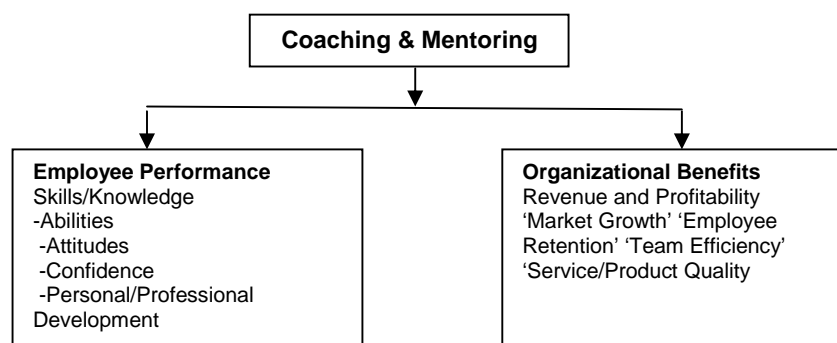
Promotion refers to entrusting with higher level of assignment from a lower level with an increase in pay and a better status. Promotional opportunities are those where the employee perceives his or her chances to grow and be promoted within the organization to higher level because of better performance due to training and skill development or due to work experience, putting in a certain number of years of service. Employees definitely want to be retained and work in organizations where the opportunities to be promoted to new and challenging positions are immense.

### Employee Retention

An effort by the employers to have the valued employees remain with the organization is known as Employee retention. Using an effective recruitment and selection strategy and workforce plan helps in attracting the right talent to the organization and retaining it. According to Armstrong (2009) once the right talent has been attracted, retention is possible using some good strategies.

### Training and Skill Development: Performance Enhancement

Training and Skill Development as coaching and mentoring is important for performance enhancement of employee as well as it provides several benefits to the organization. Coaching and mentoring add value to the employee in the form of: ability, skills/knowledge, positive attitudes, professional/personal development and confidence of the employees. Additionally it also provides various benefits to the organization: employee retention, increase service/product quality, team efficiency, market growth and revenue and profitability.



Landy,(1985) on the basis of a study based on Hawthorne studies on worker's productivity have proved that employees who are satisfied with their job will remain retained with the organization giving a higher or best performance than those employees who are dissatisfied with their jobs. It has also been proved that employees who are de-motivated or dissatisfied with their job will never give a good performance.

Kinicki and Kreitner, (2007) through a study have suggested that employees who are happy and satisfied with their job give a higher performance and it is easier for organizations to attain their targets by motivating such high performers. Satisfaction can be achieved by employees when they feel competent to perform their jobs and this competency can only be achieved by equipping them with the required skills and giving them training. For an organization the employee's performance is of utmost importance and every effort has to be made to help the low performing employees to achieve the stipulated goals. Normally the five elements or phases namely: Planning, monitoring, developing, rating and rewarding are the five phases of the performance cycle. The Planning process consists of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals in a systematic manner.

Monitoring is the analysis phase wherein the goals are scrutinized to see how well the employee is working to achieve his goals. Monitoring means gauging the performance continuously of the employees and workgroups in line with the set standards and also providing them with the relevant feedback just to make sure that the efforts are in the right direction for achieving the goals. Any irrelevant standards which cannot be achieved have to be reset from time to time. The Developing phase helps the employee in improving his performance if any gaps have been observed during his working phase with the company. The Planning and Monitoring phase, work upon the deficiencies or gaps in performance of the employees and handles them critically. The Rating compares and analyses the employee performance with the set standards. This is beneficial for the employee as the rating is done on the basis of comparison of performance with the other employees. Hence at the end of the entire performance cycle the Organizations reach the Reward stage which is ascertained on the basis of outstanding behavior and performance of the best performing individuals.

Most of the training programs are designed in a manner to take care of knowledge, skills and aspects related to enhancing the performance of the employees but there are certain factors that play a key role in judging the employee performance, namely organizational commitment, motivation and job satisfaction. Less of study or work has been done to identify whether proper training interventions could be instrumental in affecting the workers attitude.

### **Conclusion & Recommendations**

In the current era of changing technologies and rigorous competition it is meaningless to say that I have current and up-to-date knowledge because what one has today becomes obsolete with the passage of time. An individual who has the quest for knowledge and the organization he is working for is progressive and has prioritized training and development, will be able to achieve its goals.

Chew (2004) has rightly defined training as a process that provides employees with specific skills and helps in correcting deficiencies in their performance while development equips the employees with abilities that will be required by the organization in the future.

Recruitment and hiring of individuals for various positions in an organization is mandatorily followed by training so that they could be assigned specific job responsibilities. The training should make the new employee comfortable in the role assigned to him and also with the work environment. Training and development has to be an on-going process enabling the employee to perform well in his present assignment and also to equip him for entrusting higher job responsibility in the future. The employee has to be well equipped both in knowledge and skills to keep pace with the expansion and diversification plans of the company.

Human Resource Management has a very crucial role to play in integrating strategically all activities in meeting out organizational objectives and employee development. While catering to the organizational interest it is initially an Investment rather than a cost to the organization through HRM perspective. The rest of the resources are directed towards training and development of human resource which is vital for improving organizational productivity. Jobs have become more complex in the banking sector owing to the changing banking environment and hence employee training has become more crucial. Resources have to be committed towards training and development in order to have a well equipped workforce.

The banking sector has necessarily to focus on three aspects of training and development: developing a good employee behavior which is helpful in improving the productivity, providing personality development which is helpful in strengthening superior – subordinate and peer relationship and to inculcate a positive feeling towards training and development in employees for meeting the dual goals of customer satisfaction and enhancing productivity.

The Human resource department in the Banking sector has to proactively involve into:

- Rigorous and continuous training to the employees who can perform well in the ever-changing environment.
- Making training an ongoing process perceived as helpful in changing attitudes, developing skills, evolving ideas and reinventing organizations in a profitable manner.
- Making training and development perceived as a necessity for both employer and employee.

The banking sector comprising of Public sector and Private sector banks should design and share training and learning techniques on a common platform using standardized and uniform training methodology so that the young entrants do not get confused by different banks different training strategies. The aim of the training program should be the same everywhere i.e. to acquire relevant skills, knowledge and attitude for developing a good personality, achieving career goals, develop job satisfaction and prestige and recognition by giving their best performance. These findings have clearly proved the positive relationship between training and development and staff retention and performance enhancement.

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