Strategic Role of Skill Development in Leveraging Employee Engagement for Competitive Advantage in Public Sector Banks - A Study on Canara Bank, India

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Abstract: Workforce considered engaged, and in possession of the necessary skills, knowledge and expertise is crucial for any organization that aspires to achieve high levels of business success. Employee Engagement is arguably the most critical metric for organizations in the twenty first century and a key measure that reflects organizational performance. In the current competitive business environment, learning and development has never mattered more as a cause to keep employees engaged and maintain that competitive dominance. The Indian banking industry has been continuously going through a process of transformation since the nineties and has become more competitive than ever. Private and public sector banks are competing to outperform each other and in view of that, banks now have to play a proactive role in equipping their employees, to meet challenges. Organizations that thrive rely on the consistent performance of their people. Skill development therefore is of paramount importance, as in banks it will strengthen the organization and along with helping to realize objectives, vision, dreams, foster and hone talent, thus helping people to harness its positive effects and better their performance. Efficiently undertaken it can show the way to competitive advantage by providing the means to drive, inspire and leverage engagement like never before, compelling employees to visualize the connection between where they are now and where they expect to get to and convince them to see how training is going to bridge this gap. This paper analyzes the skill development practices in Canara Bank in India and explores the proposed link between skill development and employee engagement.

Keywords: Skill development, Employee Engagement, Performance, Bank, Competitive Advantage

1. Introduction

Successful organizations take pride in their implementation of great and successful employee engagement strategies which have helped create an attractive environment and a community within which their employees enjoy working. Not just retaining talented people, but fully engaging them, capturing their minds and hearts at each stage of their work lives, is a huge challenge today.

1.1 Brief overview of Canara Bank

Widely known for customer centricity, Canara Bank was founded by Shri Amambay Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. Eighties was characterized by business diversification for the Bank. In June 2006, the Bank completed a century of operation in the Indian banking industry. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the community of Indian banks.[28]

1.1.1 Skill Development Initiatives by Canara Bank

30 Self Employment Training Institutes with a focused approach to:

- Identify Orient, Motivate, Train and Assist the unemployed youth to take up self employment ventures.
- To take up research and development activities in Entrepreneurship and Rural Development.
- Training village level workers to work in rural development.
- Counselling and project consultancy.[28]
The network of training institutes is as follows:

- Four Information Technology Training Institutes situated at Bangalore, Thiruvananthapuram and Alleppey are working to make under privileged youth Tech-Savvy thus bridging the digital divide.
- Three Artisans Training Institutes situated at Jogaradoddi near Bangalore, Karkala near Mangalore and Karaikudi near Madurai are working towards developing and promoting traditional arts and crafts.
- One exclusive training Institute at Harohalli near Bangalore to train Rural Women for Self Employment.
- One exclusive Micro Finance training Institute to train Self Help Groups at Sonnahallipura near Bangalore.
- One exclusive training Institute to train youth for establishing Rural Industries at Kolar.
- One focused training Institute at Wandoor, Kerala to train youth from minority communities.
- One focused training Institute at Pudupudur, Coimbatore to train youth from SC/ST.
- Eighteen Rural Self employment training institutes located across the country.[28]

1.2 Employee Engagement

For organizational success, employee engagement is considered the key business driver. In domestic and global firms, reasonably high levels of engagement bring about retention of talent, generate customer loyalty and improve organizational performance and value for stakeholders. Engagement is understood as a complex concept and is influenced by several factors, such as workplace culture, communication within the organization, leadership managerial styles, trust and respect, image and reputation. Access to training, skill development, better opportunities, work/life balance and empowering to make decisions, are very important today. Evaluating and designing proactive workplace policies and practices, fosters a culture of engagement which helps to attract and retain talent with skills and competencies found necessary for growth and sustainability, and to this the domains of HR lead the way.

In today’s competitive scenario. Employee engagement is proving to be a critical driver of business success. Furthermore, it is emerging as a deciding factor for organizational success.

Along with having the potential to significantly affect employee retention, loyalty, employee performance leading to productivity, employee engagement is an important link to the image of the company ,stake-holder value and customer satisfaction. Thus, to leverage a competitive edge, HR is being looked upon to set a plan for employee engagement leading to commitment. Definition for employee engagement therefore states the length to which employees can go in order to commit to something or someone in their organization, the kind of effort they put in and how long they remain as a result of that commitment.”

According to a research, understanding the relevance and meaning of the job to organizational success, is the main connector between an employee’s job and organizational strategy, and becomes the most important driver of employee engagement. The higher the level of commitment the better the performance,(about 20%) and about 87% chances are they are less likely to leave the organization. This goes to indicate that engagement is linked to organizational performance.

Sufficiently in contrast, ‘job satisfaction” talks about how an employee feels about his or her job, pay, benefits, work ambience, etc. Employee engagement is a complex concept, and has many factors influencing its different levels.

1.3 Skill development

Through skill development people’s capacities to work and their opportunities at work, gets enhanced which in turn offers more scope for creativity and satisfaction at work .Productivity is related to the number of persons in employment and how good they are at work and this in turn decides the future prosperity of any country. A full bodied literature exists on the connection between economic growth education, skills, and productivity.(Estimates for European countries show that a 1 per cent increase in training days leads to a 3 per cent increase in productivity, and that the share of overall productivity growth attributable to training is around 16 per cent (CEDEFOP, 2007))

Competition in the banking industry in India is growing more than ever, with private and public sector banks competing with each other to be the best. The management of the banks are now trying to modify their traditional human resource practices to innovative human resources practices in order to meet the competition from
other banks. These practices are aimed at bringing about a competitive advantage and to attract and retain talent.

Many banks face a major challenge to develop the special competencies and skills for credit appraisal and risk management in an environment of deregulation and openness. As emphasized by Dr. Bimal Jalan, former Governor of Reserve Bank of India, “the recommendations of the second Narasimhan Committee could provide useful guidance to banks particularly in recruiting skilled manpower from the open market, including lateral induction of experts and deployment of existing staff in new businesses and activities after suitable training.” With regard to this, reinforcing corporate vision and culture that fosters creativity and recognizes talent and merit is imperative and cannot be overlooked. Therefore, now skill development and training have to be taken up in a proactive manner by the human resource department. Plans policies and strategies have to be devised by the banks, and not just that, they have to ensure that willingness, competence and effectiveness are shown by the functionaries in executing the laid out policies and strategies. The HRD departments are in a comfortable position in the commercial organizations like banks, as they do not have the added burden of the day-to-day running of the banks or seeing to it that the individual transactions are profitable. They are in an advantageous position where they can take a strategic and long-term perspective of the competitive advantage of the human resources as well as distinguish areas of professional vulnerability to repair much before any damage takes place in the organization. Furthermore, they have the opportune chance to execute the desired human resource policies to fortify the organization to withstand the onset of relentless competition in future. In this context, an endeavor is in place to highlight the factors which, if given a chance, may lead to consequential transformation of banks to compete in an environment of risks and unpredictability. Due to its singularity or uniqueness, Human Resource (HR) thwarts all kinds of reproduction. On the other hand, all resources at the behest of an organization can be duplicated by competitors to gain competitive advantage. Thus, HR is the comprehensive experience collated over the years of the learned skill, acquired knowledge and inherited intelligence.

Skill development conducted by the HRD, is a system of developing in an unceasing, continuous and programmed way the competencies of individuals to achieve organizational objectives. As it has a direct bearing on the individuals. out of all the techniques employed by HRD, training occupies the prime position.

In the course of discussion on the issued related to Skill development, Ms. Ranjana Kumar, former CMD of Indian Bank remarked “Upgradation of skills through proper training and re-training is a Sine qua non for keeping the entire workforce in perfect readiness to take up the challenging environment unfolding every day. Training is a continuous process by which the employees are honed and their skills fine-tuned.”

1.4 Skilled Workforce – Key to Strong, Sustainable and Balanced Growth

Many G20 countries during the financial crisis of 2008 endorsed two major components, training and education. But at present when fiscal consolidation is becoming the theme; it is imperative, to hold on with the training and education budgets. Chopping away on these expenditures can imperil long-term growth perspectives and aggravate rather than alleviate fiscal problems. The chasm between the world of learning and the world of work can be a very long stretch. The world of learning is academic, while the world of work is dictated by the factual demands of production processes, deadlines and workplace organization. Driven by creativity and advancements in technology and markets, the world of work is a witness to quick changes. A continuing challenge is the result of this fast change and has to be met by the employers’ and workers’ representatives who should work towards bridging the gulf. Women, people with disabilities, communities in remote rural areas and others who have had no access to good quality education might find bridging the gulf a challenging task. Though the past decade has seen a remarkable augmentation of education and skill base, in most countries, a persistent gap exists between the knowledge and skills in demand and those that are provided by the education and training systems. The relevance of their skill training and is proven by the way in which young women and men enter the labor market. But it should be given to understand that skills by themselves do not automatically lead to more and better jobs. Policies regarding skills should be made a part of a broad set of policies that contribute towards high growth rates and investment, growth in quality employment, and respect for workers’ rights.
2. Review of literature

The economic development of a nation is hugely dependent on banking and to improve its working results research is very essential. Without right policies, management is like “building a house on sand”. This requires a thorough and continuous search into the nature of the reasons for, and the consequences of organization through effective management. In this regard, some related earlier studies conducted by individuals and institutions are reviewed to have an in-depth insight into the problem and exploring the reformation of banking policy. An overall view of a few studies is presented below. Branch expansion is a thrust for economic development.

Sharma, in “The Role of Commercial Banks in India’s Developing Economy”, 1974, said that the expansion of banking facilities was uneven and lopsided, and banks were concentrating their operations in metropolitan cities and towns. A fairly large number of rural and semi urban centers with reasonable potentialities of growth failed to attract the attention of commercial banks. As far as the deposit mobilization in the rural areas is concerned, much remains to be done. Branch expansion is a thrust for economic development. The commercial banks had made a commendable progress in extending the frontiers of banking both geographically and functionally and, as a result, cover a wider area and much larger segment of population than did it in the pre-nationalization. “The branching activities of banks particularly in the rural areas are unprecedented in the banking sector of India. However, coming to the issue of dispersion of their lending activities, the performance of commercial banks was quite unimpressive and the urban orientation still appears to be persisting.” [11]

S. Chandra in his “Study of Non-performing assets of Bank of India” stated that legal action cannot not be the last step in the process, and said that branches should be trained to objectively evaluate this option for recovery, before launching them. He talks about initiating an information infrastructure at the apex level first and then subsequently the lower tiers. [23]

In a study on myth of viability of rural branches, it is argued that competency based issues are a major cause of the non-viability of rural branches of many public sector banks and that there is nothing inherently non-viable about banking in rural areas.

T Abhiman Das and Saibal Ghosh’s sample study conducted “to know the performance of bank CEOs in the era of corporate governance, tried to identify the adaptability characteristics of CEOs in terms of technology. They also found that CEOs of poorly performing banks are likely to face higher turnover than CEOs of well performing ones.”[12]

Committee on Technology Up gradation in the Banking Sector, Constituted by R.B.I. with Dr A. Vasudevan, as Chairman had submitted a report in 1999. The Committee had strongly advised to adopt latest technology in banking sector.[13]

In order to understand the structure and functioning of the existing financial system of India and suggest financial sector reforms, the Government of India set up a nine-member committee under the chairmanship of Narasimhan, former Governor of Reserve Bank of India, The report of the committee was tables in the Parliament on December 17, 1991.

The Finance Ministry of Govt. of India appointed once again a committee under the chairmanship of Sri M. Narasimhan to recommend reforms of the Indian banking sector. Reviewing the developments that have taken place during the period 1991-98, the committee made recommendations for reforming the banking sector. The report was submitted in April 1998. Madhu Lincoln, Rama Krishna and Venu Gopal Rao, conducted a study on “HRM Practices in Public Sector and Private Sector Banks” and has suggested that HR policies of Public Sector Banks should be revised there by making them more competitive in this challenging era of globalization”. [14,16,21]

2.1 Engagement as a Driver for Organizational Success

Hard work, loyalty and going that extra mile are the hallmarks of engaged employees. The different levels of engagement, and comprehending the types of engagement, provide a look into employee behaviors that can affect organizational success, positively or negatively. Employee engagement is considered as cognitive, emotional and behavioral. Employees’ beliefs about the organization, its management and the workplace culture refers to Cognitive engagement. How employees feel about the company, the leaders and their colleagues is the emotional aspect. The value-added component (e.g., brainpower, extra time and energy).which is the reflection of the amount of labor and hard work employees put into their work, is the behavioral factor. Those who are highly involved in their work practices or processes—for example implementing workplace and process changes, are more engaged.
As associated with employee engagement and bringing about behaviors leading to enhanced performance, the link between high-involvement work practices and positive beliefs and attitudes, is an important driver for business success. A recent study analyzed 132 U.S. manufacturing firms and found that companies utilizing high-performance work systems had decidedly higher labor productivity than their competitors. When employees are empowered to make decisions related to their performance, when they have access to information about company costs and revenues, and when training for skill development is imparted, and are recognized for their efforts—they are more productive.

2.2 The Emerging Scenario and Training in Banks

Poised for far reaching changes the emerging business profile of banks will include non-traditional areas like venture capital, factoring, merchant banking, mutual funds, personal investment counseling newer financial services, and to some extent consultancy and research services. For competitive leverage, besides this, banks will have to continuously innovate. A few of the top notch banks are already moving in this direction. Indian banks will now necessarily have to be innovative and launch new activities to beat the competition. The pressing changes in the environment will bring about major transformations in the profile of these banks and thus make them complex. Continuing to engage themselves in conventional banking, they will also enter areas of modern business ventures. These changes will demand new knowledge, skills and attitudes, and training systems will have to gear up to face these challenges. The corporate keep moving towards better technology and they will pressurize the banks to keep abreast of their demands and be up-to-date with the latest developments. There are some clear indications to this effect. Enhanced microelectronic assistance for multifarious operations, will certainly go in for changes in approaches to training. With the adoption of enhanced technology a reduction will be seen in the number of routine workers at the bottom levels and an increase in the number of knowledge workers. Skills will go through a typical transformation because of the play of new technology.

In a study by OECD on the impact of technology on human resource in banking and insurance companies in France, Germany, Japan, Sweden and the United States the authors have compared the old competencies with the emerging new competencies. The study concluded that an entirely new skills structure is emerging as a result of technological advancement. Thus these new emerging skills would require a modified training system as an important intervention imparting new knowledge and behavioral skills. The Indian banking system, due to global awareness has already started feeling the need for new competencies which would incorporate new profiles and a fresh orientation towards the newly created scenario.

The changing social values have given the new generation of employees a different set of value orientation. A strong association with the organization prevails when engagement is effective and real. Skill development plays a crucial role in improving employee performance by increasing ability to perform through learning, working on the attitude and enhancing. Many organizations still appear reluctant to invest in training the members to be efficient ones. They need to realize that skill development affects their attitude towards both their colleagues and the company’s clients, working upon customer satisfaction and thereby the organization’s performance. The study-Driving Performance and Retention through Employee Engagement (Corporate Leadership Council, 2004), revealed that those employees who are most committed perform 20% better and are 87% less likely to leave the organization indicating the significance of engagement to organizational performance.

Towers Perrin (2004), have commented that the way employees feel about their companies and what kind of ambassadors they are inclined to be are the key drivers of engagement. He noted that skill development produced engaged employees who had a 3.74% higher operating margin and 2.06% higher net profit margin than average. [5]. The IES diagnostic tool provides evidence to the fact that it is also important that employees receive training for skill development and have regular performance appraisals in order to feel valued, involved and thus engaged.

2.3 Employee Skill Development Initiatives in Banks-A Future Perspective

Skill Development through trainings always help in bringing about change, whether it is happening at the entry level or the middle level of the carrier. Business acumen and updated knowledge on information technology is being noticed in the present day banking scenario. Banks are vying with each other to go global and also to
meet the unfurling challenges. Therefore in order to meet the future confidently, it is time that the managements of banks take care and rise to the occasion by filling up the information gaps necessary. The mundane banking activities with the traditional methodology have almost ceased to exist in many parts of the world, as winds of change have swept over the banking system. A difficult task awaits the future banker as he swings along with the winds of change, and has to meet turbulence on the way. During this entire metamorphosis from traditional to global skill development, through training will also need to venture on new paths in tune with the vagaries of time.

2.1 Latest Trends in Skill development training:

An urgent need for the latest training trends calls for continuous process of training in tune with changing times which should be periodically and regularly imparted, and the absence of which may lead to employee de-motivation.

Employees exhibit very poor opinion towards adoption of training trends depicting a high level of dissatisfaction. The scores are as low as 2.93. Statements are rated poorly and therefore to bring about a change in outlook a different system should be in place in line with the latest training trends.

The talent pool at an organization may be classed into three group’s viz. Engaged, Not Engaged and Actively Disengaged.

**Engaged** - “Engaged employees work with passion and they feel a profound connection to their company. They drive innovation and move the organization forward.”

**Not engaged** - “Not - Engaged employees are essentially ‘checked out’; they are sleepwalking through their day, putting time – but not energy and passion- into their work.”

**Actively disengaged** - “The ‘actively disengaged’ employees are just not unhappy at work; they are busy acting out their unhappiness.”

Ramakrishna et al. (2012) have noted that Human Resource Development department has to play a crucial and proactive role in moulding the employees to face the challenges. The banks not only have to make plans and policies and devise strategies, the actual functionaries have to show competence and effectiveness in executing the said policies and strategies. A sample of 85 employees covering all Canara bank branches in Kurnool District has been considered for the study at random. The study revealed that the employees have attended more training and development programmes, employees strongly agreed about the necessity of training and development programmes, majority of the employees rated trainer’s preparation as good, employees rated trainers creating learning atmosphere and employees given overall rating for training and development programmes. [21]

Sthapit (2012) pointed out that the strategic human resource development factors affecting the evaluation of induction training effectiveness in Nepali banks. The study was based on the survey which was conducted during Feb-March 2012 on 104 low and middle level managers of Nepali development banks established from June 2001 to June 2010. The study revealed that induction training as most effective in terms of learning and least effective on the behavior change criterion. [25]

Purohit (2012) studied the existing policies practiced in co-operative banks to appraise the level of HRD practices, to assess the satisfaction level of employees about HRD practices particularly Training and development & Reward and recognition of employees. The study revealed that training helps employees to gain better understanding in the area of work and this will enhance their stock of knowledge. Extensive training providing the continuous development, such as on-the-job training, training programmes and workshops can be a driving factor for the activities in the firm. The present paper also suggests the ways & means by which the selected co-operative banks can improve their high performances of work practices. [20]

Srimannarayana M. (2011) in his study found that Training and Development is very important component in the modern Human Resource Management and the scope of training and development vary from one organization to another. The present study is based on primary data. Data is collected from 105 HR/Training professionals working in manufacturing, IT/ITES and service sector with a minimum experience of three year in their respective organization in the functional area of training and development. The study revealed that more than 75% of respondents have believed that performance improvements made because of training is an extremely valuable measure and 70.48% have believed that transfer of learning is extremely important. Almost (95.24%) respondents have mentioned that they collect
feedback of the participants after completion of the training programme routinely.

There is a gap between the measures that are used actually in assessing training and development and HR/Training professionals do not have control over data that is required for measuring training and development.[24]

Mohanty (2011) explained how Liberalization, Privatization and Globalization have changed the scenario of corporate world and holds for us many challenges. In this connection, the development of human resources is putting newer challenges in business world. New skills and abilities are needed to face these challenges and it is possible by providing “Training”. Training is the strong foundation of highly skilled and motivated human resource. So, training is one of the most important tools in Human Resource Development effort to improve overall performance of an organization. Effective and suitable training interventions can bring improvements and impact in the working of organization significantly which help employees to adopt new work practices for the success of business. Through training an organization go green by making employees more effective and productive. [17]

Nagar (2009) studied the effectiveness of training programmes being conducted by the commercial banks in public as well as in the private sector. The area of study is limited to the staff training centers of State Bank of Bikaner & Jaipur and The Bank of Rajasthan Ltd. The data is collected through a structured questionnaire containing several questions relating to various aspects of training programme. The focus of the study is mainly the opinions of the trainees regarding various aspects of training like course duration, library facilities, trainer, teaching & computer aided programme and other infrastructural facilities and the calculated t values are less than table value of t, hence null hypothesis is accepted or hence there is no significant difference in the opinion of respondent at the two staff training centers.[18]

### Objectives

1. To study existing status of skill development programmes in Canara bank for its employees.
2. To examine the effectiveness of skill development programmes for employees in fulfillment of their duties.

### Research methodology

A well-structured questionnaire from the employees of Canara Bank (public sector bank) was used to collect the primary data. The secondary data and information have been collected from various sources like business newspapers, journals, magazines, RBI Reports and publications etc. Random sampling of 20 respondents from employees of Canara Bank

### Limitations

Limited sample size because of limited time which is small to represent the whole population. The research was limited to Sahibabad District only.

### Analysis and findings

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<tr>
<th>No</th>
<th>QUESTIONS ASKED</th>
<th>Response</th>
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<tbody>
<tr>
<td>1.</td>
<td>Skill development is given adequate importance.</td>
<td>89% Very Good</td>
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<tr>
<td>2.</td>
<td>Training is compulsory for all employees</td>
<td>100% Very Good</td>
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<tr>
<td>3.</td>
<td>Skill development programmes are periodically reviewed and improved.</td>
<td>90% Very Good</td>
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<tr>
<td>4.</td>
<td>Customized skill development, need based</td>
<td>79% Good</td>
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<td>5.</td>
<td>Skill development increases the ability and skill of employees</td>
<td>92% Very Good</td>
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<td>6.</td>
<td>Skill Development enhances the quality of services being performed by employees</td>
<td>82% Very Good</td>
</tr>
<tr>
<td>7.</td>
<td>Skill Development enhances the efficiency and effectiveness of the work being performed by employees.</td>
<td>82% Very Good</td>
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<tr>
<td>8.</td>
<td>Skill Development brings about job satisfaction</td>
<td>90% Very Good</td>
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<td>9.</td>
<td>Skill Development minimizes the faults in operations.</td>
<td>85% Very Good</td>
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<tr>
<td>10.</td>
<td>Skill Development improves the leadership and managerial skills.</td>
<td>76% Good</td>
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<tr>
<td>11.</td>
<td>Skill Development helps employees in promotion and other monetary benefits.</td>
<td>85% Very Good</td>
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<tr>
<td>12.</td>
<td>Skill Development stabilizes the organization and lowers attrition</td>
<td>81% Very Good</td>
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<tr>
<td>13.</td>
<td>Skill Development reduces the stress level of employees.</td>
<td>80% Very Good</td>
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<tr>
<td>14.</td>
<td>Employees participate in determining the skill gaps</td>
<td>75% Good</td>
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<tr>
<td>15.</td>
<td>Employees acquired skill and technical knowhow, through training</td>
<td>83% Very Good</td>
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Conclusion

CANARA BANK undertakes skill development programmes for its employees to increase their efficiency. It provides training to enhance their knowledge and skills to perform better and have job satisfaction. Through this research it can be concluded that such skill development programmes arm them with skills that help them perform better and act as motivators. Employees thus feel that they are coveted, valued and as they realize that individual development is also on the agenda parallel to organizational development they contribute more sincerely. There is enough evidence to show that employees who were trained on a regular basis are the ones who provide higher quality service to the customers, are satisfied with their lot and loyal to the organization. Hence it is seen that skill development in the banking sector, plays a strategic role in enhancing employee engagement, training the employees for future and leading to competitive advantage.

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