

ROLE OF HRM IN CUSTOMER RELATIONSHIP MANAGEMENT IN INDIAN NATIONALIZED COMMERCIAL BANKS

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ABSTRACT

Customer Relationship Management or CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers. CRM revolves around people, process and technology. All three aspects are extremely critical and play a major role in building CRM. People form the hub because enterprises use people to implement their technology, strategy and processes. All the employees are Customer Relationship Managers - not just sales, service and marketing employees. Human intelligence is required to use information and deploy it to improve processes. This paper attempts to explore the role of human resource management in CRM in Indian nationalized commercial banks. Three Indian nationalized banks were chosen to study the role of recruitment and selection, continuous training and compensation reward management in enhancing CRM.

INTRODUCTION

Customer Relationship Management is a broad approach for creating, maintaining and expanding customer relationships. CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers. Customer Relationship Management has been as important to the banking industry at the start of the 21st century as it has been to any other industry. Many banks have used CRM tools to acquire more customers and to improve relationships with them.

Human Resources are those constituents of an organization that take care of the human facets and needs of all employees within that organization. Key functions of HR in an organization are-

- Employee recruitment and selection
- Training for all employees
- Compensation and reward management
- Performance Management
- Transformation and change management
- Structuring hierarchy of employees
- Employee relationship management

CRM is about people and processes. It is about a customer-oriented attitude and

methodologies to support it. However, the processes will fail if the users who are to execute those processes do not understand or buy in to the CRM objectives. More often than not the success of a CRM initiative depends on a company's staff accepting the change towards customer orientation. This is why human resources play a critical role in creating a CRM success story.

People form the hub because enterprises use people to implement their technology, strategy and processes. All the employees are Customer Relationship Managers - not just sales, service and marketing employees. Human intelligence is required to use information and deploy it to improve processes. The challenge of management lies in creating a framework that will ensure:

- Hiring for the right 'attitude'
- Training for the right 'skills'
- Monitoring for right 'experience delivery', and
- Institutionalizing mechanism for 'consistency in experience delivery'

The critical success factors for people in CRM are as under:

- a. Motivate and educate personnel and understand the strategic importance of CRM vision, convince

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- them about the ability of the system to help them in their objectives and develop enterprise wide common understanding of the vision
- b. Train users about how to use the product and service
 - c. Secure user ownership. Only a convinced and satisfied user will work effectively with the system.
 - d. Foster employees' creativity and innovation. Amplify employees' abilities to ask powerful questions, imagine possibilities and innovate in ways that continuously seek to delight customers.

HRM depends on employee's morale and efficiency. If banks adopt good HRM practices, it can strongly enhance its customer relations. Most banks spend more time and energy trying to find new customers than in retaining the customers they have. The logic behind customer retention is simple - it costs far less money to keep current customers happy than to spend more money to get new customers. Loyal customers tell their friends about the organization's products and services and spend more money than new customers.

There are six steps recommended to retain customers and build positive customer relationship. Firstly, recruit the right people. Many banks do a poor job of hiring people. They hire just anyone and place them on the front-line with customers. Banks must spend more time in recruiting and hiring the right people with good personalities. Focus on those who are friendly and demonstrate an interest and enthusiasm for the job. Personality profiling as part of the hiring process must be considered. These profiling help identify the true personality characteristics of applicants.

Secondly, personalize the service experience for organization's customers. Good service is not good enough. A recent Gallup survey showed a customer who is "emotionally connected" to place of business is likely to spend 46% more money than a customer who is merely "satisfied" but not emotionally bonded.

Thirdly, set performance standards. Outline the behaviors expected from employees; tell them the requirements for how employees should act, speak, and respond to customer needs and requests. Develop own guidelines that fits banks business. Fourthly, Sustained on-going training, capability building and reinforcement are extremely important in managing good customer relationship. Good customer service

skills are not natural for most people. Effective customer service training must be reinforced and taught on a recurring basis. The organizations must provide a thorough customer service training program for all of its employees during their orientation.

Fifthly, the compensation and reward system has to be robust and effective. The incentives and rewards need to be specified and employees have to be motivated to work beyond their stated targets. All employees want to be paid well, but they also want to be treated with respect and shown appreciation. The front-line supervisor has the greatest impact on motivating and retaining employees. Reward those who exceed the deadlines and provide development for those who do not. Finally, ensure employees are engaged and empowered and feel an important part of the banks Customer relationship management strategy.

About 45% of CRM success depends on the right executive leadership. Leadership works through people and culture. In a service organization, leadership at the top is not sufficient; it has to be pervasive at all levels of management/supervision especially at the frontline customer contact team's level. One of the key responsibilities of a leader is to ensure that the organization's culture is understood and nurtured at the frontline. Employees base their perception of what is important by observing what their leaders do. In a strong service culture, the entire organization focuses on the frontline and the understanding that it is the lifeline of the business. Leadership at all levels has to be actively involved and be informed about the issues and challenges being faced by frontline staff in serving the customer.

METHOD

Three Indian nationalized banks as under were chosen to study the role of recruitment and selection, continuous training and compensation reward management in enhancing Customer Relationship Management:

- Bank of Baroda
- State Bank of India
- Punjab National Bank

The process of data collection involved contacting the HR department and Customer relationship Department and conducting personal interviews and discussion with staff members of these departments. Annual reports and other documents of the banks were also referred. The study was

restricted to Delhi, Noida and Gurgaon

RESULTS AND DISCUSSION

Human Resources can majorly contribute to CRM in three main areas:

1. **Recruitment:** This is a major area of influence for human resources. This means getting the right fit of people to get specific tasks completed. With CRM changing its approach towards business and customers, the skills desired in prospective candidates have also changed. People with more empathy, desire, and willingness to help have an advantage over others with the same core skills. It is crucial for human resources to hire people who share the company's customer management philosophy.
2. **Continuous Training:** It is imperative to train staff on better customer understanding and orientation. This involves sessions on customer handling, empathy, and service. The main CRM process ideologies should be ingrained here, so that the company's philosophy reaches the frontline staff. As the company strives towards customer orientation, training becomes increasingly essential. This is also a core part of employee development. If an organization presumes that employees will automatically adopt a customer-oriented approach without any training it may not be able to gain any competitive advantage over its competitors. Continuous exposure and training in the creation and setup of CRM processes are a must for the frontline staff, as well as the delivery team and back-office personnel. A CRM initiative is like a machine: Each department is a cog, and if one fails, the machine stops.
3. **Compensation and Rewards:** To influence and expand the new perspective internally, it is vital to motivate the staff to be customer oriented. Hiring the right people can set a base for this and training gets the employees more exposed to the concept and provides the right tools. However, this needs to be augmented with robust compensation and reward system for those who adopt the CRM approach. Compensation and rewards plays a vital role in keeping the client facing staff motivated and working towards developing and maintaining positive relationship with customers.

ROLE OF RECRUITMENT AND SELECTION

- BANK OF BARODA - Various recruitment

exercises were undertaken to address the emerging manpower requirements in the Bank. Recruitment of Specialist officers, probationary officers, recruitment of young MBAs direct from the campuses of renowned Business Schools were initiated in large numbers to meet the needs of the Bank, both in terms of replacements for normal attrition and factoring in the business growth needs. The Bank recruited 1,871 Officers in various Grades/Scales (both Generalists & Specialists), 1,131 Clerks and 632 Subordinate staff members, thereby inducting a total of 3,634 new employees in the Bank during the period 2010-11. The recruitment process would continue in the year 2011-12 also with various recruitment projects underway for filling up almost 2,000 posts of officers.

- STATE BANK OF INDIA - A number of key initiatives have been taken by the Bank during the current year to motivate the employees to perform better so as to achieve the Bank's growth plans. 25,327 clerical staff was recruited during the year out of which 18,628 have joined the Bank till December 2012. This is the largest recruitment exercise undertaken in the Banking sector and will further augment the staff strength in tandem with the Bank's branch expansion drive and manpower requirement on account of promotion and retirement etc. This will not only help in reducing the age profile of staff but will also provide an opportunity for greater mobility and marketing thrust across the Bank to achieve its growth plans.
- PUNJAB NATIONAL BANK - During the year 2012, Bank initiated recruitment process including campus recruitment from institutes through which 1335 Officers in various Grades/Scales were recruited. Out of these, 945 were Specialist Officers in various streams such as Marketing, Law, HRD, etc. Further, 1178 Clerical staff and 1062 Subordinate staff were inducted during the year 2011.

The attrition rate during the year was negligible at 0.83% (0.31% for the previous year). This low attrition rate has been due to continuous investment in learning and development programs for employees, creating an enabling work environment, staff welfare measures and performance linked incentives. Bank has been implementing changes in the Promotion Policy from time to time to

provide fast-track career growth opportunities to employees. Human Resources Management System (HRMS) or 'PNB Parivaar'-A PeopleSoft package containing an exhaustive database of all the employees, has enabled the Bank to effectively utilize technology for implementing all employee related tasks such as compensation, staff welfare benefits, various reimbursements, transfer/ postings, terminal benefits, leave rules etc. HRMS was also utilized by employees to exercise their option for pension as well as for centralized credit of pension to retired employees.

ROLE OF TRAINING AND DEVELOPMENT

- **BANK OF BARODA** - With the winds of competition blowing hard in the banking Industry, it is the quality of human resource and not the numbers, that matter for any organization. Such quality in human resource can be achieved through constant harnessing of their skills, providing continuous opportunities for acquiring new knowledge and also instilling positive attitudes among rank and file. All these aspects relate to Training function of the Human Resource Management (HRM) of the Bank and accordingly, 'Training & Development' function continues to be given major thrust. Quality training is the cornerstone for building healthy succession and to nurture a sound managerial team. With this backdrop and in furtherance to the constant endeavor to transform the Bank as a 'Learning Organization', vibrant changes are brought about in the entire gamut of the training activity encompassing training modules, contents and delivery systems etc. In order to give impetus to the training endeavor, first time in the Bank, a structured training policy has been documented and adopted. Under this policy it has been envisaged to impart at least one training with duration of 6 days for officers and 3 days for award staff by 2010-11. Further, the training focus has since been laid on 'need based rather than on nomination based'. Under this said policy an apex internal training policy advisory committee headed by Chairman & Managing Director has been constituted to oversee the training performance and to propose new areas of training. The training policy will be reviewed by Chairman & Managing Director and Executive Director on half yearly basis.

Substantial training and developmental activities

were carried out during 2010-11, which included comprehensive grooming programmes in the area of Credit, Forex Dealings, Branch Management, Planning, Risk Management, etc. besides all-round Development and grooming of young officers and new recruits.

The Bank conducted 1,544 training programmes in-house (through its network of 12 Training Centers across the country, one IT training center and an Apex Training College at Ahmadabad) and thereby trained 35,843 people during the year. Besides, the Bank also sent around 1,509 employees for undergoing training in various reputed external training institutes of the country and even abroad.

Taking into account the critical need for building leadership competencies in people, the bank has launched a comprehensive leadership development program 'Project UDAAN' covering Branch Heads of all Urban and Metro Branches and all the Assistant General Managers and Deputy General Managers with the objective of creating leaders for the future. Such a massive and comprehensive leadership development effort is un

- **STATE BANK OF INDIA** - The Bank aims at creating and developing human capital to realize its vision of nurturing a mutually beneficial relationship with its employees. Employee engagement and learning, leadership development, enhancing productivity and building multiple communication platforms thus occupy centre stage in the Bank's HR objectives formulation. The Bank has tied up with training and educational institutions to build alternate pipelines for recruiting trained manpower through a cost-effective and time-efficient process. The Bank continues to maintain a strong employer brand in the financial services sector especially on the campuses of the premier business schools of the country. In a major initiative, the Bank launched Academic Interface Program with the 2-fold purpose: building long-term partnership with Institutions to offer youngsters an understanding about the financial services industry, and creating 'Talented Bankers'. The equal opportunity employer policy of the bank contributes strongly to the SBI brand.

The Strategic Training Unit (STU), which was operational on 5th April 2010, has taken a number of

initiatives towards giving a new dimension to the training philosophy of the bank. Some of the major initiatives in this regard are as follows:

- A website of STU has been launched to which the entire training system has been linked.
- Under the leadership Pipeline, Jagriti Programme was launched covering all AGMs having more than 2 years of residual service.
- E-learning through HRMS portal has been expanded over 158 courses currently.
- A new initiative in Distance Learning has been taken by SBSC by introducing Mobile Learning.

The Bank and its subsidiaries over the past one year have continued consistently to invest in its human process to build a sustained stable environment for its resources to grow and deliver to the maximum of their potential. Over the last one year special focus was put on building a robust talent management process for building scalability, sustainability and ensuring management depth across all levels of the bank. A continued area of special focus for the Bank and its subsidiaries last year was of aligning all resource to the core values of the bank and ensuring ethical behavior by all its resources in all their dealing with internal and external stakeholders. Value based training programs and communication on Bank's core values was stepped up this year. Identification and exhibition of correct values and behaviors was woven into critical human process such as Talent Review and Performance Management.

- **PUNJAB NATIONAL BANK** - The Bank continued to focus on training its employees both - on the job as well as through training programs conducted by internal and external faculty. The Bank has consistently believed that broader employee ownership of its equity shares has a positive impact on its performance and employee motivation. The Bank lists 'people' as one of its stated core values. The Bank believes in empowering its employees and constantly takes various measures to achieve this objective.

The Training system of the Bank endeavors to enrich Knowledge, Skill and Attitude (KSA) of staff at all levels in line with the organizational objective. Bank has a three tier training set up comprising of Central Staff College (CSC) at Delhi at apex level catering to training needs of Top / Senior / Middle Management Grade officers, three Regional Staff Colleges (RSCs) located at Belapur-Navi Mumbai,

Lucknow and Panchkula catering to training needs of Middle / Junior Management officers as well as workman staff and seven Zonal Training Centres (ZTCs) at Dehradun, New Delhi, Jaipur, Kolkata, Kozhikode, Ludhiana and Patna looking after the training needs of Junior Management Grade officers & Workman Staff. IT Training Centre located at Faridabad caters to the training needs of officers exclusively in the areas of Information Technology.

In addition, PNB IIT, an autonomous Institute has also been established by the Bank at Lucknow, which conducts advanced IT courses and Special training programmes on IT / CBS for the employees of the Bank as well as other Financial Institutions. Bank also imparts training to its officers in different Grades in specialized areas through outside training institutions of repute both in India & abroad viz. IIM Ahmadabad, IIM Lucknow, NIBM Pune, CAB (RBI) Pune, ASCI Hyderabad, MDI Gurgaon, Kellogg School of Management USA, and APRACA Manila etc. During the year, the training activities in the Bank focused on areas like credit, agriculture, SME & Micro credit, foreign exchange, information technology, NPA management, risk management & soft skill development etc.

Training Policy of the Bank envisages a training reach of 50% of employees every year. During 2011-12, Bank imparted 1, 34,913 man days training to 44,713 employees through in-house training institutions. In addition, 1550 officers attended specialized trainings at reputed outside Institutes in India and abroad. Bank is also encouraging utilization of the trained staff as agents of knowledge dissemination through the concept of "Each one to teach one". In recognition of its efforts in training, Bank was awarded 'Golden Peacock Award for Training' by Institute of Directors (IOD). Bank also received the 6th BML Munjal Award for Excellence in Learning & Knowledge Development-2010 instituted by Hero Mindmine Institute.

ROLE OF COMPENSATION AND REWARDS

Compensation is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required.

Compensation is based on:

- Market research about the worth of similar jobs in the marketplace,
- Employee contributions and accomplishments,
- The availability of employees with similar skills

in the marketplace,

- The desire of the employer to attract and retain a particular employee for the value they are perceived to add to the employment relationship.

Compensation also includes payments such as bonuses, profit sharing, overtime pay, recognition rewards and checks, and sales commission. Compensation can also include non-monetary perks such as a company-paid car, stock options in certain instances, company-paid housing, and other non-monetary, but taxable, income items.

Top players such as nationalized banks- Bank of India, SBI, Indian Overseas Bank, Bank of Baroda, Punjab National Bank, HDFC, ICICI and other private banks, financial institutes such as Bajaj Capital, Kotak Mahindra, etc, are offering high salary packages with lucrative incentives to attract and retain their talented work force.

Compensation Management in Bank of Baroda, State Bank of India and Punjab National Bank

The banks have undertaken the following steps regarding compensation management as under:

- Defined Contribution Pension Scheme (DCPS) was introduced for all categories of employee's recruited i.e. 01.08.2010.
- Pursuant to Industry-wise settlement pension benefits to be extended to the retirees who opt for pension as the second option.
- Revision made in Terms & Conditions of Contractual officers-Management Trainees, Chartered Accountants, Credit Analysts and Customer Relationship Executives .
- Salary processing and pension processing of pensioners have been centralized

Individual Rewards and Recognition programs

Supervisors/Managers are empowered to give an 'on the spot' award to any employee they find doing good work, something out of the ordinary or stretching out in service of a customer (internal/ external) the reward could be gift vouchers, books, pens, t-shirts, caps, etc. Advantage with this methodology is that it serves to constantly reinforce positive behavior, is administered immediately and close to the event and can be given to a large number of employees. The disadvantage is that it is subjective, difficult to administer where.

Based on preset qualitative / quantitative parameters that seek out champions/role models on

a monthly/quarterly basis, rewards like 'Employee of the month' or 'Role Model' awards are an excellent method to reward and recognize individuals.

This is successfully followed by banks where employee of owning the month/quarter are identified, rewarded and prominently displayed through internal communication across the organization. Consistent winners of these awards are offered cash, family trips, and dinner/felicitation by top management. Such awards are excellent for setting an example of a role model as well as creating pride in employees. They make a strong motivator for high performers.

COMMON HRD PRACTICES TO IMPROVE CRM IN INDIAN NATIONALIZED BANKS:

Besides effective recruitment, training and compensation policies and practices there are few other important HRD practices that help in enhancing CRM in banks. Some of them are as mentioned below:

STAFF MEETINGS

Staff Meeting aims at group synergy, team building, open culture, family feeling and talent recognition which individually and cumulatively benefit the banks.

BRAIN STORMING SESSIONS

This is a technique for generating ideas and suggestions on topics of relevance and also to provide alternate solutions to problems by simulative thinking and imaginative power of cross section of employees.

STUDY CIRCLE

Concept of Study Circle aims at self development of employees by kindling the desire to acquire/update knowledge, information and experience.

QUALITY CIRCLES

It is a time tested tool of Total Quality Management (TQM) which promotes team spirit, cohesive quality work culture, commitment and involvement of employees.

CONCLUSION

The HRM plays a major role in enhancing CRM of banks. The employees are brand ambassadors of the bank and they are an essential element of CRM philosophy and process. The client facing staff has to be recruited and trained with care and precision. They have to be compensated and rewarded at par with banking industry standards. The people, process and technology combined together can do wonders and take customer relationship to enviable heights.

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