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ROLE OF HRM IN VALUE CREATION WITH SPECIFIC REFERENCE TO COOPERATIVE BANKS IN UDUPI DISTRICT OF KARNATAKA STATE

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ABSTRACT

The main purpose of this paper is to analyze as to how to create value through proper Human Resource Management. This paper studies the factors responsible for value creation in banks, based on sample survey of employees of cooperative banks of Udupi district of Karnataka state. It establishes a link between value creation, employees' satisfaction and development, quality of service and satisfaction of customers. It deals in detail the significance of value creation, reasons for lower value, techniques of creating value through proper HRD and Human resource management. This paper makes an attempt to explain the reasons responsible for lower value in some cooperative banks. The paper touches upon the significance of human resource management for creating value in providing quality service to external customers and by developing internal customers i.e. employees.

The objective of study was to know the role played by HRM of cooperative banks in value creation with reference to quality of service and employee management, to find out the weak points and to suggest alternative or better role for value creation.

Both primary and secondary data were used for collecting data. HR managers, executives and 100 employees were interviewed for collecting the data. Established office records were also verified regarding HR policies.

Findings of the study were the employees were satisfied on a large number of issues such as pride, team work, working facilities and benefits provided by the organization. For creating the value employee satisfaction is very important. But they are not happy with the performance appraisal system because it is in paper only but not in actual practice from the point of view of its implementation. Employees will be satisfied only when performance is identified and employees are treated according to the established rules of organization. But as per the opinion of most of the employees, HR Department is not following the rule of the

organization in identifying and recognizing the performance. HR Department is subject to influence and immoral ways while considering candidate for promotion which ultimately affected quality of employees, quality of service and value of bank.

KEYWORDS: *External customers, Employee satisfaction, HR Policies, Performance appraisal.*

1. INTRODUCTION

Value of anything is measured in terms of good opinion created or importance gained or worth shown by it. Value creation is the process of creating goodwill or reputation. Value creation means performing activities which adds satisfaction to customers. Any practice that deals with enhancing competencies, commitment and culture building can be considered as good HRD practice which leads to value creation. Here customers of bank are considered as external customers and employees are considered as internal customers. Value creation means keeping the organization and its human resource competitive. Real value creation—and long-term growth occurs when bank develop a continuous stream of products and services that offer unique and compelling benefits to customers. This means that to maintain organisation leadership, an organisation must establish a sustainable process of value creation. The basic premise of the academic theory of HRM is that humans are not machines; therefore we need to have an interdisciplinary examination of people in the workplace. Productivity and satisfaction are high when Employees (Human Resource) are given their much-needed attention well said.

In banks value creation means creating good opinion towards the bank by providing quality service to the customers and developing quality in human resources. The role of HRM is very important in value creation in any type of organization. Even in banks role of HRM is significant. Value of bank is measured in terms of its quality of service provided to customers and quality of personnel. The most successful bank understands that the purpose of any bank is to create value for customers and employees, and that the interests of these groups are inextricably linked. Therefore, sustainable value cannot be created for one group unless it is created for all of them. The first focus should be on creating value for the external customers i.e. customers of bank, but this cannot be achieved unless the right employees are selected, developed, and rewarded, fairly treated and unless customers receive consistently attractive returns. What do we mean by value creation? For the external customers, it entails providing quality service that customers find consistently useful. But institutes can innovate and deliver outstanding service only if they tap the commitment, energy, and imagination of their employees. Value must therefore be created for those employees in order to motivate and enable them. Value for employees includes being treated respectfully and being involved in decision-making. Employees also value meaningful work; excellent compensation opportunities; and continued training and development. Creating value for customers means delivering consistently high returns in terms of quality of service. This generally requires both good HRM policies towards employees' growth and quality of service. These, in turn, can be achieved only if a bank delivers sustained value for both internal and external customers.

An organization's competitiveness hinges on how competitive its human resource is. Therefore, investment in the development or enhancement of employees' knowledge, skills, values, and attitudes is worth.

Value is created by HRM by recruiting eligible and qualified candidates, training them, identifying special skill merit etc, promoting them on the basis of performance, providing scope for growth, providing good incentives, giving proper work load etc. As the quality of customers service is entirely depending upon quality of employees, HRM is required to create value by practicing HR practices as per established HR policies of the management and not according to their own policy or on influence of some influential employees. When the human resources are not managed properly, quality of human resources will be affected and which will in turn badly affect values. HRM can create value in the customers' society by providing quality service which is depending upon value created towards employees. The ability to develop resources i.e. employees and effectively match them with opportunities is the core of any well-run institute's value to external customers. That value-creation process is, in turn, built on the capabilities and motivation of the company's employees. New technology, business strategies, complicated processes, and management systems are inutile without competent human resource behind them. A HRM professional, or unit as a whole, can create real value when it focuses its programs in developing the competency level of employees. It is this way that HRM can really create and contribute value to the organization's competitiveness. Competitive human performance, not machine and systems performance as some would suggest, is the core of business performance. When organizations are able to harness effectively the talent, energy, and motivation of their employees, they will have an ideal competitive business edge. The competencies of these people, when sharpened and harnessed to their full potential, will greatly enhance the overall value and competitiveness of the organization. So, there lies the real value contribution of the HRM professional –building the framework and environment for continuous competency development.

2. RIVIEW OF LITERATURE

Different researchers at different points of time have emphasized the critical importance of HR for the value creation.

The greatest challenge for the manager lies in creating an environment that is supportive, instructive and satisfying to the extent that employee would want to work and grow in it. The managers of today are constantly challenged and are required to play multiple roles which could be directed towards making optimum use of their most critical resource, i.e., and their people. The answer to the changing and multiple roles of a manager lies in becoming a mentor, a coach and counsellor. [1]

IMPORTANCE OF VALUE CREATION

The HR department has to work towards building employee capabilities, which can help the organisation compete in the present and future, and to match employee skills and abilities with the changing requirements of the organisation. [2]

Greening & Turban (2000) found that job applicant and employee perceptions of a firm's CSR determines their attractiveness towards the organizations. Moving on the same track Cropanzano et al (2001) demonstrates that employee attitudes and behaviors are heavily influenced by fairness of organizational actions towards them. In a survey conducted by Cherenson group, a New Jersey based public relations and recruitment ad agency; in 2002 found that the most important factors affecting the reputation of an organization as a place to work in are the way the employees are treated and the quality of its products and services. Further Good relationships with employees also allows a company to gain additional benefits

including improving their public image, increasing employee morale, and support from the community. Nancy (2004) while discussing the role of HR in developing CSR culture in organizations emphasized that with the growing importance of human capital as a success factor for today's organizations, the role of HR leadership has become more critical in leading and educating organizations on the value of CSR and how best to strategically implement CSR policies and programmes domestically and abroad. In view of this HR must be aware that effective CSR means respect for cultural and developmental differences and sensitivity to imposing values, ideas and beliefs when establishing HR policies and programmes. [3]

Managers' values are reflected in the evaluation of subordinates. Interpersonal activities of managers are based on different and contradictory values. Similarly various managerial strategies and behavioural patterns are characterized by particular value orientations. 4

KEY RESPONSIBILITIES OF HRM

The values and ethics emerge from the people individually and collectively and get operationalized by the human resource. The role of human resource manager in this process takes several objectives; create the environment for understanding and assimilation; codify core values; design an ethical character; develop and transmit awareness; operationalize values and ethics; devise a system to capture aberrations; and revisit codes and systems. [5]

Managers have to essentially play an important role as leaders to coordinate, guide, facilitate, motivate and maintain harmony amongst employees, in order to achieve organizational effectiveness in terms o efficiency, quality of product and services and the quality of the working life of the organizational members .[6]

Martin Luther King, Jr. once said:

"If you want to move people, it has to be toward vision that's positive for them, that taps important values, that gets them something they desire, and it has to be presented in a compelling way that they feel inspired to follow." (Forward to 2000 National Business Ethics Survey). [7]

Human resource management department responsibilities can be broadly classified by individual, organizational, and career areas. Individual management entails helping employees identify their strengths and weaknesses; correct their shortcomings; and make their best contribution to the enterprise. These duties are carried out through a variety of activities such as performance reviews, training, and testing. Organizational development, meanwhile, focuses on fostering a successful system that maximizes human (and other) resources as part of larger business strategies. This important duty also includes the creation and maintenance of a change program, which allows the organization to respond to evolving outside and internal influences. The third responsibility, career development, entails matching individuals with the most suitable jobs and career paths within the organization. [8]

Human resource management is concerned with the development of both individuals and the organization in which they operate. HRM, then, is engaged not only in securing and developing the talents of individual employees, but also in implementing programs that enhance communication and cooperation between those individual workers in order to nurture organizational development.

The primary responsibilities associated with human resource management include: job analysis and staffing, organization and utilization of work force, measurement and appraisal of work force performance, implementation of reward systems for employees, professional development of workers, and maintenance of work force.

As Edward L. Gubman observed in the Journal of Business Strategy, "the basic mission of human resources will always be to acquire, develop, and retain talent; align the workforce with the business; and be an excellent contributor to the business. Those three challenges will never change."[9]

Institutes that are customer and employee focused have selection criterion, initial and ongoing training programs, coaching, mentoring and career growth programs, management systems and philosophies, and tactics that are congruent with delivering value to its internal customer - the employee. There is popular note "If you don't take good care of your employees, somebody else will". I totally believe in this. And employees should be treated as Customers, internal customers that is. So, the way we value our Customers should also be applied to the employees.[10]

THE EMERGING ROLE OF HRM IN COOPERATIVE BANKS

The role of the HR function is to enable the organization to achieve its objectives by taking initiatives and providing guidance and support on all matters relating to its employees. The basic aim is to ensure that the organization develop, HR strategies , policies and practices that cater effectively for everything concerning the employment and development of people and the relationship that exist between management and the workforce. [11]

Management must be guided by the socio-economic objectives of the society. It should not indulge in any practice which is not fair from social point of view. Society expects that the management uses the factors of production effectively and efficiently for the satisfaction of the needs of the society. If the management fulfills these expectations, its goodwill and reputation will increase. [12]

Business consultants note that modern human resource management is guided by several overriding principles. Perhaps the paramount principle is a simple recognition that human resources are the most important assets of an organization; value creation cannot be successful without effectively managing this resource.

HR Department can create value only when it analyses its strengths and weaknesses.The Human Resource Management (HRM) profession and practices have undergone substantial change and redefinition over the years. It is interesting to note that many articles on HRM issues have been critical of the traditional HRM Function. Well, the observations were quite true, as many HRM practitioners have not yet adapted to the more strategic functions of HRM in an organization. They failed to ride in the new emerging role of HRM. [13]

Beyond technical expertise and skills necessary to perform jobs, employees who are encouraged to learn are more willing and able to meet the needs, goals and objectives of theorganization.[14]

Unfortunately, in many cooperative banks HRM services are not providing value but instead are simply going into the motion of attending trivial administrative tasks. Unfazed,

HRM Departments can be replaced with new technology or outsourced to a vendor who can provide higher-quality services at a lower cost, which is by the way the emerging trend right now in doing business. Although this seems to be a pessimistic view on this trend, it simply demonstrates that HRM departments need to ensure that their functions are creating value for the company.

THE CURRENT SITUATION

Reduced employee satisfaction leads to lower morale and poor performance. When the value is created towards employees, automatically employees will create value by developing efficiency. Employee satisfaction and employee development is the major role required to be played by the HRM. In Cooperative banks HR policies made by the management are good but they are not practicing in right way. In Cooperative banks good policies are made by the management. But HR Departments are not implementing it properly. HR Departments are subject to influence of influential people and influential employees and management but neglecting the real quality of people and policies, listening whatever the bank managers are telling, instead of investigating what is really happening in the banks. Cost cutting is not good. As Cooperative bank is a service providing organization and the real value is depending upon customers' and employees satisfaction, the object of HRM should not be towards making profit by cutting costs in terms of salary reduction, demotion, extending probationary period and cutting of other benefits. This will reduce the quality of good employees. Overloading the employees with lot of work load is also not good. Some influential employees are playing immoral role in the banks and even in the HR departments. Without quality also the services of some employees were confirmed. But even with good performance, the services of some employees are not confirmed or incentives are not given. In some banks, if relatives, friends of HR Department are coming, the existing employees are thrown out. Performance of employees should not be considered as bad if they are not that much good in one or two points. No one is hundred percent perfect. But training and motivation is required instead of using the word 'useless' towards employees. Assigning lot of works to few employees and no works to few other employees will affect the growth of overloaded employees. Some managers are exploiting some employees for doing work related to their growth instead of allowing the employees to grow. The HR Department is expecting performance without considering hidden things. The management is not aware of all these matters. They are ultimately depending upon HR Departments and heads of various departments.

The HR Department should not blindly follow whatever the head of various departments are telling or some influential employees are telling. They have to analyze and evaluate. This will ultimately affect the quality of good people and people who are interested to grow. However the above mentioned criticisms are not applicable to HRM of all the organizations. HRM is playing positive role in shaping good human resources in some institutes.

THE PRESENT STUDY

The present study is relating to the role played by HR Departments of Cooperative banks working in Udupi district. This study is made by providing link between value creation and satisfaction level of employees which affects the satisfaction level of students and society. This study is guide for the HRM of various banks which are not following right established policies and troubling employees and preventing their growth. This study also provides clue to the management to take necessary action. The value created by HR department is measured by studying satisfaction level of employees and their attitude towards the HRM and satisfaction

level of customers. However this study appreciates the HRM policy implemented properly in few banks and satisfaction level of few employees regarding HR practices.

3. STATEMENT OF THE PROBLEM

In most of the Cooperative banks, employee turnover is common. Most of the employees are not happy. Even though they are getting high amount of salary and facilities, dissatisfaction is common. This affected their career and productivity and in turn reduces value of the banks. For value creation employee satisfaction is also important. Here the problem is to find out whether lower value is due to other reasons or employee dissatisfaction due to improper policy of HRM.

4. OBJECTIVE OF STUDY

The objective of study was to know the role played by HRM of Cooperative banks in value creation, to find out the weak points and to suggest alternative or better role for value creation.

5. SIGNIFICANCE OF STUDY

Through this study, it is possible to find out whether HRM is playing positive role or negative role. As per the current study, role played by HRM is negative in its nature. This article is guideline for them to improve by making modifications and to other banks also. This will improve the quality of Cooperative banks, increases employee satisfaction and productivity and thereby increases value also.

6. SCOPE OF STUDY

The scope of study is limited to employees of cooperatives banks covered under Udupi district of Karnataka state. This study concentrates on satisfaction level of employees for measuring value and opinions of customers and bank managers and management were also taken.

7. LIMITATIONS OF STUDY

This study covers only the 100 employees of banks of one district only. Failure to collect full and accurate information from few employees as they were subject to fear.

8. METHODOLOGY

SOURCE OF DATA

This study is based on the primary and secondary data.

PRIMARY DATA

In view of the above mentioned objective, a survey was done with the help of structured questionnaire given to 100 employees of Cooperative banks of Udupi district regarding their satisfaction level and personal interview was conducted for managers and executives regarding HR practices. Opinions of customers were also collected.

SECONDARY DATA

This is collected from office records regarding employee management system.

Sample size: 100 respondents i.e. employees.

Sampling technique: Simple Random Sampling

9. HYPOTHESIS

The following hypotheses were developed in null and alternative form.

H01 There is no relationship exists between employee satisfaction and value creation.

H01 There is relationship exists between employee satisfaction and value creation.

10. DATA INTERPRETATION

The researcher followed the sample survey method for conducting this study.

To study the factors that determine satisfaction level a structured questionnaire was prepared. The first part of the questionnaire consists of background information of the respondents such as age, gender, educational qualification, experience, performance in other field's, occupation of family, family income, etc for the purpose of knowing whether they are placed in right position according to their real standards.

The second part of the questionnaire consists of motivational factors such as salary, performance incentives, other benefits, scope for development and facilities available etc to find out whether they are satisfied with compensation management.

The third part of the questionnaire consists of questions regarding performance appraisal method, recognition of special skill and merit by the HRM, work load, fair treatment, relationship, attitude of managers, etc to measure whether employees are treated evenly and to know HR policies are equally applied to all according to the ability of employees or HRM is subject to any influence or partiality?.

The last part of the questionnaire consists of questions framed especially to few selected customers and managers for collecting their opinion regarding quality of service which is linked with value creation.

The structured questionnaire was distributed to the respondents personally by the investigator and collected at a subsequent date. Clarifications are offered wherever needed. An even formal and informal discussion was held with the respondents.

This study is based on the sample of 100 employees of cooperative banks. The information collected reflects the true opinion of the employees and is reliable except the opinion of few respondents. Field survey type of research is undertaken to arrive at conclusions relating to various aspects of satisfaction level. The data collected was drawn into the suitable tables to arrive at the conclusions. For empirical analysis, descriptive statistical tools such as percentage average and correlation were applied.

Following hypothesis was formulated and stated in the null form to focus three segments specified in the Questionnaire relating to employee satisfaction.

a. Background Factors.

b. Motivational factors

c. HR policy factors.

To establish the magnitude of correlation amongst variables, following hypothesis were stated in the null and alternative form.

H01 There is no relationship exists between employee satisfaction and value creation.

H01 There is relationship exists between employee satisfaction and value creation.

The general rule is that, if higher the level of satisfaction, then there will be higher value because which will in turn increases performance.

Here researcher has to find out whether value is created by HRM by satisfying employees or not? If value is not good, then researcher has to find out is it because of dissatisfaction level of employees or other reasons?

CORRELATION

To measure the magnitude and direction of relationship, correlation co-efficient is applied. Through correlation, one calculates an index to measure the nature of relationship between variables. The Correlation co-efficient reveals the magnitude and direction of relationships.

Symbolically, it is represented as

$$r = \frac{\sum dx\,\mathrm{dy} - \mathrm{N}\left(\frac{\sum \mathrm{dx}}{N}\right)\left(\frac{\sum dy}{N}\right)}{N.\sqrt{\frac{\sum dx^2}{N} - \left(\frac{\sum dx}{N}\right)^2}\sqrt{\frac{\sum dy^2}{N} - \left(\frac{\sum dy}{N}\right)^2}}$$

Where ‘dx’ is the deviation of various items of the first variable from an assumed average and ‘dy’ is the corresponding deviation of the second variable from the assumed average and ‘N’ connotes the number of pairs of items.

RESULTS

The variables have either a positive relationship or negative relationship. The absence of relationship is expressed by a co-efficient of approximately zero.

DECISION

Where the p value is grater than 0.25 null hypotheses is accepted and it denotes the existence of no relationship.

Where the 'p' value is less than or equal to 0.25 null hypothesis is rejected and it indicates the existence of relationship. The data collected from the questionnaire is incorporated through tables and graphs.

From the survey, it was found that 80 employees are not happy with HRM policies. They are not happy because policies are not practiced as per established policies. According to them, HRM is following policies which are not according to established policies. They are not happy regarding performance appraisal, promotion, performance incentives, influential things practiced and HR management's inability to measure what is happening really inside the bank. However they are happy with salary level and working environment facilities created. The customers are satisfied with the quality of service. .But they are not highly satisfied. This shows that there is scope for improving quality of service. The quality of employees is affected by wrong practicing of policies by HRM.

In this case 'p' value is less then 0.25 i.e. 0.23. Therefore null hypothesis is rejected.

This indicates the relationship.

11. FINDINGS

At the end of the research it was found that the respondents are satisfied with the salary, and other facilities. But they are not happy as the HRM is not following the established policy. If the established policies are followed, they will be happy. There is lot of wrong practices followed by HRM regarding performance appraisal, promotion and treatment of employees in the banks.

12. SUGGESTIONS

The following suggestions are made to improve the satisfaction level of employees and thereby level of value creation by the HR department. HR department is required to follow established policies. It is better on the part of the HR Department to avoid discrimination in treatment of employees. During performance appraisal or promotion they should not provide scope for partiality depending upon influence or politics of employees. Therefore, it is suggested that the banks must focus on aligning their HRM practices to corporate strategy and to follow a professional approach to planning and managing their human resources.

13. CONCLUSION

To sum up, reputation of any cooperative bank is depending upon the value creation. Value creation is depending upon the quality of service which in turn depends upon the quality of employees. Quality is depending upon the satisfaction level of employees. Therefore HR department should satisfy its employees not only in terms of salary but also in terms of other factors. There is relationship exists between value creation and employee satisfaction. HRM function has not emerged to the desired level in the cooperative banks. They have failed in focusing the real issues in efficiency of employees and evolving rational HRM policies and practices beneficial both to the employees and organization. It assumes low priority in the profile of the top management and has focused mainly on control aspects. Thus the transformation of the human resources takes low priority in banks.

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