

CASE CODE 05

GROWTH BANK

In June 1983 Mr. Gonsalves, the newly appointed Executive Director of Growth Bank was wondering how to check some of the unfavorable trends in the performance of the bank and how to meet the threats posed by what appeared to him as a growing unrest among officers, particularly the senior/middle level executives, borne out of career anxieties. Page | 1

Mr. Gonsalves, himself a Chartered Accountant, could well read the trends of performance from the comparative balance-sheet and profit and loss account of Growth Bank (see Exhibits 1 & 2). Being a leading bank, the pressures were increasing more and more for maintaining its industry leadership. Mr. Gonsalves was concerned that under such pressures the organisation at various level was compromising on operational efficiencies which were becoming a way of life and if allowed to go unchecked might give serious shocks to the organisation that may be/ difficult to sustain.

Besides business performance Mr. Gonsalve's was also concerned about the problems related to the human side of the organisation. Being an insider he knew that these problems were only of recent origin, particularly after the implementation of the Pillai Committee** recommendations in his bank. The bank now/had seven grades for officers/ executives, namely I, II, III, IV, V, VI and VII (see Exhibit 3), instead of a long, running scale earlier. Promotion upto Grade III was solely within the jurisdiction of the Board of Directors of Growth Bank, based upon the vacancies. However, for Grade IV and above, the vacancies created required the concurrence of Reserve Bank of India. The vacancies were created based on business level which many felt was mainly the deposits. It was a general feeling that the opportunities for promotions were gradually declining. This was despite the fact that Management was doing its best to increase the number of posts in each entire by creating new positions and elevating the posts to higher grade. For instance in each Zone (the controlling authority below the head office with a coverage of around 250 odd branches on the average), the post of head of inspection centre was elevated from a Manager (grade III) to that of Assistant General Manager (grade V). The zonal inspection centre were also provided with a Chief Manager (in grade IV), besides the Manager (in grade III) and other supporting staff. People, however, felt that these posts were only created to give promotion rather than determined by the quantum of work.

The bank did not have a formal promotion policy till 1979 when the recommendations of Pillai Committee were implemented in the bank. People were promoted from one cadre to another based on overall assessment by the higher authorities.

The modification introduced by Pillai Committee included division of an erstwhile single, long, running scale into seven grades (see Exhibit 3). The grades were narrow at senior levels

* Indian Management, August 1985

** Pillai Committee was appointed by Government of India for rationalisation of wage structure and service condition of nationalized banks whose recommendations were implemented by the bank in 1979.

Prepared by Krishna Kumar Professor, Strategic Management, Indian Institute of Management, Lucknow and broader at junior levels. Eligibility criteria in terms of number of years of service were

introduced for giving opportunity to everyone for further assessment and competition to get promoted to the next grade. In the past people were promoted as and when found suitable, subject of course to the vacancies existing.

The new system, it appeared to Mr. Gonsalves, had not been very successful due to the formality introduced in the system. In the past a bright person used to get spotted for promotion by virtue of his outstanding performance. The general manager used to know all the executives and the persons who were executive material, through formal and informal communications and first hand interaction with such persons during field visits. In the new system all those having a required number of years of service were to be assessed to select desired number of persons. However, not all of them could be promoted. Typically 15-20% people in grade III (numbering 200 persons) could be promoted in 1981. On the other hand, the percentage of people promoted from grade II (numbering about 800) to grade III, was around 25%. The bank had the practice of people having to apply for promotion. Even those who did not wish to apply for various reasons, like avoiding transfer on promotion that was compulsory (executive cadre was an all-India cadre), or avoid being rejected for promotion, had to apply for promotion for the fear of being perceived as a "shirker" by the higher management echelons. Indeed, in the past some grade III officers who did not wish to be considered for promotion, were transferred prematurely by higher management. Mr. Gonsalves felt that the system had been creating lot of heart-burning due to disparities in assessment of several teams that had to be created to take up the exercise of assessing a larger number of eligible candidates, a task which was not as mammoth earlier. The bank was facing several petitions in the courts of justice, ranging from individual cases to even questioning the eligibility criteria and the assessment.

Mr. Gonsalves also felt that a swift change in attitude of people was taking place. In contrast to earlier days when people used to work late hours and meticulously, *they* appeared now to be indifferent and casual to work. Mistakes and delays had now increased, although he was not sure to what extent they were unique to his bank.

Mr. Gonsalves attended a top level seminar in a leading management institute where a senior industrialist turned banker who was a guest faculty said, "if you can take care of your people, they will take care of the organisation." Another professional manager who had made a name in managing a public sector enterprise only modified this statement, "if only you devote to planning and bother about people, you can manage any organisation effectively". Mr. Gonsalves wondered as to what sense these statements made to his bank. He was also wondering about what use he can make of some of the preliminary findings (see Exhibit 4) of a consultant' who was asked to examine what needs to be done for managing human side of the bank.

Questions

- Q 1. Enumerate the challenges the bank was facing.*
- Q 2. What does Mr. Gonsalves feel about the heart-burning among the executives? How is it getting created?*
- Q 3. As Mr. Gonsalves, what will be your course of action to mitigate the challenges he is, faced by the bank?*

EXHIBIT - 1

**COMPOSITION OF DEPOSITS AS %
OF TOTAL DEPOSITS**

		1978	1979	1980	1981	1982
1.	Fixed Deposit*					
	From Banks	4.18	8.29	10.48	10.71	14.45
	From others	50.94	46.65	46.34	46.09	46.09
		55.12	54.95	56.82	56.80	59.43
2.	Saving Bank Deposits*	23.14	22.55	21.88	21.44	19.97
3.	Current Accounts*					
	From-Banks	1.72	1.45	2.60	2.31	2.71
	From others	20.02	21.07	22.51	21.30	17.91
	Total	21.74	22.51	21.30	21.76	20.62
	Grand Total (Rs. in lakhs)	239678	299447	366761	425146	519354

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*Expressed as % of total deposits

**EXHIBIT-2
PROFIT AND LOSS ACCOUNT OF GROWTH BANK**

(Rs. in lakhs)

	1978	1979	1980	1981	1982
A. Income					
1. Interest & Discount	19543	26160	32382	37519	41961
	(89.5)	(91.0)	(91.55)	(92.12)	(92.6)
2. Commission, Exchange and Brokerage	;240	2534	2929	3159	3272
	(10.3)	(8.8)	(8.3)	(7.6)	(7.22)
3. Rent	47	46	47	48	49
	(0.2)	(0.16)	(0.13)	(0.12)	(0.11)
4. Net Profit on sale of assets			8		25
5. Other Receipts	3		4	3	1
	21833	28740	35370	40729	45316
Increase over previous year		(23.1%)	(15.2%)		(11.3%)
B Expenditure					
1. Interest paid on Deposits,	14496	20424	25528	29529	32222

Borrowings etc.	(66.4)	(71.06)	(72.17)	(72.65)	(71.14)
2. Salaries, Allowances,	4536	5350	6310	7187	8465
PF, Gratuity etc.	(20.77)	(18.61)	(17.04)	(17.65)	(18.61)
3. Rent, Taxes, Insurance,	'802	852	1071	1071	1283
Lighting etc.	(3.67)	(2.96)	(3.03)	(2.63)	(2.83)
4. Law Charges	47	52	57	51	83
	(0.2)	(0.18)	(0.16)	(0.13)	(0.16)
5. Postage, Telegrams	199	223	225	335	351
and Stamps	(0.91)	(0.84)	(0.77)	(0.66)	(0.66)
6. Stationery, Printing,	248	318	245	432	454
Advertisement etc.	;1.14)	(.1.11)	(0.98)	(1.06)	(0.68)
7. Other Expenditure	561	687	907	991	1189
	(2.57)	(2.39)	(2.56)	(2.43)	(2.62)
8. Profit for the year	430	591	625	805	960
	(1.96)	(2.06)	(1.76)	(1.98)	(2.12)
	21833	28740	35370	40729	45316

*Figures in parentheses indicate percentage of the total.

EXHIBIT-3
REVISION OF SALARY GRADES BY THE PILLAJ
COMMITTEE

1. Salary Grade up to 1979
Rs. 350-5*-450 EB 480-5*-600EB -640-5*-800EB
850-5*-1050 EB 1125-5*-200
2. Salary Grades since 1979

		Eligibility for promotion to next grade
Grade I	Rs. 700-19 Yrs.*-1880	7 Yrs.
Grade II	Rs. 1200-11 yrs.* -2000	5 yrs.
Grade III	Rs. 1800-6yrs.*-2250	5 yrs.
Grade IV	Rs. 200-4 yrs.* -2400	
Grade V	Rs. 2500-2 yrs.* - 2700	3 yrs.
Grade VI	Rs. 2750-4 yrs.* - 3250	
Grade VII	Rs. 3000 – 4 yrs.* - 3500	

Number of years to reach top of the pay range.

EXHIBIT-4
GLIMPSES OF SOME BEHAVIOURAL ASPECTS OF GROWTH BANK
(A) Role Stress
(Sample 42 Executives)

	Stress Factors	Scores*	Weight age(%)
1.	Inter-role Distance	158	10.1
2.	Role Stagnation	132	8.8
3.	Role Expectation Conflict	147	9.8
4.	Role Erosion	307	20.5
5.	Role Overload	101	6.7
6.	Role Isolation	208	13.9
7.	Personal Inadequacy	107	7.1
8.	Self Role Distance	139	9.3
9.	Role Ambiguity	68	4.5
10.	Resource Inadequacy	134	8.9
		1501	100%

- Maximum score on each factor could be 1050. Higher the score, higher the stress due to the factor.

(B) MOTIVATION

		# Degree of Need Satisfaction	\$ Instrumentality of efforts to reward @
1.	Sense of worthwhile accomplishment	4.8	4.6
2.	Decision Making Authority	5.0	3.2
3.	Opportunity for promotion	2.9	3.2
4.	Pat from Supervision for good work done	4.1	4.2
5	Job security	6.4	2.8
6.	Pay allowances & other benefits	4.3	4.2
7.	Prestige in society	5.6	-
8.	Opportunity for taking initiative	5.4	4.0
9.	Considerate & Helpful Boss	5.5	-
10.	Challenge in job	5.0	3.0
11.	Opportunity for personal growth and development		1.8

@ Maximum score on each factor could be 7.

Means to what extent a particular need is satisfied. A score of 7 would mean needs fully satisfied and score 1 means needs not satisfied at all.

\$ Means to what extent the satisfaction of a particular need depends on one's efforts. Score 7 would mean it depends fully on his efforts and 1 would mean it does not depend on his efforts at all but on something else.