

K C Chakrabarty: Talent management in the Indian banking system

Address by Dr K C Chakrabarty, Deputy Governor of the Reserve Bank of India, at the Silver Jubilee function of the Institute of Banking Personnel Selection (IBPS), Mumbai, 2 April 2010.

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Shri M. Balachandran, Director, IBPS, Shri Alok K. Mishra, CMD, Bank of India, Shri D. P. Sharda and Shri R. K. Chaudhury, ex-Directors, IBPS, Executive Directors of banks, distinguished guests, ladies and gentlemen; I am indeed very happy to be in your midst today for the Silver Jubilee function of IBPS. April 1 has special significance for both RBI and IBPS. It is the day RBI was established 75 years ago and it is also the foundation day for IBPS. Yesterday, we celebrated the grand finale event of our platinum jubilee year and, today, IBPS is celebrating its silver jubilee year. So, first of all a very hearty congratulations to all the employees, governing council members and all the stakeholders on this day.

Reaching such a significant milestone in the life of an institution is always very special. It is not only a day to feel proud, it is a day to reflect, a day to share, and a day to celebrate. It is also an opportunity to reemphasize what the institution stands for, to renew its values. Such a moment constitutes one of the few opportunities for collective sharing in an institution. The coming together and the camaraderie that this day evokes is also perhaps the appropriate moment for introspection and reflection on the evolution of the institution, its current and future challenges, and how the institution can fulfill its objectives even better.

Over these years, the IBPS has made a mark as a premier national level Institute for recruitment, training and research related to selection and management of human resources. Since its inception, the Institute has provided commendable services to various organizations for recruitment, internal promotions, placement and admissions. It has also been assisting the financial sector towards employees' selection, promotion and placement. In recent years, the Institute has also engaged itself in a variety of extension services related to personnel selection and human resource development/human resource management.

Far-reaching developments in the roles and activities of banks and financial institutions in recent years have put a premium on appropriate manpower planning and personnel development, indeed the human resource function generally. Ensuring that the banks can recruit and retain appropriately qualified and experienced staff is at the heart of this challenge. This is made increasingly difficult by developments outside the financial sector and competition for key personnel even from international agencies.

In India too, banks and banking have changed substantially over the years. As we view matters in retrospect, one of the major landmark events which constituted strategic inflexion points in the history of Indian financial sector has been the reforms process that gained momentum in the early 1990s. These reforms have heralded a dramatic shift in the way banks functioned and operated in India. The changed overall environment and the internal compulsions to generate and sustain faster policy responses have given rise to the quest for greater efficiency and the need to reorient the banking practices. This unmistakable urgency of realigning our organizational resources has indeed altered the way we view the whole gamut of key issues relating to our human resources.

In such an environment, sometimes somewhat stylistically termed as “*war for talent*”, even public sector banks can perhaps no longer take a life time employment for granted. Issues relating to how to attract talented people, how to nurture them, how to develop them and give them the necessary space have now, therefore, moved to the centre stage and today constitute the major concerns that we may need to address adequately in the near and medium term.

While these issues have always been important, it is just that the imperatives to address them squarely in substance were never so compelling. There have been broadly three catalytic forces that have brought about this changed perception of human resources: First, as the widespread use of the personal computer and the advent of the internet in the 1990s attained a critical mass, it marked a specific game-changing point which ushered in the Information Age. In this age, the intangible assets such as intellectual capital and talent have in a sense supplanted hard assets of the Industrial Age such as capital, factories and inventories. The new reality is that people are increasingly the principal assets of any organization and institutions are dependent not just on the sum total of their individual human capital, but also on how effectively they are able to draw out the best from their talent bank.

Secondly, in India as elsewhere, a host of new industries, some sector-specific like new generation Indian private sector banks and foreign banks and other sector-neutral like companies in the fields of information technology and media, have given rise to a supply demand imbalance. Today, these new industries are competing with the old for talent and have triggered the need for banks to look afresh not only at their recruitment strategies but also how to develop and retain their talent.

Thirdly, there is the issue of ownership. While organizations own physical and financial assets, their ownership rights, however, do not extend to people. In Indian financial sector, in the pre-reforms days, employment bonding, especially in the public sector, worked on what was termed the “psychological contract” or the “loyalty contract” wherein long-term employment was co-terminus with employee loyalty. This, in today’s world, has been seriously undermined, spurred not in the least by a spurt in job opportunities. The old values of loyalty have eroded and greater demand for talent has changed the playing field for the search and retention of personnel. This is the new reality that the banks in India, among others, have to contend with.

Importantly, effective recruiting is the beginning of effective retention. Matching between tasks and talents is a challenging problem and it is essential for allocational efficiency that people get allocated to right occupations. Refashioning the recruitment process may well therefore be the precursor of an effective talent management strategy. This may include identification of key positions and turnover risks associated with these positions, and competency/behavioural-based selection criteria that support the retention strategy and business drivers.

Only a carefully designed and integrated set of initiatives that allow the employee to align himself with the organisational goals and objectives, map competencies for diverse work areas, build up capacities through a well-crafted and sustained strategy and draw out latent possibilities optimally would ensure emergence of leadership talent that is critical to any organisation’s prosperity and is therefore a central element of talent management.

The aim is to align the current and future talents of individuals with the strategic challenges of our business. So while employees need to understand how to be more effective in their current roles, deliver specific business challenges, and pull together a personal development plan for shaping future careers, organizations too have to strategize how best to utilize the people’s talents and identify areas for internal development necessary for ensuring future success.

Engaged as it is in the critical exercise of getting the right people for the right job for organizations across the banking sector, the IBPS therefore has a central role to play in the broad mandate of talent management in the Indian banking system. Not only would the Institute need to develop appropriate methodology to carry out its prime task of conducting recruitment tests for increasingly demanding clients, but it would also require to have on board dynamic professionals on its faculty to handle the core functions and emerging challenges as well as other administrative support systems staff to support the handling of these functions to precision.

Apart from its core task of assisting in recruitment of personnel, the Institute has to widen its services and engage itself more and more in other emerging areas like providing training workshops for executives on “interviewing skills”, training programmes in the fields of performance appraisal, counseling services, performance counseling, team-building and organization development, manpower planning and organization restructuring and undertaking sponsored Research Projects, just to name a few.

We in RBI have had the pleasure of associating with your Institute for a number of years for the recruitment of our personnel through written examinations conducted in co-ordination with you as part of our selection process. As our Bank understandably attaches a lot of value to taking in bright, young professionals as Direct Recruits, your Institute’s role in helping us in building up our human resource pool has been substantial. More recently, your Institute has been providing us valuable support in implementing our initiative to select “Young Scholars” under the RBI Young Scholars Scheme which seeks to effectively carry forward our efforts to afford greater access to financial services to the vast hitherto unreached segment of our population, as well as the associated issue of bridging the extant knowledge gap in financial education and literacy in our country.

As we pause and introspect, let me draw your attention to some of the future challenges that IBPS would face. IBPS should look into these issues so that it is able to compete globally.

- (a) It is generally accepted that the processes followed by IBPS for selection are fair and transparent. IBPS endeavours to select the best people from among the universe of applicants. However, for its continued relevance for the next 25 years, IBPS must not only endeavour to select the best people but the most appropriate people for a job. Out of my own experience as a bank chairman, I can tell you that I found very few people willing to undergo rural postings. As the Indian banking system embarks on the massive goal of financial inclusion, IBPS would have to ensure that candidates having compassion for poor and underprivileged, willing to work in rural areas, etc. are selected for the banking industry. The key challenge, thus, is how to integrate such requirements into the selection process itself so that the most appropriate and not just the best people are selected.
- (b) The second challenge is to meet the growing needs of an ever expanding financial sector. It is heartening to note that during 2009–10, IBPS would be clocking close to 10 million candidates in screening for various assignments. In a globalised world, everyone would be competing to attract the best people and the requirement is only going to go up. IBPS would have to upscale itself with appropriate methodology, technology, manpower, etc. to be able to effectively deliver on its clients’ requirements.
- (c) The third challenge is bracing for possible competition in future. Today, IBPS is alone in this field. As the number of institutions and the services desired increases, newer institutions providing similar services may come up. Thus, IBPS must strive to move up the value chain. It should not only upscale itself but widen its basket of services and engage itself more in newer areas like banks’ internal promotions and other areas. It should strive for greater utilization of its services so that it can face competition if and when it comes.

To conclude, I once again congratulate all of you and your families on this landmark occasion. I am sure that in the years to come IBPS will grow from strength to strength and attain greater glory, and the next 25 years will be even better than the past 25! I wish the Institute all success in its future endeavours.

Thank you.