

# HR & LEADERSHIP IN PUBLIC SECTOR ENTERPRISES (PSEs)

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The Public Sector Enterprises over the last many decades have played a significant role in the national development. The government owns or controls interests in key sectors including Infrastructure, oil, gas, mining, manufacturing and banking. Over the decades the Government of India (GoI) has taken a number of steps to improve the performance of CPSEs including through better corporate governance. Post liberalization, there has been an increased pressure on CPSEs to improve their competitiveness and the listing of CPSEs on the stock exchanges. As of 31<sup>st</sup> March 2014, the 50 CPSEs listed on the Stock Exchanges, contributed about 15% of the total market capitalization. Besides this there are 169 unlisted CPSEs. ONGC and Coal India are the 2 top CPSEs of the Top 10 companies on the stock exchange. The total market capitalization of all the CPSEs is Rs. 74.22 Lakh Crores. Despite subdued growth the PSEs clocked a net profit of Rs. 1,15,300 Crores in 2012-13, a 17% jump over the previous fiscal. They employed 14.04 lakh people and spent Rs. 1,16,375 Crores on salary and wages in 2012-13. While these facts

may establish the relevance of CPSEs in the business environment of India, the post liberalization era has brought about different business challenges for them.

Besides increased competition from private and multinational players, which has impacted their market share, a lot of sectors which were earlier reserved for CPSEs are now seeing a Public Private Partnership model (PPP) which includes power, port, telecom, infrastructure (highways, airports and railways).

Information technology has been a game changer in the employment market and now it seems power, oil and gas and infrastructure are going to lead the next big wave. A study by CII-Hewitt (2011) has identified growth factors for PSEs such as servicing growing demand through capacity expansion, increasing geographical presence to cater to demand outside India, R&D for product and process innovations. The study has also listed the business challenges such as tight internal controls, increasing competition, increasing efficiency, volatile external market and need to create a performance culture. The

study has also raised concerns such as lack of level playing field, centralized decision making, people related problems, deficit leadership and lack of differentiation based on performance.

## II

PSEs in some sectors like oil and gas are also rapidly expanding and are increasingly eyeing acquiring of assets abroad. Maharatna and Navratna companies have been delegated certain powers by the Government for investments in capacity expansion. It is an undisputable fact that many of the new aspirations and diversification into new business areas can be met only through the availability of a continuous pipeline of talent and leadership in such companies.

The panel of experts on Reforms in CPSEs (2011) has also pointed out that the PSEs management is confronted with the need for ever changing skill sets, higher efficiency standards due to increased competition and the need to retain talent in the face of attrition. A performance culture, nevertheless, needs to be inculcated in CPSEs. Productivity of resources both manpower and materials is going to play a major role in determining the success of CPSEs in future.

Different PSEs are at different levels of maturity in regard to their Human Resources in terms of competence, availability of specialized people and leadership pipeline.

While government has taken a number of steps to improve the level of governance in the PSEs, there has been far and few initiatives to improve the system of Human Resources Development. Except for introduction of incentives in the form of Performance Related Pay (PRP), mostly it is left to individual PSEs to architect their Human Resources within the overall framework of the guidelines issued by the Department of Public Enterprises.

Although most PSEs' top management often cite government policies as a major constraint in HR areas, the author of this paper (who has headed 2 large public sector banks and has the track record of piloting successful transformation) strongly believes that it is for the CEO and the Board to take initiatives to develop quality Human Resources and create a culture of performance which is vital to create a sustainable organization in a competitive environment.

### Current Status of H.R.

Barring some honourable exceptions, the current state of HR in most PSEs can be put as under:

- Culture of precedence, standardization and industry practice.
- Culture of status quo, reactive response.
- Culture of pleasing unions and associations and not restructuring relations.
- Culture of guarding the turf and remaining in the silo
- Culture of "Seat of the Pants Management", hesitant steps and risk avoidance
- Culture of bureaucratic hassles, bottlenecking, sermons, and lack of accountability.

In many PSEs, including Navratna and Maharatna companies, Human Resource management, policies, practices and systems have remained stagnated and have only shown incremental or marginal changes. In one Maharatna company, the promotion policy has not been revised for last 12 years and one can get promoted right up to ED level without the process of interview. The current tendency in many PSEs to hire consultants for HR to design new systems of appraisal or training is

although a positive step but in the absence of an internal culture to improve the human processes, much of the output gets wasted.

Most PSEs have not aligned their HR to the needs of the new order which calls for focus on development of younger talent, developing open communication systems, diversity management, fairness in promotions, administrative excellence, investment in training and development. According to a research study by the Great Places to Work Institute (2012-13) in spite of many good features of Public Sector such as high level of pride, respectability, the following trends cause concern:

- a) Employer Brand of PSEs has been diminishing over the last couple of years.
- b) PSEs figure poorly on Trust Index such as communication and credibility, fairness and camaraderie.

The research also concludes that PSEs figure low on communication, grievance redressal, hiring, rewarding and listening.

### **What is the cause?**

The fundamental cause to my mind is the lack of top management's engagement to build a culture. Building a culture is the hardest task of leadership as it requires a set of beliefs and a series of actions that has a dramatic impact on the people and their behavior. Change in the existing culture and promoting a new style of working requires to reorder priorities, reflective thinking and in some ways a personal resolve to bring about change. Most leaders settle for incremental steps or hesitant moves or a conservative "Wait and Watch" or a tender minded approach for following reasons:

- Because it has been going on like this and why should I rock the boat?

- Fear of facing the resistance and becoming vulnerable to examination of one's behavior.
- Fear of annoying powerful groups like Trade Unions and Officers Associations and risking the vitiation of existing environment.
- Fear of lack of support from the government
- Fear of sabotage from vested interests

Finally neither the board nor the government monitors performance on building intangibles like Human Resources, leadership, culture and what matters for them is financial performance.

By taking such a myopic view, the top management in fact puts their organization to a long term risk when in times of change and turbulence in the market place, the organization is not ready to take on the competitive forces and eventually get into a decline spiral. Many internal weaknesses show their ghastly presence during the period of change and transformation and unless these fundamental problems are tackled, the process of transformation may face the greater risk.

Profit will always remain the most important goal for sustenance of organization but investment in the organization's Human Resources can become a powerful sub goal.

### **Some of the key challenges in HR for PSEs**

Any CEO and the Board need to ask following questions about their organizations:

- Is organization doing enough to develop the next generation of leaders?
- Is the organization taking steps to ensure regular supply of talent at different levels of management?
- Are there leaders available for pivotal roles?

- Are there managers for highly specialized roles?
- Is there a promotion system that is based on merit and methodologies well positioned to select the best?
- Is there a learning climate within the company and what forums and infrastructure exist to promote learning?
- Is there a strategy to groom leaders for strategic roles?
- Is there a succession plan for key positions and a strategy to groom people for such roles?
- Are people of the organization engaged and feel fairly treated – What mechanism exists to ensure this?
- Are there motivational and recognition mechanisms to provide a sense of well being to employees and how they operate?
- Is the communication machinery well oiled and people feel listened to by the top management?
- Are people giving space for personal growth?
- Is there a fair policy to consciously promote diversity in the organization?
- Are there proactive policies to focus on special developmental efforts to socially disadvantaged groups?
- Is there a written down structured policy in dealing with the collectives?
- Are there trained and sensitive human resource professionals to undertake the above?
- Does the Board of Directors periodically discuss and review human resource issues and give policy directions?
- Are there internal committees of Directors who periodically discuss the above issues in greater detail and help

HR department to develop agenda for change?

### **Reforms in HR – A Prerequisite**

Any reform process in PSE can be facilitated by emphasizing and putting at center stage its people processes. Reforms in HR is a vital prerequisite for any PSE to continuously improve its positioning in a competitive market place and respond with greater responsiveness to a wider range of stakeholders. A good feature of some PSEs is that the HR function is represented at the Director level. As such directors generally come from the line function, it is important that they are inducted into the professional HR function through a formal training programme in

#### **Key Steps in building HR Functions**

- Recruit HR specialists at Junior, Middle and Senior Level
- Induction of Director (HR) in HR functions through a long duration HR programme.
- Develop in house training excellence – Train the trainers and HR specialists in process work through Indian Society of Applied Behavioral Science or similar institutes.
- Create appropriate structure in HR – Separating development from administrative
- Create Director committee for HR and include outside specialists in HR
- Develop an “HR Policy” document clearly enunciating corporate approach to various sub systems of HR
- Clear role definition for HR functionaries and accountability
- Work-plan both short term and long term for HR

the Art and Science of Human Resource Development.

There is a need to induct people specialists in PSEs. People issues are increasingly complex and require suitable academic orientation in psychology, methodologies of appraisal, learning, assessment, etc. As Shailesh Gandhi, Former Chief Information Commissioner, has rightly put, "This is similar to expecting any person sitting on the cardiologist's chair to be able to perform heart surgeries."

The gap in knowledge about human processes in most HR functionaries are the bane of the problem and the end up getting into power roles which focus more on administration and less on development.

### Role of CEO

For effectiveness of HR and its contribution, it is the CEO alone who has to demonstrate through his belief system and time commitment to develop a culture that values the contribution of human resources and put human resource issues on to the center stage of organization's long term strategy.

CEOs are the Chief HR Officers and the task of developing people is undelegetable as it goes at the very root of developing a sustainable organization. Visionary CEOs are the ones who are concerned both about the performance and the health of the organization. High performance is undoubtedly a requirement for success. No business can thrive without profits. No Public Sector Organization can retain its mandate to operate if it does not deliver the services that people need but health is critical too. No enterprise that lacks robust health can thrive for 10, 20 or 50 years and beyond (Keller & Price, 2011).

It may be useful to mention that my own experience of piloting a major

transformation in Bank of Baroda (2005-08) was greatly facilitated by some long term initiatives in the area of human resources that not only doubled the business in 3 years (Performance) but every 3 years thereafter, the bank continued to double its business (health) and converted the Bank from a staid Public Sector bank to a valuable banking brand only next to State Bank of India. For CEOs and friends in Public Sector, I would like to mention that much of the initiatives as listed in the annexure were personally piloted and implemented with the help of a highly professionalized team of HR functionaries. The constraints faced on the road to development are much lesser than imagined. Public enterprises are great institutions in the service of the nation and the CEOs and the Board have a rare opportunity to make these institutions agile and sustainable in the service of nation through investment of their time in building the Human Resources. It is time that we move from good intentions to concrete action!!

### ANNEXURE

#### Details of HR initiatives undertaken in Bank of Baroda (2005-08)

##### ■ HR POLICY DOCUMENT:

A Business driven HR policy document was put in place which provided the blue print for HR Reforms; Pilot projects were initiated to kick start the reform process in the Bank.

##### ■ STRUCTURAL INTERVENTION

- A Comprehensive manpower planning exercise was undertaken covering both Indian and overseas operation in order to **rationalize the requirement of manpower;**

## ■ HIRING PROCESS

- Putting in place a progressive and futuristic resourcing policy to address emerging manpower requirements with strong focus establishing systems and process besides creating a Resourcing cell at corporate office post abolition of Banking Service Recruitment Boards (BSRBs);
- Pioneering steps in Lateral recruitment of professionals with specialized skills and knowledge was undertaken to meet the emerging requirement of the Bank in the context of CBS implementation;

## ■ INDUCTION PROCESS

Developing & operationalising a comprehensive induction programme for Directly Recruited Officers (DROs);

Close monitoring and performance evaluation system during on the job placement was the hall mark of the induction process;

## ■ REFORMS IN PROMOTION SYSTEM:

- All promotion policies were reviewed for accelerated promotion to meet the ageing phenomenon of management – fast track promotion was introduced at all levels;
- Probation system was introduced in promotion in order to weed out “promotable but not deployable” category;
- Introduced computer literacy test in promotion process in order to bring about Digital literacy;
- In order to bring about rigour in promotion process and also to inculcate reading habit and to expand their horizon on issues concerning banking and finance, introduced written test in all promotion process up to scale

VI, besides group discussion at executive level promotion ;

## ■ REVAMPING PERFORMANCE APPRAISAL SYSTEM:

- Revamping the appraisal system which even government adopted as a model for the Banking industry which included the following:

- Introduced **Performance Appraisal System for Workmen Staff**;

## ■ REHASHING OF TRAINING SYSTEM

- **Training content** and form was changed to make it more relevant to **emerging areas** such as Risk Management, Asset Liability Management, Information Technology, Forex Management and Market orientation;
- Emphasis on **development of Talent pool** in the area of Credit, Forex and Treasury; Involvement of Functional General Managers in design and conduct of the programs were the hall mark of this initiative;
- Staff College was encouraged to undertake **research initiatives** relating to issues in operations;
- To meet the Leadership challenges, Management development programs were undertaken in **collaboration with IIM, Ahmedabad, MDI Gurgaon and Grow Talent**;

Training was decentralised at functional level and each functional head was expected to devise their own training plan to develop the critical skills and talent for their functions.

A HR officer was also posted in some critical functions like credit management and international banking divisions to help concerned functional chiefs to develop their man power

plan and their training needs and also directly liaison with the Bank's staff college to design programmes in their respective functions.

A number of steps were taken to develop in house training excellence.

Every half year Central training committee met under the Chairmanship of the CMD which was attended by all functional heads and training system was comprehensively reviewed and decisions taken. Training for pivotal roles like Treasury was arranged with the help of specialised outside institutions.

#### ■ EMPLOYEE ENGAGEMENT

- **EMPLOYEE CONCLAVES** - were organized to bring about focus on organizational issues both at the unit level and at corporate level;
- **SMPARK** - an SOS Employee Help line for giving top-level attention right from the Chairman & Managing Director's desk, so that matters of utmost urgencies in the life of the employees can be addressed immediately;
- **PARAMARSH - Employees' counseling centre** for providing psychological assistance and guidance to overcome their stress, complexities and conflicts in order to lead a better life;
- Bank launched an innovative organization wide **talent identification and development programme called "KHOJ"** for both officers and clerks for selection of employees with high potential to be deployed in key business areas;
- **Board level HR Steering Committee** was established with outside HR expert to provide strategic direction to HR of the Bank;

- A scheme for **rewarding Business leaders** was put in place;

#### ■ REDEFINING THE INDUSTRIAL RELATIONS

A new policy framework was put in action to reorder and redefine the relations with workmen unions and Officers Association. Unwritten understanding and expedient and adhoc working based on maintaining peace was replaced by a more cogent and comprehensive written down framework for the conduct of industrial relations. The focus of new industrial relations replaced a system of extending favors to a system based on fairness. Following initiatives were undertaken:

- **Core Management functions were clearly demarcated** from Trade Union function at Corporate Level, sending down clear signals for similar such demarcation both at Zonal and Regional levels as well at Branch level – I am the giver and you are the taker philosophy;
- Structured Meetings which were a one-sided and tame affair was **made more productive and business oriented**. Good number of Management agenda relating to productivity, issues of non co-operation, indiscipline etc., relating to each and every zone was included in every meeting.
- **Long pending court cases on service matters** involving substantial out go to the Bank were **fast tracked** for its logical conclusion – age of retirement and inter-state transfer allowance; the fall out was that the workmen director was the first to be retired;
- Regularized the services of about 1000 temporary peons and put an end to:

- the practice of employment at branch levels peons on temporary basis,
- huge number of Industrial disputes

### DISCIPLINE MANAGEMENT:

- **Work place discipline norms** were implemented in relation to:-
  - Attendance and Punctuality;
  - Unauthorized absence;
  - Extraordinary leave on loss of Pay;
  - Non-payment of credit card dues;

### IMPROVING HR ADMINISTRATION

- **HR Audit** was introduced with a view to detect and set right revenue leakages in the area of Salary payment, benefits and all employees related outgoing;
- To operationalize Single Window concept Settlement on Universal teller signed – a pioneering effort in the Banking industry;
- Amendments to other internal settlements were brought about for rationalization and for bringing about improvements in service delivery.

### ■ REFORMS IN HR FUNCTIONS

Banks' commitment to reform HR through professionalization was

reinforced by induction of professionally qualified HR specialists. Existing HR officers were groomed through a long duration programme at MDI to develop their orientation from an IR mindset to developmental agenda.

### ■ COMMUNICATION

- a) A communication policy was developed which required all the communications received at any level, have to be responded and the deviations had to be recorded.
- b) Monthly letters addressed to individual employees by name sharing with them the important developments in the bank during the transformation programme and keeping them engaged.
- c) Regular communication with the other stakeholders like customers and shareholders.
- d) Developing communication accountability at the top and encouraging bottom up communication
- e) Town hall meetings with staff (Manager to messenger programmes) and using ground intelligence for bringing about policy changes.

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