SUSTAINABILITY IN VOLATILITY: THE BANKERS' "PEOPLE" CHALLENGE

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Introduction

In an increasingly competitive world, people have become a cutting edge factor. Is it just any people or *right* people? As the typical HR mantra say, right person at the right job with right targets in a right environment will produce right results within the right time. This is quintessence in the broad context of sustainability in volatility.

This paper intends to discover the key people challenge faced by the Sri Lankan bankers in their pursuit to sustain results amidst volatility. Attempt is also made to discuss practices that bankers can pursue with regards to the people factor.

Sustainability

Sustainability is the capacity to endure. As Scott (2009) describes, for humans, sustainability is the long-term maintenance of responsibility, which has environmental, economic, and social dimensions, and encompasses the concept of stewardship, the responsible management of resource use. In ecology, sustainability describes how biological systems remain diverse and productive over time, a necessary precondition for the well-being of humans and other organisms. Long-lived and healthy wetlands and forests are examples of sustainable biological systems.

Wikipedia tells us that the word sustainability is derived from the Latin *sustinere* (tenere, to hold; sus, up). Since the 1980s sustainability has been used more in the sense of human sustainability on planet Earth. This has resulted in the most widely quoted definition of sustainability as a part of the concept sustainable development, that of the Brundtland Commission of the United Nations on March 20, 1987: "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

In a managerial sense, it highlights the need to have continued consistent results that should reflect in multiple parameters such as profitability and growth.

Volatility

Volatility is referred in finance as a measure for variation of price of a financial instrument over time. Historic volatility is derived from time series of past market prices. An implied volatility is derived from the market price of a market traded derivative (in particular an option).

As Roll (1984) describes, volatility refers to the actual current volatility of a financial instrument for a specified period (for example 30 days or 90 days). It is the volatility of a financial instrument based on historical prices over the specified period with the last observation the most recent price.

In a broader sense, it refers to fluctuations that take place resulting in an unsettled or even an unstable state of affairs.

Sustainability in Volatility

Banks are the pillars of modern economic development and they act as a catalyst for economic growth and development of the country (Kamal, 2007). Hence, the role of bankers is *sine quo non* for the development of Sri Lanka. They have to think and act to sustain the results amidst volatility. It is not the physical, financial or informational resources that would be critical in this juncture, but the human resources that has command and control over the other above resources.

Bankers have to take decisions with limited information under uncertainty. They need to embrace change and in fact have to become victors of change than victims of change. They also have to ensure the set objectives are met despite adverse external factors. All these are easy to state but difficult to do, highlighting the multiple facets of bankers' challenge of achieving sustainability in volatility. One critical aspect, in such a context is the people factor that highlights the bankers' "people challenge".

The aim here is not to engage in a comprehensive academic discourse with regard to sustainability in volatility. Instead, it is to have a deeper and wider look into the people factor impacting the performance of the banking sector, in such a context.

The People Factor

Truss and Gratton (1994) stated that the strategic role of Human Resources (HR) is to adapt individual HR practices (recruiting, rewarding etc.) to fit specific corporate and competitive strategies. As they further elaborate, "For any particular organizational strategy, there is purportedly a matching human resources strategy". This is true for banks as well. The decisions with regard to people should be much aligned with the decisions related to growth and profitability.

What is the practical relevance of such a stance to Sri Lankan bankers? I would propose five Gs of grooming people, as a response towards sustainability in volatility. They refer to *get, give,* *grow, glue* and *glow*. Grooming essentially means to prepare for a specific position or purpose, with future in mind. In doing so, one may need to ensure the availability of talent.

Get

This is all about getting the right people in. The hiring challenge looms large for organization in diverse environments, mainly owing to a talent gap. I would call it R-R gap, the gap between *required* talent and *raw* talent. The market is abundant with raw talent, especially with school leavers. Are they geared to a demanding job in a target-driven environment? Sadly, the answer is no. We teach complex subject matter but not how to gain confidence. Job-orientation in the academic courses has been recognized as important only of late.

In practical terms, updated job descriptions and job specifications should be available for each position and these should be used in the selection process. Also, selecting the appropriate test in predicting future performance on the specific job is of importance. Managers should be trained on effective hiring, with special emphasis on interviewing skills.

One acute issue I see in this context is the non-availability of updated job descriptions. The job description can be viewed as a "list of a job's duties, responsibilities, reporting relationships, working conditions and supervisory responsibilities". Dessler (2005) defines a job specification as a "list of a job's 'human requirements', that is, the requisite education, skills, personality and so on". Presence of basic level could be seen in most of the organizations in the sample.

It reminds me what the advertising tycoon, David Ogilvy said. ""Hire people who are better than you are, then leave them to get on with it . . . ; Look for people who will aim for the remarkable, who will not settle for the routine."

Banks have been doing reasonably well in this front with areas for improvement (Dharmasiri *et al,* 2008). Innovative approaches to attract the best among the job seekers to the banking sector need to be employed.

Give

"If you give peanuts, you get monkeys", goes the old saying. What you give to the person who came in by way of reward and recognition is of utmost importance in the context of competition. Your competitor can grab our best talent by "giving" more. Heathfield (2012) offers five tips for effective recognition.

- All employees must be eligible for the recognition.
- The recognition must supply the employer and employee with specific information about what behaviors or actions are being rewarded and recognized.

- Anyone who then performs at the level or standard stated in the criteria receives the reward.

- The recognition should occur as close to the performance of the actions as possible, so the recognition reinforces behavior the employer wants to encourage.

- You don't want to design a process in which managers "select" the people to receive recognition. This type of process will be viewed forever as "favoritism" or talked about as "it's your turn to get recognized this month." This is why processes that single out an individual, such as "Employee of the Month," are rarely effective.

One may observe that Sri Lankan banks have well structured reward and recognition schemes. What is needed more could be strengthening of the behavioural aspects, such as verbal appreciation of exceptional performance.

Grow

This refers to the need to build people. Training and development go hand in hand. The simple difference is that the former is for current and the latter is for future. In essence, training is to do something. Development is to be someone. Both are intertwined in such a way that training leads to development.

Choices in training and development are captured here. Identification of training and development needs is of utmost importance in this regard. Having clarity on programme participants, presenters, designers, coverage, delivery methods and expected behavioural changes are some of the vital components associated.

We broadly categorize training into two parts, namely on-the-job and off-the-job. On-the-job training takes place in a normal working situation, using the actual tools, equipment, documents or materials that trainees will use when fully trained. A trainee mechanic in a manufacturing setting or a call-center assistant in a service setting can be examples. I remember seeing a longer queue towards a cashier counter in a leading supermarket and upon reaching the point, realized that it was manned by a trainee. There lies the challenge. The person undergoing on-the-job training is still responsible for the job results.

Off-the-job training has the advantage that it allows people to get away from work and concentrate more thoroughly on the training itself. It offers the opportunity to use a variety of techniques in order to enhance the knowledge, skills and attitude. The popular training programs in hotels where the venue and the menu seem to be more attractive than the training content fall under this category.

A growing emphasis on training effectiveness with proper mechanisms to measure is seen in the Sri Lankan private sector. Use of Kirkpatrick model to assess training effectiveness at different levels is one such approach. Return on Training Investment (ROTI) has slowly become a critical factor in the local scenario as well, in justifying the monetary allocation for training and development.

It is a case of begin with the end in mind. As Kirkpatrick (2011) states:

> "Trainers must begin with desired results and then determine what behavior is needed to accomplish them. Then trainers must determine the attitudes, knowledge, and skills that are necessary to bring about the desired behavior(s). The final challenge is to present the training program in a way that enables the participants not only to learn what they need to know but also to react favorably to the program."

I would tend to simplify the four levels of training effectiveness, going by the basic thrust in each of them. For me, they highlight feel, know, do and get aspects. Let's dig deeper into their details.

"Feel" Aspect of Training

This refers to the reaction level identified by Kirkpatrick (1975). It relates to how trainees reacted to their training. In other words, how much they liked it or disliked it. Some organizations are very proud of compiling an evaluation sheet at the end of the training and get the overall measure. For me it gives only a "feel" of the training effectiveness. Some trainers are very smart at declaring a money back guarantee if the evaluation rating is below a specific percentage. It does not cover the reality of application challenges, and is just a case of thriving on feelings.

My point here is that it is good to measure how participants reacted positively or negatively to a particular training, but not good enough to ensure impact with regard to implementation. That's why we need to move forward.

"Know" Aspect of Training

It can be either "know what" or "know how", referring to knowledge and skills respectively. This is the second stage which is the learning level according to Kirkpatrick. It is directed at measuring trainees' performance in terms of their knowledge, skills and attitudes against the criteria which were set for the period the training. I

This generally means an end of the course assessment, comprising either a questionnaire to check the knowledge gained or a test to ascertain the skills acquired. A person who had undergone training on word-processing may be asked to type a letter, and obviously the letter is expected to be well-formatted and free of errors.

“Do” Aspect of Training

This focuses on the application of training, and refers to level 3 or behavior level of Kirkpatrick model. It resonates well with what Aldous Huxley, a British author said a long time ago. “At the end of the day, what matters is not how much you know, but how much you have done”. Knowing should lead to doing, and doing should bring the desired results.

At this stage, the focus shifts from training context to work environment. How effectively have the knowledge, skills and attitudinal enhancement gained from training transferred to the job is measured here. The immediate supervisor can play a critical role in this respect by providing feedback based on his/her observations of the trainee.

“Get” Aspect of Training

Now it is the time to focus on returns at a macro level. Return on Investment (ROI) or Return on Training Investment (ROTI) appears prominently with this regard. What Kirkpatrick calls the results level (Level 4), deals with how to measure this important aspect. It involves complex calculations to establish benefits against costs, with a high amount of assumptions.

In order to get the results, the training should fulfill financial and non-financial expectations. In areas such as sales, it is relatively easier to measure the impact at results level, in using simple comparisons such as sales before and after the training. With regard to other areas involving knowledge and attitudinal enhancements, the situation is much difficult with the involvement of multiple contributing factors towards results other than training (Philips, 1996).

Despite the boom in training with the mushrooming of trainers, the measurement of effectiveness has not yet received its due prominence in Sri Lanka. I see a clarity issue as well as a commitment issue. Are the leaders and HR practitioners clear about how to measure training effectiveness? My observation is “yes” and “no”. There are multinationals operating in Sri Lanka who use a variety of techniques driven globally, to measure training. A few high-performing Sri Lankan organizations, with competent and dynamic HR professionals attempt to do something in this direction. However, the majority, particularly the organizations in the public sector, have not paid adequate emphasis on this front.

Glue

I would associate the feature “binding” with glue. This refers to the range of choices in retaining talent. Having developed the knowledge and skills of high performers of any organization, seeing them leaving is the last thing an organization would like to see (Ulrich and Brocbank, 2005). Finding out why talented people leave and taking appropriate actions to arrest the outflow should be high in the HR agenda. Offering of a variety of financial and non-financial rewards to stay has also needs to be strengthened.

Encouraging evidence can be found in many leading organizations in Sri Lanka. Yet, the reality remains that, when overseas opportunities are galore with unmatchable financial offers, employees tend to seek better prospects. As we discussed in several earlier columns, effectively engaging the employees with a clear purpose can be a sure-cure in arresting the rot.

Meaningful strategies for employee engagement also become relevant in this context. The meaning of employee engagement is ambiguous among both academic researchers and among practitioners (Macey and Schneider, 2008). Yet, in a general sense, It refers to employee's psychological state (e.g. one's identification with the organization), his/her disposition (e.g. one's positive feeling towards the organization) and performance (e.g. one's level of discretionary effort). In brief, it captures affective (feeling), cognitive (thinking) and behavioural (acting) dimensions of an employee.

Devising mechanisms to appeal to "head" (stimulating them intellectually) and "heart" (stimulating them emotionally) of employees are the right way forward. Having an employee suggestion scheme and aptly rewarding the most value-adding suggestion is one such example. Organizing a family day where the loved ones' of employees proudly associate with the organization is another example of strengthening the bondage.

Glow

This is the subtlest of all. It can appear in several forms. As one such form, choices in promoting the employees can be captured. When a career ladder is available for them to climb, and when the organization is genuinely providing the support and encouragement, chances of them contributing better in a more committed manner is high. Establishing criteria for new jobs, allowing volunteers to take up challenging tasks, evaluating candidates' potential, supporting of new job holders are some of the key actions in this regard (Ulrich and Brockbank, 2005).

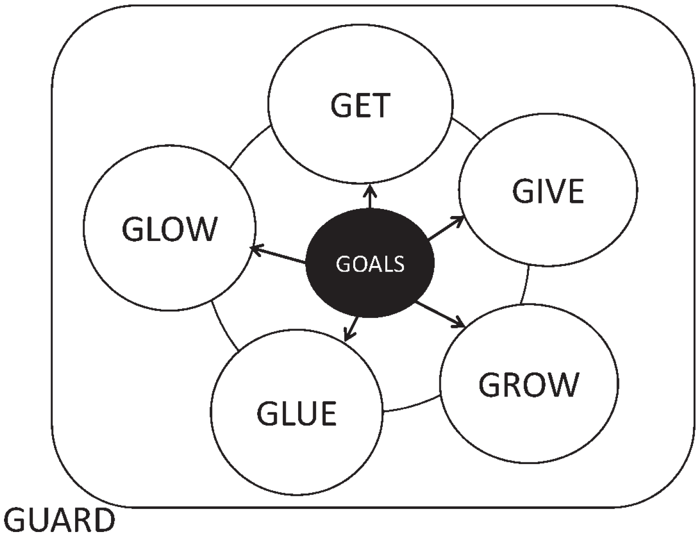
In another form, encouraging the employees to unleash their potential is also a way of allowing them to "glow". Creating an environment where employees feel free to experiment, resulting in innovative products and services is a right step in this direction. Global examples such as 3 M and Google have made this a sure fire approach in making people glow.

Sri Lankan organizations including banks can do more in this front. Existing policies should not be barriers in this regard, and the time has come to critically look at them once more.

Five Gs in the Broader Context of two Gs

The five Gs described above typically operate in the context of two Gs. Figure 1 illustrates this.

Figure 1. Five Gs in the Context of two Gs



Source: *Author's concept*

It is worthwhile exploring the other two Gs as well. *Goals* occupy the centre stage in setting the direction of the entire organization. It revolves around the strategic intent, comprising vision, mission or aspiration whatever the terminology may be. Aligning the grooming of people with goals of the organization should be the right approach. This is true to a commercial bank, where shareholder expectations have to be met whilst ensuring employee satisfaction.

Guarding is all about the protection through a proper policy framework. It may include controls as well as clearance for creative action. A widely shared and willfully practiced set of corporate values also fall into this perspective. A weak guarding may result in employees having uncertainty and ambiguity with regard to their direction, resulting in lower involvement and contribution.

Way Forward

"If you pick the right people and give them the opportunity to spread their wings, and put compensation as a carrier behind it, you almost don't have to manage them." So said Jack Welch, the one-time most-admired CEO. Gloom or glamour will result in based on the way we groom people. I see a mixed scene in the Sri Lankan organizations in this respect.

Thomas J. Watson Jr. the founder of IBM, in his book, "A Business and its Beliefs" says: "I believe the real difference between success and failure in a corporation can be very often traced to the question of how well the organization brings out the great energies and talents of its people." This is relevant to Sri Lankan organizations and their managers as well.

Particularly in the banking sector, where sustainability in volatility as an emerging theme, people challenge has to be confidently and committedly tackled by way of *getting, giving, growing, gluing* and *glowing* people, aligned to *goals* with proper *guarding*. Sri Lankan bankers can do more in this respect, in pursuit of prosperity through productivity.

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