



Corporation Bank

The 1990s were a watershed for the India Banking Industry, and particularly for nationalized banks which hitherto had a monopoly in the industry. Following the deregulation of the financial sector, the bank has faced increased competition from other financial institutions like Can fin Homes Ltd. LIC Housing Corporation and foreign private sector banks. These specialized financial institutions were giving a tough competition to corporation bank resulting in an intense squeeze on profit margins and the need to make considerable efforts to retain its clientele. Under such pressure, Corp Bank introduced new technology, new financial products and new reward system for bank managers and staff. Information and communication technologies (ICTs) enabled the bank to process much larger volumes of business and just as importantly, the new ICTs themselves facilitated the development of new, technically based products and services (such as home banking, smart cards and debit cards) which Corp Bank started to market to its customers.

Running parallel with these technical changes was the dismantling of the paternalistic Human Resource Management system. In essence, Corp Bank's bureaucratic culture and its associated belief system for managers and staff of appropriate behaviour being rewarded by steady promotion through the ranks was swept aside.

The new culture in the fast-changing environment, emphasized customer service and the importance of measuring and rewarding staff according to their performance. The new performance-related reward system was introduced at the board meeting held in June 2002. Mr. N. K. Singh, Chairman and Managing Director of the bank said that the proposed reward system would be a key strategy to 'maintain our reputation and market share', He outlined that in future the salary of bank managers would be tied to their leadership skills and the quality of customer service. Accordingly, the reward system would link manager's pay to behavior traits that relate to leadership and customer service. The variable pay for both managers and staff would be based on what is accomplished because customer service is central to Crop Banks' strategic plan. A three category rating system that involves 'not meeting' customer expectations, 'meeting' them or 'far exceeding' them is the essence of the new reward system.

Questions:

E-Mail :-www.aryancollege@gmail.com



web site :- www.thearyan.in



1. Outline the merits and limitations of Corp Bank's proposed reward system for the managers and staff.
2. Develop an alternative reward system for Corp Bank's employees and explain why its is superior than the proposed reward system.