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Editorial Committee

Editorial Comment

Research reports, whether in the form of scientific articles or case studies, can be useful didactic/educational vehicles for learning and teaching. They provide the information and knowledge of lived experiences and practices that can become the source of evidence-based reflective critical thinking and interpretation. (Remember the subject, the knowing person, is always located in a known and dated physical, historical and social world.) Any self-understanding effort is the productive results of imaginative and creative interpretation.

The interpretive arguments used may presuppositionally be based on positivistic or post-positivistic oriented scientific explanations. While revealing, disclosing and throwing light on how and why things happened in the way they do in the context of the given environment, use of the hermeneutics of scepticism and of suspicion can lead to a review, rethinking and hence application of new or different practices based on their contemporary relevance, effectiveness and efficiency. Different paths and imagined possibilities can lead the way to new solutions.

Readers reviewing the collection of articles and case studies in this issue, can thus continue the conversation and learning journey, using evidential analysis and motivation to gather deep insights that can lead to new learning and knowledge creation. Readers are encouraged to contact the authors through their email addresses listed in the back pages of this journal.

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- Arte Nathan

Mapping Theory and Practice of HR Analytics for Strategic Human Resource Management (SHRM)

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Abstract

The traditional HR approach of hiring and firing is no more adding on to the bottom-line of companies. Human Resource (HR) professionals now use HR data for meaningful analysis resulting in key Strategic Human Resource Management (SHRM) decisions. Operational HR tasks are being aligned with organisational performance to drive, strategic business outcomes. In the pursuit of SHRM, HR Analytics is one of the important tools that can assist HR professionals in managing human resources effectively. HR professionals can adopt, engage and implement sound data analytics tools and techniques to drive meaningful HR decisions that will contribute to a business's bottom line.

In this paper, we explore the current state of HR Analytics practices at selected organisations of Delhi/NCR. Building upon their current engagements with HR Analytics, we seek to map those practices with the gap areas and show the road ahead.

Keywords: SHRM, Strategic Human Resource Management, HR Analytics, People Analytics, Workforce Analytics

Introduction

Human Resource Management (HRM) functions in business have undergone a sea change over the last two decades. The shift in focus from managing labour welfare to addressing issues pertaining to industrial relations, and administering personnel represents a move towards strategic human resource management (SHRM). Human resource management (HRM) has been influenced by numerous fundamental variables at all levels. According to Budhwar (2000) and Rao and Verghese (2009), these variables include type of ownership, industry and sectors, legal framework, forces of competition, trade-unionship, orientation of higher management to managing people and the level of professionalism in HR. A combination of intrinsic and global approaches to HRM can be seen both in domestic and foreign firms (Chatterjee and Pearson, 2001). Nigam et al. (2011); Som (2008) and Stumpf et al. (2010) established that strategic HRM practices in talent acquisition, compensation, performance management, training and career management exhibit a positive influence on firms' performance, across almost all sectors. This transformation of traditional HRM practices into SHRM has been facilitated by the use of HR Analytics. The development and evolution of data analytics over the last decade followed a number of themes and involved a number of discourses. Numerous academic models were developed and used to enable HR professionals in the adoption of HR Analytics. These include the pioneering works of Fitz Enz in 2000, 2009 and 2010; Boudreau and Ramstad in 2005, 2006 and 2007; Davenport et al. in 2010 and Boudreau and Jesuthasan in 2011. Collectively, they laid the foundation of HR Analytics that provides the basic roadmap for SHRM, thereby, helping HR professionals to gain strategic insight in the management of human resources in their organisations.

Analytics can be termed as a 'quintessential' competence that has the potential to create value in realising the strategic role of the HR function in SHRM initiatives (CIPD, 2013). Analytics is the discipline of organising, analysing and making sense out of HR data for decision making. Its successful use by HR will broaden the strategic influence of the HR function. This paper presents the findings of an exploratory research after analysing the state of HR Analytics 'in practice' at select organisations of Delhi and Non-capital regions (NCR). It contributes to an understanding of the developing practices of HR Analytics, particularly in how the use of the various tools and techniques of analytics by HR professionals can leverage SHRM. Responses received from HR professionals suggest that the use of HR Analytics in the pursuit of a strategic perspective is in its infancy stage in India. An attempt is made to try to map the gap between the theoretical framework and practice of HR Analytics for HR professionals. Furthermore, the paper suggests ways for HR practitioners to use HR Analytics to align their traditional HRM functions to leverage their SHRM objectives.

Objective & Methodology

This exploratory study seeks to map the theoretical background of SHRM and HR Analytics with its practices in organisations through a qualitative discourse. The broad objectives of this study are:

1. To map the emergence of HR Analytics under the umbrella of SHRM.
2. To explore the HR Analytics practices leveraging strategic HRM at organisations in Delhi/NCR region.

Secondary data on the development of HR Analytics as a SHRM tool was collected through research papers from national and international sources and from books, An open-ended questionnaire comprising of eleven questions was used to collect primary data on the use of HR Analytics for SHRM in organisations in the Delhi/NCR regions. HR professionals of eight well-established organisations across different levels were the main respondents. The professionals were affiliated HR professionals from; Blue Star, Muthoot Finance, Wipro, Gionee, Talent Acquisition Corridor, SKV Energy, Luminous and CCE (Coca-Cola Enterprise). A comparative analysis of the responses was carried out. Personal and focussed group interviews were planned but these were dropped owing to the reluctance of target respondents, non-availability of some and time constraint.

Theoretical Background

The twenty-first century business economy is characterised by the emergence of HR Analytics as a tool for turning HR data into valuable insights and a better appreciation of the people-related side of organisations. A strategic perspective of HR Analytics is thus called for, and any organisation that can put in place processes and mechanisms to attract the right people, manage talent effectively, utilise capacity efficiently, and retain employees enhances its chances for long-term success.

Strategic Human Resource Management (SHRM) in Perspective

Human Resource Management (HRM) during 90s evolved into Strategic Human Resource Management (SHRM) in line with technological advances and a rapid shift in business practices. Thite, Kavanagh and Johnson (2012) pointed out that the 21st century is a knowledge-economy where employees are key sources of sustainable competitive advantage and their contribution in the balance-sheet of organisation is of great importance.

"SHRM is defined as an approach to the management of HR that provides a strategic framework to support long-term business goals and outcomes (Chartered Institute of Personnel and Development)". Becker and Huselid (2006) claimed that human capital plays the key role of a strategic business partner in organisational performance. Agrawal (2008) felt that the main driving force for competitive advantage and the success of business strategy depend on the human resource capabilities of an organisation. Mehta and Mahajan (2012) pointed out that organisations are now focusing more on business and strategic benefits and investing less on traditional HR functions such as recruitment, training and development, performance appraisal, and payroll. The focus is now more on job designs, teamwork, workforce analytics, quality norms, empowerment of people and competitive incentive-based compensation.

Gautam and Kasuhik (2011) outlined that SHRM activities like; communication, human resource development, workplace learning, career management, business process reengineering (BPR), and decision-making are on the priority list of organisations. They further reiterated that the size of the organisation determines which areas of SHRM go on to the priority list. HR functions are now more aligned to and integrated into an information system to serve strategic objectives and shape the organisational mission (Chauhan, Sharma and Tyagi, 2011). Kavangh, Thite and Johnson (2012) pointed out that SHRM is also heavily supported by quantifiable HR operational results. They emphasised the great importance of the role of HR metrics in the SHRM process. HR metrics facilitate strategic alignment of organisations' business results. Thite, Kavanagh and Johnson (2012) in their book, "Human Resource Information Systems: Basics, applications & directions" highlighted the increased use of HR Metrics in descriptive HR Analytics. They advocated that one should be careful not to use these metrics as mere calculations or a tool for crunching numbers. Qadir and Swati (2017) identified the dearth of good SHRM practices in the Indian context. They indicated that the use of human resource information system (HRIS) is not tapped to its full potential for SHRM goals.

Emergence of HR Analytics

Analytics had been widely used since the late sixties and early seventies in applications known as decision support systems (DSS) and executive information systems (EIS). In the eighties and nineties, their use was extended to data warehousing (DW) and business intelligence (BI) applications. Different forms of analytics have been used in different setups to unfold drivers of quantifiable business results (Watson, 2010). For instance, predictive analytics has been used by several banks to assess the credibility of potential customers and clients. Consumer buying patterns and their demographics have been analysed by market analysts to predict consumer buying behaviours. Decisions based on such facts and figures often helped managers to make well-thought out business decisions. Similarly, financial forecasts have been developed using analytics for the cost benefit analysis of the projects (Douthitt and Mondore, 2014). These established benefits of analytics can well be extended to people-related data science for leveraging decisions pertaining to human resources. In this direction, HR Analytics can help HR managers answer critical questions in the management of entire employees' life cycle of organisations.

HR Analytics has been defined as *"human resources (HR) or human capital analytics which simply means the gathering of facts and related subjective data to extract objective meanings out of it"* by Jac Fitz-Enz, 2014 in his famous book

"Predictive Analytics for Human Resources". He divided analytics into three levels: descriptive, predictive and prescriptive HR Analytics. This framework of HR analytics can be useful in helping people management in many ways such as knowing employee loyalty, predicting people tenure, better human resource planning etc. (Levenson 2005). The development of competitive analytics requires a team of professionals possessing multidisciplinary skill-sets. HR Analytics professionals must have business acumen, data visualisation and comprehension, statistical analysis and presentation skills. The challenge today for organisations is to find the right person with the right mix of skill set that can manage the modus operandi of HR Analytics (Narula, 2015).

Companies are investing heavily in HR Analytics practices to build strategic capabilities and competitive advantage. (Falletta, 2014). Falletta found that companies are investing in a wide range of HR Analytics interventions, and in developing modest metrics and HR scorecards. Douthitt and Mondro (2014) suggested that HR Analytics can assist HR professionals in driving business performance. HR practices like a talent management system must be directly instrumental to the achievement of a planned business outcome. They cited an example of using 'recruitment metrics' where turn around time (TAT) ensured the timely availability of manpower to start working to complete an order for an existing product or service demand. Reducing TAT can thus help in maintaining a balanced workforce level that can meet the targets of the business.

Chadha and Kumar (2017) wrote of the insight of Satinder Kaur, Talent Acquisition Manager, Trunkoz Group. The expert said that organisations today are becoming more data-centric than data-focused. Reddy and Lakshmikeerthi (2017) suggested that human capital analytics can leverage talent management in terms of identifying hi-per (high performing) and hi-po (high potential) employees and underperforming manpower units. This helps them to predict employee behaviour and tailor HR practices to retain and attract talent, as well as forecast business-oriented staffing needs. Additionally, HR metrics also help in developing useful workforce statistics, including people-productivity ratio, people values, employee engagement, and the efficiency of the HR processes.

Analysis of HR Analytics in Practice

Responses received from the eight organisations were analysed. The responses indicated that the HR managers in these organisations used HR analytics to meet specific functional HRM needs. Discussed below were their responses to address the topic of this article “HR Analytics for SHRM at select organisations of Delhi/NCR”. The respondents shared their HR practices on the following points:

- Role of HR Analytics with respect to Strategic HRM
- Need for HR Data Analytics
- Data Analytics Practices and Tools in Use
- Time since Tools and Practice in Use
- Functions and Processes linked to HR Analytics Gamut
- HR Metrics aligning HR functions and Processes with Strategic HRM Objectives
- HR Softwares in Use for HR Analytics
- Integration and Interpretation of the Findings and Results of HR Analytics with Business Functions
- Reasons for HR Analytics not in Use
- Challenges and Opportunities in the current HR System for HR Analytics

A summary is presented in Table 1 annexed at the end of article.

Role of HR Analytics with Respect to Strategic HRM

For Blue Star, HR Analytics helped in increasing the effectiveness of decision-making, especially in manpower planning. At Muthoot Finance, HR Analytics gave its HR Department a significant role in influencing the company’s strategic directions. Wipro used HR Analytics more at the strategic level, touching almost all HR verticals. SKV Energy saw the role of analytics as primarily optimising power solutions through better decision making. The role of HR Analytics at CCE (Coca – Cola Enterprise) had been instrumental in linking business with people data for the past seven years. How people impacted the bottom-line of the organisation was the main role played by HR analytics. At Gionee India, HR Analytics enabled the company to take HR decisions based on relevant data rather than taking critical decisions merely on hunch feeling. SODEXO India saw the role of HR analytics with respect to SHRM in two ways: first, it crystalised the relevance of HR functions and process, and second, it added meaningful data to business operations. TAC (Talent Acquisition Corridor) identified HR Analytics roles as an important way to establish the relationship between the functional HR processes and the business deliverables.

Need for HR Data Analytics

At Blue Star, data analytics was rolled out six years ago as a growing need of business partnership. Muthoot Finance claimed that data analytics had been an integral part of the organisation and had been used for decades. At Wipro, the use of HR data analytics was to streamline its HR functions. Relevant and critical data generated by an efficient HR function led to accuracy in analysis; hence, right data is essential before its analysis. At SKV, the need for HR Analytics grew here as a result of growing business linkages with HR. At CCE, the complexity of operations and existence of various business units globally led to the formation of a centralised HR Analytics team to serve their eight global locations including India. At Gionee, a major organisational restructuring led to the need of HR Analytics. The need of analytics arose at SODEXO with the diversification in business and growing manpower needs. TAC's reasons to adopt HR analytics were to find connections between its people's performance and its effects on the bottom-line. The underlying need for TAC was to understand what led to people's performance and identify those performance enabling factors using HR Analytics.

Data Analytics Practices and Tools in Practice

Blue Star studied attrition trends and used a recruitment tracker as its key practice and tool. Muthoot Finance used KPI (Key Performance Indicator) dashboards for determining the health of its demography and to strategically determine budgets even for marketing activities. Wipro used SAP's HCM to deliver most of the customised analytics needed. Initially, CCE relied much on credible descriptive HR reports before embarking on scorecards and using the data analytics to develop an "out of the box" system which provides the standard metrics and measures to enable swift and modest descriptive analytics. At Gionee, instead of using any specific HR software for data analytics; the HR team relied more on Microsoft Excel. They analysed HR data provided by various research firms such as Neilson, using statistical tools embedded in MS-Excel. SODEXO invested considerably in performance management verticals for data analytics as a connecting dot to all other HR verticals. BSC (Balanced Scored Card) was integrated into employees' performance for data analytics. At TAC, Microsoft's Excel was used to measure various KPIs. Due to MS-Excel's intuitive nature, most of the HR team members loved to explore HR data for deriving meanings out of it. For instance, transforming datasets into table helped them in checking each column's data range for outliers. This facilitated analysis for the HR team.

Time Since Tools and Practice in Use

Blue Star had been using attrition analysis and recruitment tracker since 2012. Muthoot Finance started using the KPI dashboard in 2014 as a tool of data analytics. Wipro invested in "HCM", a state-of-art tool, twelve years ago for HR Analytics. SKV started using web-based technology "Orange" as its analytical tools while managing payroll since 2012. CCE had been using the scorecard tool since 2010. In 2014, it extended its descriptive data analytics to include correlation and regression techniques. Gionee began its HR Analytics journey in 2015 in collaboration with some of the top consultancy firms. SODEXO ventured into Microsoft's Excel in 2016 when they started using data analytics tools. TAC has been active on this front for the past three years.

Functions and Processes Linked to HR Analytics Gamut

HR Analytics at Blue Star is integrated with manpower planning, payroll, recruitment, training, performance appraisal and attrition analysis. At Muthoot Finance, almost all the basic HR processes were reported to be linked with HR analytics. Wipro's traditional HR verticals data was linked with e-recruitment and succession planning data that were the main sources for HR analytics functions. SKV Energy used HR analytics to link HR processes such as payroll, hiring, training etc. CCE, linked its core HR functions with respective strategic business units (SBUs). HR data processes were analysed with respect to individual SBU's performance. Gionee linked analytics with recruitment, succession planning, workforce movement, talent development functions as well as performance analysis of the sales force. At SODEXO India, HR analytics had been in used for manpower planning and recruitment. These were then integrated to training and development and performance management system. HR analytics at TAC catered to a whole range of HR processes such as hiring, training, performance management, compensation and benefits, HR audit & compliance and for the onboarding process.

HR Metrics Aligning HR Functions and Processes with Strategic HRM Objectives

Blue Star was not willing to disclose information on its use of HR metrics at the corporate strategic level. Muthoot Finance used recruitment, exit and performance management system metrics to drive HR strategies. Wipro derived almost all its core traditional metrics from recruitment, performance management system, training and development and payroll verticals. At SKV, basic metrics such as cost per hire, yield ratio, attrition rates, and absenteeism rates were the main functional metrics in use for SHRM objectives. CCE focused more on cause and effect relationships than simply going by ratios or pivot tables. SODEXO used such measures as cost per hire; agency management costs metrics, and attrition ratios to link to its business aspects of food, delivery and supply chain metrics. At TAC, a wide range of HR metrics was used to align their SHRM objectives. Metrics like recruitment, retention, attrition, revenue per employee, performance and potential, billable hours per employee, absenteeism, HR efficiency, ratio of HR business partners per employee (e.g. 1:80), promotions, employee productivity index, training effectiveness index, workforce planning, benefit or program costs per employee and compensation or benefit revenue ratios, created an exhaustive display of HR departments' health.

HR Softwares in Use for HR Analytics

Blue Star used Microsoft's Excel and ERP software, SHRSS, for HR Analytics. At Muthoot Finance, the software used was HSENID HRMS and Microsoft's Excel. Wipro used SAP's HCM for its HR analytics software. SKV Energy relied on the Orange Payroll analytics functionality for their HR Analytics need. CCE used a combination of SAP platform and Microsoft's Excel. Gionee had not used any specific HR software, and only relied on Excel. SODEXO used customised HR software for their operational HR needs, in addition to MS-Excel. Here descriptive data analytics results were compared with BSC (Balanced Score Card). TAC adopted customised HR software besides using MS-Excel to deliver its clients' requirement for a high level of data analysis.

Integration and Interpretation of The Findings and Results of HR Analytics with Business Functions

Blue Star sought to quantify front office staff's (Marketing, Sales and Production) performance with a purely data-centric approach. For its support employees, the company used a data-focused approach. Muthoot Finance correlated different metrics to obtain more meaningful insights, the key emphasis being to understand the audience, their priorities as analytics and driving HR-based interventions through this insight. Wipro cascaded analytics results first into its vertical-based benchmarks and then mapped the same with vertically-based value adds to organisational productivity to gauge the overall efficiency of the HR department. SKV Energy integrated the findings of descriptive metrics to its own HR functions, including leave policies, recruitment, performance management system, etc. and then determined how these can influence business decisions such as productivity and market share. CCE believed that HR's backend work in producing ratios, metrics survey findings were useful in helping the company to derive solutions to its business problems. Hence, all the results of HR descriptive data in the form of numbers and ratios were linked back to analyse business outcomes. At Gionee, manpower cost over revenue was analysed. Findings were then used to project revenue forecasts and commensurate annual operating plan. At SODEXO India, the integration and interpretation of descriptive data analytics was used to operationalise the supply chain and contracts management part of its business. TAC, based on consigned functions and clients' need undertook compensation surveys, recruitment, benefits administration and ROTI (Return On Training Investment) analysis. Gathering and examining information, tracking changes and trends in functional areas, conducting research studies, and documenting reports formed the basis for final submission of results before clients.

Reasons for HR Analytics Not in Use

Blue Star identified the lack of data science competency as the biggest hurdle for organisations not using HR Analytics to its full potential. Muthoot Finance claimed that the lack of data quality and the required skills to find, analyse, prepare and interpret results among HR professionals, were the key constraints behind why its market was not picking up in India. Furthermore, its usefulness was questionable, as many a time simple data was expressed in a very complex manner which defeated the purpose of doing analytics. It remained as a numbers-crunching game. Wipro's stakeholders felt that the high cost and the lack of analytics competencies put limitation on its use in organisations. SKV sensed that the organisation's limited scale of operation did not justify the full use of HR Analytics across functions. CCE suggested that the slow pace of adoption of HR Analytics in many organisations stemmed from the complexity of data science and the dearth of data analytics competencies among HR professionals. Similarly, Gionee felt that though organisations were catching up fast in using HR analytics, there were those who were still very skeptical about its implementation. SODEXO, however, felt that the time had arrived for the wider adoption of HR Analytics despite the continuing lack of data science competency and relevant tools. TAC identified a number of reasons for the slow adoption of HR Analytics. The primary reasons behind its slow adoption include reluctance, lack of quality data, employee fear and suspicion, incompetent HR team, budgetary constraints and finally, implementation and measurement challenges.

Challenges and Opportunities in The Current HR System for HR Analytics

Blue Star believed that barriers to the wider adoption and use of HR Analytics included the high cost of implementation, the lack of data science competencies as well as resistance from older employees. Muthoot Finance suggested that data quality would be the biggest challenge, given the late adoption of HR Analytics in Indian organisations. Wipro saw the big data hype as damaging because of the scepticism caused. SKV Energy found it difficult to convince its employees of the benefits of using HR Analytics. CCE found many challenges in the domain of HR Analytics. It pinned technology itself as a barrier besides the dearth of right data warehouse, sabotaging the quick data mining, mutual linkage of HR and business and other roadblocks. Gionee's HR Analytics challenges were two fold; first finding the right analytics team and then integrating HR Analytics with the rest of the business. Secondly, how to shift HR's traditional support function role to that of a business partner. SODEXO India saw the integration of other business process outcomes as the main challenge. They believed a meticulous planning on the adoption of HR Analytics could lead to its success. TAC strongly believed that for the realisation of SHRM objectives, the organisation must openly identify and attend to the main pain points of business: what caused high employee attrition, identification of hi-per employees, finding out where they were recruited from, what training they received, and what kind of superiors they had in their previous assignments.

Discussion & Recommendation

An uncritical adoption of HR Analytics may lead to numerous negative fallouts to the HR domain itself, with adverse consequences to employees and the organisation. Organisational leaders must do their homework, read carefully the risks involved before embarking on HR Analytics. To overcome obstacles some organisations developed a checklist approach, to ensure that the data analytics served SHRM needs. While it was important to streamline HR functions for deriving business results, it was also critical to understand how an organisation's human resources could add value towards SHRM objectives (Boudreau and Ramstad, 2007; Sparrow et al., 2015).

Looking at the HR Analytics practices shared by the HR professionals of the eight organisations surveyed, we concluded that there was a big gap between HR Analytics' theoretical framework and practice. Organisations were pursuing HR analytics in their own ways but not as per the descriptive, predictive and prescriptive framework proposed by Fitz-Enz (2014). This may be due to their needs of aligning traditional HRM functions and SHRM perspectives with business requirements. One common gap in the adoption of HR Analytics in these organisations was the dearth of "analytics competency" among HR professionals. HR professionals needed to upskill and upgrade their knowledge to champion HR Analytics within the domain of SHRM. Angrave et al. (2016) spoke very highly of HR Analytics' potential to help in predicting and explaining behaviours of employees. They strongly advocated the adoption of better methods and approaches to analyse HR data that would create better business performance.

In order to reap benefits from HR Analytics, HR professionals could adopt a simple checklist. This checklist would involve the collection of relevant HR data, right analytical skills and tools and linking the HR data with key business problems and desired results. The building blocks for the success of HR Analytics include sustaining accuracy, balancing needs and wants, and setting small milestones.

We use a hypothetical example. An organisation established a basic HR Analytics framework linking 'recruitment' vertical with the organisation's performance. The human resource planning (HRP) data indicated the hiring of adequately competent sales staff to meet the business targets established. Two set of decisions had to be taken; one, how to ensure an optimal hiring process within the budgeted cost of hiring while keeping the quality and time intact; second, how to ensure that the additional staff would be empowered to achieve the business targets. HR Analytics provided the solution to the first question by using HR metrics to streamline recruitment and selection process such as; yield ratio, cost per hire, TAT (turn around time) and training cost with respect to overall hiring cost. If the recruiters pulled off a cost-effective process considering all metrics, the first part of the job would be completed under the framework of descriptive analytics. Now, to integrate the solution of the first part with the second part of the problem, predictive analytics would be used as follows. A regression line would help the probability of knowing the desired level of the additional sales force's performance. Over here, KPIs (key performance indicators) would be linked to respective KRAs (key responsibility areas). Further p-values (probability values) would be assigned to each KPI which would predict the outcome of individual performances. These predicted that individual performances could be further linked to overall business targets. Invariably, HR analytics could be used for almost all the business scenario where traditional HR functions' strategic role would be mapped with business outcome.

Table 1: Summary of the responses received from companies using HR analytics for Strategic HRM

	Blue Star	Muthoot Finance	Wipro	SKV Energy	Coca-Cola Enterprise	Gionee	SODEXO	TAC
Role of HRA*	Decision making	To focus on key levers of the business.	For strategic decision making	Strategic & timely decision making	Assess value addition from HR	Take impactful decisions	Value addition for organisational efficiency.	Relationship between KPI and HR
Need for HRA	Meet growing need of organisation	Integral part of the business	Streamlining need of HR functions	To meet the growing needs of the organisation	Increased complexity of operations	To maintain huge data efficiently.	Rationalise diversification in business	Linkage of people strategy and business
HRA Tools	Recruitment tracker for HR functions	KPI (Key Performance Indicator)	SAP's HCM	Scorecards	Correlation & regression	Customised analytical tools	BSC (balanced scored card)	KPI using Microsoft Excel
Time since Tools in Use	Since 2012	Since 2014	Since 2011	Since 2012	Since 2010	Since 2015	Since 2016	Since 2014
Functions/Processes linked to HRA	For all important . HR functions	All main HR functions	All HR core Processes	Analysis of organisational strength	All core HR functions	Talent development	All HR functions	Quantitative & qualitative HR functions
HR Metrics of HR Processes for SHRM	Metrics for assessment	Metrics to drive HR strategies	Talent Development	Basic metrics for HR	Ratios and pivot table for Metrics	TAT & Yield ratios as majors	Costs metrics & Supply chain metrics	All core HR metrics
HR Softwares for HR	ERP software	HSENID HRMS	Microsoft Excel	Orange analytics	SAP	Microsoft Excel	Customised HR software	Microsoft Excel
Integration of the HRA with Business Functions	Marketing, Sales & Production	HR based interventions	Organisational productivity	Business decisions and productivity	Tackle business problems	AOP (annual operating plan)	Productivity and Supply chain	All HR interventions with business
Reasons for HRA not in Use	Lack of Competency	Complexity	Lack of Competency	Not relevant in Small scale of operation	Complexity	Scepticism of people	Lack of data science competency	HR analytics incompetency
Challenges/ Opportunities in HR Systems for HRA	Cost factor	Data quality	Acceptability	Big Data Purpose not met	Lack of data management skill	Incompetency to handle data	Scale of operations and need	Upskilling HR team with data analytics

*HR Analytics

Conclusion

This study led to the conclusion that despite the green pastures and the potential benefits of using HR Analytics for SHRM, organisations in India were not ready to adopt HR Analytics in a meaningful and impactful way. Analytics had been more widely used in other functional areas of management. In the Indian context, there were very few evidences from literature and industry to indicate that HR Analytics had been in full practice. HR Analytics remained a buzzword and a potential tangible capability which organisations could use to leverage SHRM.

We recommend that organisations can start adopting HR Analytics by using a checklist to assess their readiness and working systematically to put in place the essentials that they will need to help solve their business problems. There is a great need for academics, consultancy and industry collaboration to educate and train HR professionals in understanding and using HR Analytics as a tool for SHRM. Much can also be learnt from the case studies of organisations which have successfully adopted and implemented HR Analytics.

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“Expect the best, plan for the worst, and prepare to be surprised.”

- Denis Waitley

Project Management at Singapore General Hospital: A Case Study

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Abstract

This study sought to evaluate the project consultants' team capability in managing a project involving the addition of two ward levels and alteration works at the Singapore General Hospital in Singapore. Project consultants play critical roles in overseeing the successful completion of an A&A construction project. In this study, some critical gauges were used to assess the project management capabilities of the project manager/consultants' team throughout the whole project process, from the planning phase to the project closure. These include assessment of consultancy competency, project communication, clients' expectation and the use of some project management tools and techniques.

Introduction

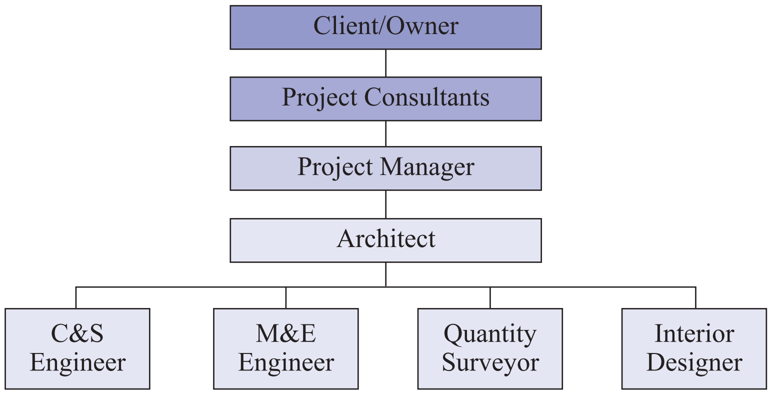
Project Management involves every aspect of a construction programme, from the design stage and ending with the handover stage. At the design stage, the consultant team plays a vital role in establishing a comprehensive design built around client requirements, budget and time constraint as well as compliance with Singapore Standards. At the construction stage, the contractor executes the blue print from the consultants and work towards ultimately handing the project over to the client within the consented duration and cost. How can it be assured that the project is successfully delivered without any defect? Project consultants - the professional advisor of the client - would need to superintend the contract by attending to the construction triple constraint of Time, Cost and Quality.

Construction Project Management Consultancy in Singapore

All construction matters in Singapore are monitored and controlled by the Building and Construction Authority (BCA). The Public Sector Panels of Consultants (PSPC) classifies consultancy services providers based on disciplines and project sums. Consultants in different trades include those in Architectural (AR), Civil and Structural (C&S), Mechanical and Electrical (M&E), Quantity Surveying (QS), and Project Management (PM) trades. Building construction involves an array of trades and managing a whole project successfully requires consultants with a wide and distinct portfolio of expertise and knowledge to comprehend the project practice and anticipate the potential risks.

The common practice to kick-start a construction project in Singapore is to engage a consulting team to initiate the project with an inclusive blue print. An architect will be the first consultant brought on board, followed by C&S engineer, M&E engineer and Quantity surveyor. Collectively, they form a consultant team to manage the obligations of project management.

Diagram 1: Project Organisation Structure



Research Perspective

This case study focuses on project management by a team of consultants at the construction work of two levels of a hospital ward in the Singapore General Hospital.

Project Success

The goal of every project is to achieve project success. What is project success?

A project is perceived as successful where the predetermined deliverables had been performed to a quality standard in compliance with the project's objectives and requirements within the project timeline as well as budget. (IPMA Competence Baseline- 2006). Gauging the success of a project's accomplishment limited to the triple constraints of time, cost and quality" is insufficient.

There is a diverse array of factors contributing to the complexity of a project's success. (Mir, Pinnington, 2014). Furthermore, assessment of project success is subjective, (Shenhar et al, 2001) and associated to project success measurement with stakeholders' satisfaction. (Davis, 2014)

It is important that the successful project manager understands the project objective, monitors the project activities in a well-organised fashion, exercise sound time and cost management, while also not compromising on client's requirement. Essentially, good project management entails the application of appropriate tools and techniques in achieving the pre-planned objectives. (Munns and Bjeirmi – 1996).

The management of construction projects involves two phases - project execution by the main contractors and project monitoring by the consultant team. The contractors will manage all the resources such as manpower, financial, material, time, etc. The project consultants team will monitor the contractor works quality, design exercise, financial control, client's requirement change, local authority compliances etc. The respective scope of project management is different but there is still some overlap between the two parties.

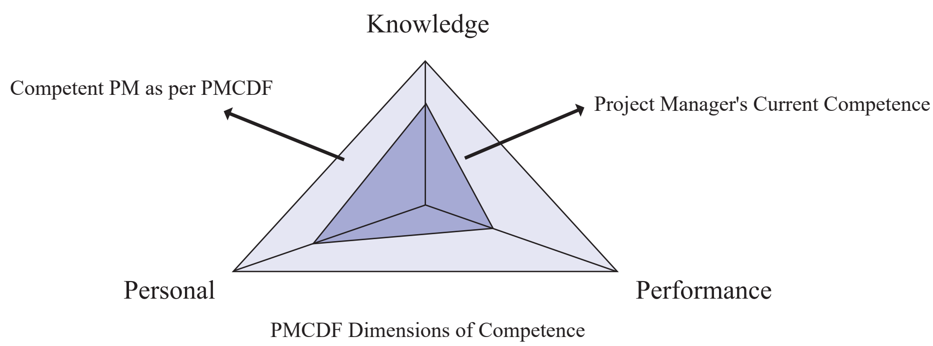
Influence of Consultant Competency on Project Success

A project manager of a consultant team must be competent in leading a project to an accepted standard of performance. Boyatzis (1982) defines competence as a fusion of cognitive, affective, behavioral and motivational characteristics in the execution of a successful project. (Boyatzis, 1982; Erpenbeck & Rosenstiel, 2003).

A project will tend to be more effective and successful if the project manager possesses and exercises the relevant individual competencies appropriate to the project objective and purpose. (Muller & Turner, 2010). In PMBOK (Project Management Body of Knowledge), competency means that a project manager should embrace the capability to comprehend the project goal.

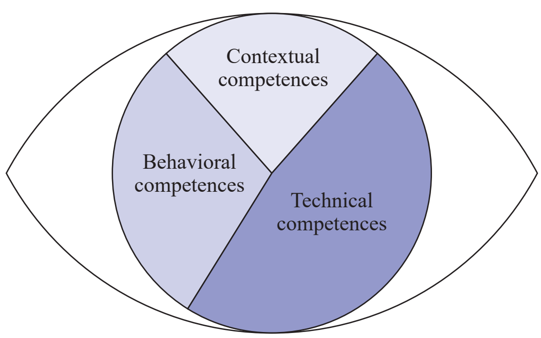
The American based Project Management Institute (PMI) developed the PMCD (Project Management Competence Development) Framework from the PMBOK (Project Management Body of Knowledge). The PMCD framework proposes that the competency of a project manager can be assessed by the three core dimensions of knowledge, performance and personal. (Cartwright, & Yinger, - 2007).

Diagram 4: PMCDF Dimensions of Competence



Similarly, the European organization - IPMA (International Project Management Association) Competence Baseline (ICB) (Version 3.0), developed the idea that the eye competence represents the integration of three elements important for assessing project manager competency - technical competences, contextual competences and behavioral competences.

Diagram 5: The Eye of Competence



Project managers should be able to demonstrate their capability in the three segments: acquire broad knowledge of, and skills in, project management, respective trades engineering skills and relevant experience in the context of projects. Next, they need to demonstrate their competence by applying the appropriate methods and techniques across all project phases. This effective practice of project management skills should translate into the satisfactory completion of a project. On top of the knowledge and its application skill, a project manager's personality behavior is essential in complementing his work competency. Continuing professional development in project management will also earn him respect from his project team members as an effective project management contributor.

Hypothesis 1 (H1): Project consultants' competency will impact on the project management.

The Importance of Communication in Project Management

Johannessen and Olsen (2011) suggested that, in a project-based operation, communication is an important and challenging process of information exchange, establishing mutual consent, harmonizing activities, and convincing and associating. Good communication is both imperative and challenging in the construction industry, given its dynamic, fragmented and miscellaneous nature.

Communication is an art linking people together through information flows. (Dainty et.al. 2006). Every phase of a construction project is fast-paced where the real-time transmission of message and communication is desirable to avoid the risk of work discrepancy due to information delays. Wikforss and Löfgren (2011) found that ICT (Information and Communication Technology) devices can help the project manager improve the integration and collaboration of tasks. Group chats can be created, using tools like "WhatsApp" to keep every project member well informed in real-time. Mittal (2016) found the use of WhatsApp mobile applications as an effective device to break down the barriers among team member who come from different companies and different professionals.

The project communication knowledge area in PMBOK gives due emphasis to the process of communication between the stakeholders and the project consultant as advisor. The latter must demonstrate competence in correctly interpreting the stakeholder's perception, convert it to professional design or instruction for better implementation of work to produce the desired outcomes which meet client expectation. (PMBOK ® Guide, 2008)

Good communication can promote team confidence and increase responsibility awareness. Project managers can stimulate enthusiasm in the project group by encouraging their member to express their ideas daringly right from the inception of the project team. (Jarvenpaa et. al.,1999). Powell et. al. (2004) advocated frequent informal interactions among all project members and the use of humour to lighten up moods and help improve the willingness of members to share their thoughts and ideas.

Effective communication also helps to build and maintain relationships at all levels of a project group membership. According to Van Staden et.al (2002) the practice of effective communication creates healthy relationships, saves time and money, fosters effective decision-making, and prompts better problem-solving.

Hypothesis 2 (H2): Effective communication between a project consultant and project group members will result in positive impact on the management of the project.

Client's Expectation interrelated to Project Success

The client, as the project owner, plays a vital role in the project's success. He determines the project scope, influences project execution and assesses the project's outcome (Project Management Institute, 2004). A project is deemed successful when the specific expectations of the client are met, even though individual project members - the consultant, designer, engineer contractor, etc may have other expectations. (Sanvido, V. et al. 1990).

Client satisfaction is related to concerns as project quality, service quality, timely deliveries, and reliability with the least cost of ownership. (Bititici, 1994). In the long run, the project can be classified as successfully delivered if the end-users' expectation were met and satisfied. (Torbica and Stroh, 2001).

However, client's needs are hard to satisfy, particularly in a construction project which is multifaceted with a high level of uncertainty. (Boehm and Ross, 1989). Barret (2000) noted that the quality of a construction project is often the result of harmonious cooperative relationships among project members. The client indirectly shares the responsibility for the project success. He can hamper the project's success by suggesting additions to, alterations in or give new instructions, especially when this is done almost to the project closure or when the timeline is tight. (Kreiner, 1995). These variations may increase the difficulties in related project tasks on delivering the project within the triple project management constraints (Williams, 1999). Some empirical researches have shown the negative impact on the ultimate project outcome of frequent changes in clients' requirements and expectations. (Murphy et al., 1974; Lechler, 1998).

In such a situation, the project manager will need to exercise communication competency to manage client expectations. (Grönroos, 2000). Ultimately, client satisfaction is important as its achievement helps to enhance customer loyalty and may bring future work opportunities. (Jones & Sasserr, 1995).

Hypothesis 3 (H3): Clients' expectations will impact on the success of project management.

Importance of Project Management Tools and Techniques

The intimate knowledge and effective use of project management tools and techniques are very important in helping project managers to deliver the project successfully and efficiently. This is especially so in a competitive market for project management across diverse industries (Kloppenborg and Opfer, 2002). Competency in using these tools and techniques to better utilise assigned resources will contribute to the efficient technical management of complex projects and to stakeholder satisfaction (Cleland, 1998).

Project risk management is an essential aspect of project management. Risk is described as an unanticipated activity that can influence the projects' courses, scope, timeline, quality, result or end product in either a positive or a negative way. Project risk management processes include risk management planning, risk identification, qualitative and quantitative risk analysis, risk response planning and risk monitoring and controlling. (PMBOK 5th edition).

Total quality management (TQM) is a comprehensive and strategic management method that will help ensure organisational completeness and delivery of quality in a project. TQM can be achieved through the combined efforts of all levels of the organisation to improve the client's satisfaction by constant performance improvement. (Biggar, 1990).

Quality issues include:

- Quality Planning – Identify quality requirements or standard.
- Quality Assurance- Auditing the quality requirement.
- Quality Control – Monitoring and recording results and quality activities implementation.

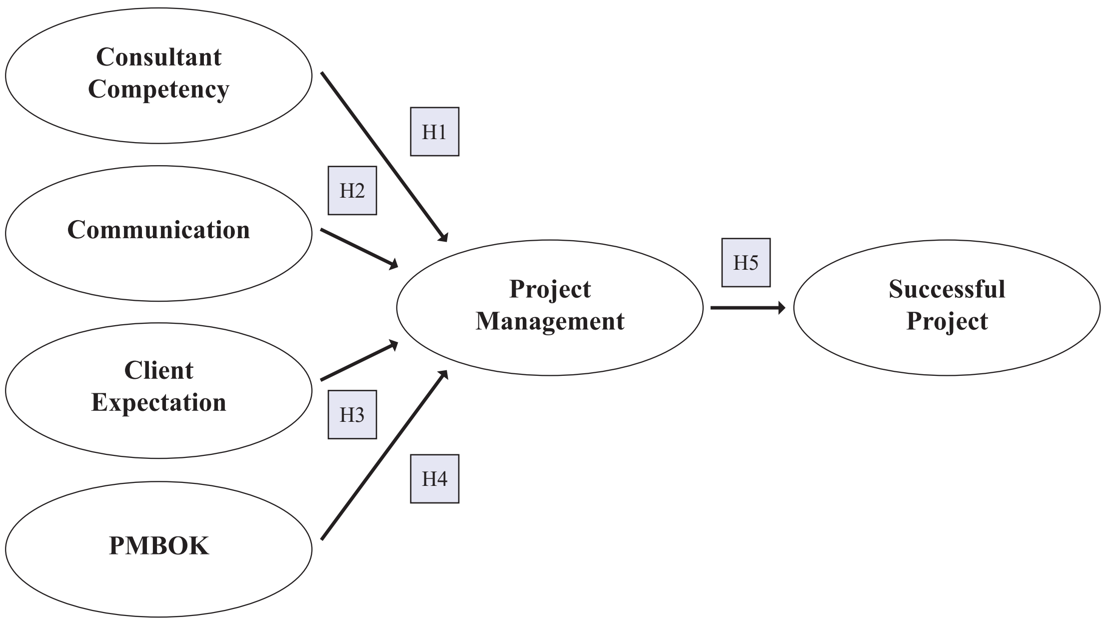
Project Integration management is the performance of an objective achieving succession of multi-functional tasks and activities within certain constraints of requirements, including a contracted start and end date; budget limits; money consumption, manpower, and equipment (Kerzner, 2013). The PMBOK guide describes project management as being completed through the application of the project management processes in project phases including project initiating, project planning, project executing, project monitoring and controlling, and lastly project closing.

It is recommended that several tools be used for better integration management during the different project phases.

Hypothesis 4 (H4): Applying suitable tools and techniques as suggested in the PMBOK Guide will have positive impact on the project management.

Research Model

Diagram 6: Research Model Created by the Author



Hypothesis 1 (H1): Project consultants' competency will impact on the project management.

Hypothesis 2 (H2): Effective communication between project consultant and other project members will have positive impact on the project management.

Hypothesis 3 (H3): Clients' expectation of project consultant and other project members will impact on the project management.

Hypothesis 4 (H4): Applying suitable tools and techniques in PMBOK Guide will have positive impact on the project management.

Hypothesis 5 (H5): Effective Project management can help to achieve the project successfully.

Methodology

The research process involves the selection of effective methods in collecting and consolidating relevant information. Information is obtained through various sources such as personal experience, word of mouth, published articles, nature, books, etc. some studies adopt positivistic quantitative approaches (Becker and Niehaves, 2007), while others use qualitative approaches with interpretivism (Tadajewski, 2006; Cova and Elliott, 2008).

The quantitative research method had been chosen for data collection and analysis for this survey. Ninety (90) project participants were invited to contribute by giving feedback regarding the SGH renovation project via the questionnaire survey given. Seventy-two (72) returned completed questionnaires. The data was inputed into a software programme called Statistical Package for Social Sciences (SPSS).

Data Collection, Presentation, Findings and Analysis

Data collection is a process of bringing together information and statistics relating to the research topic. The most commonly used techniques to gather the data include survey forms, laboratory memo, observational sheets, questionnaires and apparatus calibration logs (Cooper & Schindler, 2003).

The data was collected during the closure phase of the SGH renovation project from 80 project participants, including client representatives, project consultants and the main contractor.

The first section of the questionnaire asked for personal particulars like occupation, designation and years of experience. The second section of the survey questionnaire collected information related to four significant elements including consultants' competency, communication, clients' expectation and PMBOK knowledge areas.

Demographic Data

Demographic questions were designed to create understanding of the fundamental background of the participants. Participants came from five (5) types of occupations with 70.8% belonging to the consultants group; 16.7% were client representatives. The remaining groups were 5.6% quantity surveyors (QS), 4.2% supervisors and engineers and 2.8% the sub-contractors group. See Diagram 7.

Diagram 7: Frequencies for Occupation

Statistics

Occupation

N	Valid	72
	Missing	0

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Client	12	16.7	16.7	16.7
	Consultant	51	70.8	70.8	87.5
	Engineer	2	2.8	2.8	90.3
	QS	4	5.6	5.6	95.8
	Supervisot	3	4.2	4.2	100.0
	Total	72	100.0	100.0	

A) Project Management Questions

	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Consultants' Competency						
1	Project consultants are knowledgeable to advise client or contractor during project execution.	1	2	3	4	5
2	Project consultants are experienced to advise client or contractor during project execution.	1	2	3	4	5
3	Project consultants are skillful in demonstrating the project management knowledge and technique to manage the project.	1	2	3	4	5

4	Project consultants possess virtuous soft-skill in handling project matters.	1	2	3	4	5
5	Project consultants possess virtuous positive attitude in managing project issues.	1	2	3	4	5
Communication						
6	Project manager is able to convert the stakeholder requirements to design specification and drawing.	1	2	3	4	5
7	Project manager clearly conveys complete information from client to contractor to make sure there is no deviation.	1	2	3	4	5
8	Construction document are well documented for record and circulated only to particular project participants.	1	2	3	4	5
Client Expectation						
9	The change of client's expectation along the project execution phase causes variations in project activities.	1	2	3	4	5
10	Client's support declines when the expectation is not reached.	1	2	3	4	5
11	Project consultants always lead client to make clear decision basing on their knowledge and experience.	1	2	3	4	5
Risk Management						
12	Project consultants perform a complete risk management plan based on the live operating hospital.	1	2	3	4	5
13	Project consultants perform a complete risk management plan based on client's financial constraint.	1	2	3	4	5
14	Contractor passing safety record is considered as critical criteria by consultants during tender evaluation.	1	2	3	4	5
Total Quality Management						
15	Project consultants perform well in project quality planning.	1	2	3	4	5
16	Project consultants perform well in project quality assurance.	1	2	3	4	5
17	Project consultants perform well in project quality control.	1	2	3	4	5
Project Integration Management						
18	Project consultants integrate relevant project management elements during project planning.	1	2	3	4	5

19	Project consultants integrate relevant project management elements during project execution phase.	1	2	3	4	5
20	Project consultants integrate relevant project management elements during project monitor and control phase.	1	2	3	4	5

Analysis

This study generated five hypotheses relating to consultants' competency, communication, client expectations, use of appropriate tools and techniques (PMBOK guide) and effectiveness of project management.

Analysis of the questionnaire survey results indicated that these 5 hypotheses were positively related to the capability of project consultants' in project management. The majority of the project participants agreed that the project management had positive impact and the project was completed successfully.

Project Consultants' Competency

Engaging an effective consultant is essential to the successful completion of a complicated project. He plays an important role in leading the client and team members to achieve project success. Their collective competency will directly determine the project management process and its success. The achievement is measured by analysing the feedback from client, contractors or fellow consultant participating in the survey. Client recognition is a signification testimony.

Effective Communication

In such a multifaceted renovation project, dissemination of accurate and timely information was imperative to ensure smooth progress. Analysis of the survey results showed that participants generally agreed that the consultant had developed effective communication among client, contractor, and consultants' team. This was expressed in the good relationships established between SGH facility department representative and the project consultants as well as the contractor with all the consultants. All the project records were well-documented as meeting minutes, contracts drawing, request for change, engineer's instruction, variation order list and etc. (Attached in Appendix 5).

Client Expectation

Client satisfaction is an important objective to achieve in a project. Throughout the project, client expectation should be executed as much as possible with the least impact on the project triple constraint of time, cost and quality. In the SGH renovation project, client expectation shifted regularly during the course of the project execution phase. This impacted the project activities and the budget. The RFC (Request for Change) list was used to monitor the implementation. The positive survey results indicated that client expectations were by and large met. The consultants had performed well using their knowledge and experience to manage client expectations. The positive results in the survey supported this hypothesis.

Tools & Techniques (PMBOK Guide)

PMBOK guide on the selection of tools and techniques was found useful and greatly used in this project management of the SGH project. Consultants had applied wisely appropriate project management tools and techniques which included risk management, total quality management and project integration management. The completion of the project with the established timeline and cost and the positive feedback from the project participants supported this hypothesis. At the same time, the feedback indicated there was room for improvement.

Recommendations

Although the project was successfully concluded there is always room for further improvement. Some recommendations are highlighted below.

Improve in Risk Assessment During Project Planning Stage

In the SGH renovation project, there were several significant occurrences that caused project delay, especially in the numerous variation orders. One major variation order item was asbestos removal. The use of asbestos in construction was banned since 1989. As an experienced project team (consultant, architect, QS or either M&E engineer) should have anticipated the presence of asbestos in the ancient hospital building. The asbestos issue should have been specified in the contract, together with the cost of its removal included. It will then not appear as a VO, thus inducing schedule lagging due to stop work order from MOM (Ministry of Manpower).

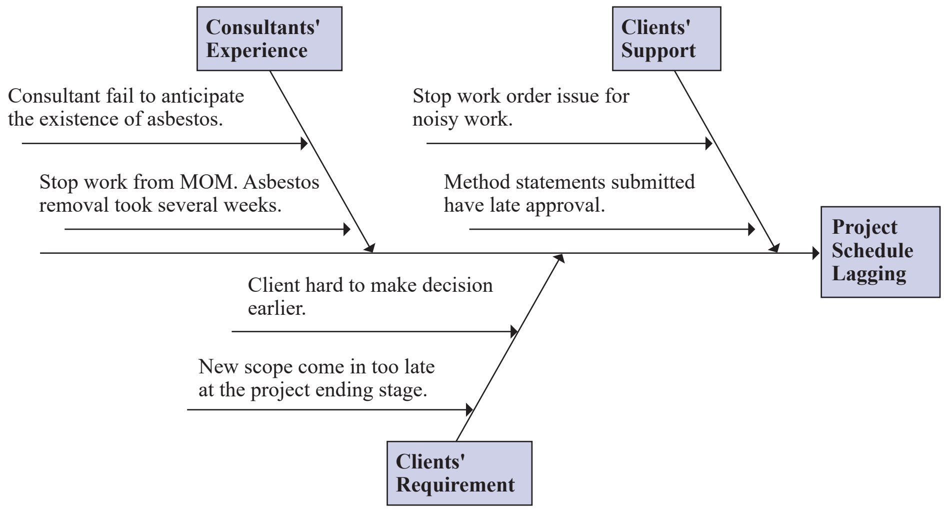
More Proactive to Lead Client to Better Decision Making

Another significant issue in the SGH project was that clients' varied intention caused a number of variation in orders that had impacts on project cost and timeline. In this case, consultants should have been more proactive during the project execution phase to identify alternative ways to incorporate the new requirements without raising a VO. On top of that, during project planning phase, the consultant could have proposed more options for client to choose, or to make those items under optional items, without having to raise VOs if client changed their mind in the middle of the project. Lastly, if the clients' requirements could not be prior-determined, the consultant could have carried out their due diligence to advice to client on the consequences of requirement changes at the almost project ending stage. By such measures, clients' expectation would be better managed if the project were to be completed not on time and within budget.

Improvement in The Use of PM Tools and Techniques

Better use of the total quality management (TQM) technique in the SGH project can lead to improved project management. The use of Cause and Effect Diagrams (ISHIKAWA), a basic fishbone tool of TQM, can help to identify possible root causes of problems. See the fishbone diagram below as an illustration.

Diagram 8: Cause-effect Diagram



The mapping out of possible sources can help the project manager in working out a scheduled plan of successful completion. This leverages on the consultants' experience, meet clients' requirement and secures clients' support to manage the schedule lagging issue.

Limitation and Future Research

The data for quantitative analysis in this study was collected from 80 participants with 72 usable returns. The small sample size limits our confidence level of the survey results.

Conclusion

The analysis of the survey results indicated that the project consultants in Singapore General Hospital (SGH) project had performed well in their project management and the project could be deemed as successful. This case study can provide useful guidelines in the planning and management of similar renovations and alterations and additions projects in the construction industry in Singapore.

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"You have to be fast on your feet and adaptive or else a strategy is useless."

- Charles de Gaulle

Strategic Analysis Of Competitive Aviation Environment In UAE: An Exploratory Study

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Abstract

UAE is one of the most dynamic aviation markets in the world, with three world class airports, including the busiest airport of the world. Millions of passengers travel through these airports with its many highly competitive local and international airlines. Etihad Airways is one of the frontrunners among them. The intense competition has forced all the airlines operating from UAE to continuously become more innovative and be the best in service delivery. Etihad, despite encountering challenges since its inception, has emerged as one of the most profitable and fastest growing airlines in the world. This case study on the airline outlines a strategic analysis using popular concepts such PESTLE and Porter's Five Forces Model. Recommendations are made for airlines industry players to consider as they continue to innovate to remain competitive and profitable.

Keywords: Etihad Airways, Aviation Market, Competitive Analysis, Strategic Analysis, Case Study

Introduction

Etihad Airways is Abu Dhabi's national carrier and is one of the airlines that is growing exponentially across the globe. It does so by taking advantage of UAE's attractive strategic location among the the continents of the world and receiving strong support from the government of the United Arab Emirates (Nataraja &Al-Aali, 2011).

In strategic management theory, strategic analysis is the science and art of dealing with the formulation, implementation and evaluation of cross-functional decisions that enable a company to realise its objectives (Redriff, 2015). In this paper, we analyse the position of Etihad Airways in the airline transport industry of the United Arab Emirates through a discussion mainly focusing on integrating the airline's functions including finance, marketing, management, information technology, operations, research, and development.

Strategic Environment of Aviation Industry in UAE

The strategic environment of the aviation industry is a complex one. Few studies have been done from the perspectives of airlines positioning and the market specification of airlines services in the world. A study on Cathay Pacific Airlines during the 1960s showed the growth of the airline paralleling the growth of Hongkong and other adjacent regions as one of the most popular commercial and leisure destinations (Chiang, 1969). Studies on Air India were carried out by Rao and Singh (1990) and Karunakaran and Shivnath (2000). They discussed the micro-environment factors deemed to be responsible for the steady fall of the airline as the major international brand. These include factors like leadership crisis, political interference, trade unionism and resistance to the proliferation of professionalism. The fall of Air India as an international brand was attributed to identified macro-strategic vacuums at the decisional level. Stevenson and Peter (2008) concluded a field study with recommendations on how to revive British Airways to its former glory. These included several recommendations pertaining to economic, political and strategic dimensions. Sukochi and King (2009) studied the growth of the South East Asia region as a major aviation sector where many major international players compete. They generalised that different aspects of strategic priorities were important to sustain market presence.

Etihad Airways as a major air transport company in Abu Dhabi aims to remain competitive against other existing international airlines in the United Arab Emirates. It has adopted a marketing strategy of widening its market beyond the United Arab Emirates. Massive advertising campaigns, such as Hello Tomorrow and Keep Discovering has so far spread all over the world, which has generated a valuable brand image that Etihad Airways is currently standing on as its core foundation (Khalifa, 2011). The main target of the company in the market is to be more competitive against the incoming low-cost companies that are actually its main rivals in the United Arab Emirates as of today. Other airlines such as Fly Dubai, Emirates Airlines, and Air Arabia are providing lower flight charges that have the significant reduction on the passenger carriage made by the Etihad Airways. Therefore, the company has faced various threats from different perspectives but it has tried harder to remain in the market and keep its current positioning in the air transport service sector. Etihad Airways was inaugurated in 2007 by the Abu Dhabi ruling family and it is fully owned by the government of Abu Dhabi. The company currently serves over 116 destinations while making more than 25,200 flights per week and it currently has 120 aircraft (Rodrigues, 2010). Etihad Airways was founded by the Sheikh AHammed Bin Zayed Al Nahyan in partnership with other entrepreneurs with a vision to reflect the considerate, cultured, generous and warm Arabian hospitality and enhance the prestigious position of the Abu Dhabi city as a centre of hospitality between East and Eastern Europe. Airline companies contribute a lot to the economic growth of United Arab Emirates. Etihad Airways is the major carrier in the Abu Dhabi serving a population of over 209 passengers per flight. The great representative of Abu Dhabi in the international airline market is Etihad Airways and the company market position is based on continuous persuasive advertisements and marketing as one of the main strategies for market expansion and market sustainability (Khalifa, 2011). In terms of operations, the company is responsible for the environment and it conforms with environmental laws on gaseous emissions and tries to ensure that the emission of gases is below the international standards as well as cares for the wildlife both on land and in space. Currently, Etihad Airways operates with high operating expenses because of the highly competitive market in the UAE transport sector. Such competition is one of the greatest threat to its existence in the market (Papatheodorou, 2006). One major threat is low-cost airlines such a Fly Dubai and Air Arabia and big airline firms such as Emirates Airlines (Ethos Consultancy, 2010). Despite the competitive market that Etihad Airways is currently operating in, the company runs a fleet of 120 aircraft that fly to more than 116 destinations in various countries across the world. It has maintained its continuous efforts for the expansion of its market both domestically and internationally with its exceptional hospitality accompanied by onboard entertainment. Its 2016 report shows that the major strategies of the company include expansion of its market through strategic alliances, building strong brand equity among its customers, investing in large carriers and expanding its new destinations (Nataraja & Al-Aali, 2011). In addition, Etihad Airways is strategic in developing sustainable business by maintaining social and corporate responsibility, hiring professional employees and contributing to international development through foreign direct investment in specific countries where it is operating (Nataraja & Al-Aali, 2011). Strategic management in the context of Etihad Airways calls for a considerable measure of attention. External analysis reveals that there is minimal attention in the form of dynamics as well as tradeoffs that have been applied in theoretical and practical performance. The airline's performance has remained in a static position, with the reputation of being fragmented and backwards. This has led to adverse outcomes suggesting an urgent need for a strategic review based on a systematic perspective within a holistic approach, integrating multiple dimensional performance measurement, including functional and time horizons. This systematic approach to performance measurement can take into account the functionary interdependencies and dynamic influence for individual and organisational performance on the whole. A PESTEL (Political, Economic, Social, Technological and Legal) analysis of the macroeconomic environment in which Etihad Airways operates in can be helpful in determining the strategic option available. The government of the United Arab Emirates has signed business agreements with other Asian, European and American countries. Such agreements can be used as an opportunities to strengthen the political integration and maintain favorable trade exchange between countries that can lead to improvements in the aviation industry (Kraus And Koch, 2006). Such strong agreements have strengthened the airline of United Arab Emirates to broaden its network across the globe. The government of Abu Dhabi supports the growth and development of the Etihad Airways by improving the airline infrastructure to make the transport sector favorable for the passengers (Nataraja & Al-Aali, 2011). Etihad Airways has already established an exclusive terminal for all its carriers in Dubai and Abu Dhabi airports while serving its passengers at low charges compared to other firms. Similar opportunities have advanced the growth of

Etihad Airways because of the open skies policy of the UAE. This encompasses an easy to issue visit visa policy, the no-taxation policy and the granting of work permits for expatriates in response to labor market demands and the employment requirement of the Abu Dhabi government. However, the political insurgencies in the Middle East region pose changes to operations of the company in such countries like Syria, Yemen, and other MENA countries. This is likely to limit the forecasted growth of the company in the coming years. Environmentally, Etihad Airways is eco-friendly and the goal of the company is to ensure that it reduces the carbon print and the Gaseous emission in line with the United Arab Emirates environmental policy. The company is committed to reducing expenses and operational costs with a reduction in environmental pollution (Nataraja & Al-Aali, 2011). Technology is one of the most effective components in the UAE airline industry and is significant for the success of newly-recently established companies in the competitive market. Technological advancement assists the UAE airline industry in providing high-quality services at lower costs by minimising fuel usage and reducing sound pollution. The newly-established information systems such as E-Ticketing system will in future reduce customer service expenses and time taken by a customer to obtain a ticket. All in all, these measures enable Etihad Airways to provide better services to its customers.

Etihad Airways is thus one of the more profitable airlines in the United Arab Emirates. In 2014, the company recorded a full-year EBIT of USD137 billion dollars which contributed to a 36% growth of the company's revenue. However, there are some capability factors that currently hinder its effective operations in the airline industry (Arab News, 2014). The company is operating in a highly competitive market both domestically and internationally. The entrance of low-cost airlines such as Fly Dubai in Abu Dhabi and Air Arabia in Sharjah as well as Gulf Air and Qatar airlines in GCC and other global British and Lufthansa Airways are likely to impede its market expansion strategy and increase the operational costs of the Etihad Airways in some countries (Lin And Hong, 2006). This, coupled with unfavorable economic crisis in the Middle East and other economic changes such as variations in the exchange rates, caused many airlines to record great losses or run the risk of bankruptcy. It is hoped that such situations would not arise to affect the progress of Etihad Airways in the UAE airline industry. In addition, fluctuations in the oil prices and exchange rates affect the operations of the company and if the trend continues, the company is in danger of economic bankruptcy in the next five years. (Lin and Hong, 2006). Added to the problem of economic survival of airlines are natural disasters such as floods and earthquakes and the break-out of acute diseases such as yellow fever and Hepatitis B in some parts of the world such as Africa, Eastern Europe, and Australia (Nataraja & Al-Aali, 2011).

In seeking to assess the environmental challenge the airline operates in, Etihad Airways uses Porters value chain analysis to determine the competitive advantage of the company against the existing airlines. One of the steps taken is to establish strong relationships with suppliers of specialised training services and advanced access control systems. Currently, the company has a workforce of expert engineers, cabin crew, airline maintenance personnel, flight deck crew and aircraft controllers in addition to sufficient pilots and airlines across the United Arab Emirates. This helps the company to effectively manage the flight schedules in ways that ensure better and reliable services to the customers (Dubai Chronicle, 2014). Etihad Airways supplements its excellent customer services offerings through a variety of airline types in the Abu Dhabi International Airport, comprising an all-wide-body aircraft fleet of Boeing and Airbus airplanes (Rodrigues, 2010). The company has also put in place a plan to increase its invaluable flight services to more destinations; increase operational efficiency and offer emergency services to specific clients. One of the greatest financial positioning of the company is to maintain its business supervision by reporting its audit, settlements, and EDI. The customers are picked suitably and the company maintains its flight schedules according to the stipulated time. In sales and marketing, the company implements vertical relationship with its business arrangements through technology implementation, marketing, and production operations. So far, the company has diversified its airline investment by offering a variety of transport services to the airport in addition to improving its infrastructure in the operational destinations. Therefore, Etihad Airways is growing every day and its service is becoming appropriate to suit the needs and desires of their customers (Dubai Chronicle, 2014).

Conclusions and Observations

Amidst all the strengths and prosperity, Etihad Airways is not resting on its laurels of reputational strength, strong market share and profitability. It is ever on the lookout to invest in the greater leverage of technology by building a robust information technology infrastructure, to minimise the operational expenses, reduce cyber threats and capture more passengers per flight (Squalli, 2014). At the same time, it is taking steps to manage the threat of the incoming oil crisis by working hard to secure fuel supplies to maintain and sustain on-going flight operations. (Squalli, 2014). Etihad Airways' corporate strategy to be a leading world airline is in line with the national 2030 Abu Dhabi plan (Rodrigues, 2010). It comes as a mandate established in 2010 by the stakeholders of the company (The National Business, 2014). To date, it has been successful in delivering the vision. (Dubai Chronicle,2014). Going forward, however, the implementation of the strategy is likely to be hampered by a number of limitations that will reduce the ability of its airlines to reach the desired profitability. One such challenge is likely to be the issue of buyer response to substitutes. Rival airlines coming in will compete for passenger demand through a mix of higher luxury and low cost. (Zeithaml, 1998). Secondly, because there are only two suppliers of the airline equipment and machinery i.e. Airbus and Boeing, it is very expensive for Etihad Airways to change and switch to any other suppliers, due to supplier rigidity, it becomes easier to remain exploited by the monopolies.

Brief Recommendations

To address the above-identified strategic issues, the company needs to maximise its profitability in various geographical areas of its operations. It is important for the company to enter into code-share alliances with other airlines, especially in places where its profitability is low. (Koch, 2007). Such strategic alliances with a network of partners will help Etihad Airways to minimise its operational costs and gain more market benefits through economies of scale, especially in flights to duopolistic destinations (Koch, 2007). Secondly, the company has to increase market share by being price competitive, especially in low-cost markets, where customers are more price sensitive, as it seems to be the direction the airline industry is currently drifting towards in the United Arab Emirates (Papatheodorou, 2006). The expansion strategy of the company must include establishing unique and new destinations, especially to Asia and Europe, Pacific and Africa (Kraus and Koch, 2006). Investments in research and development must continue to come up with unique and attractive luxurious services and offer better onboard experience to its customers. At the same time, the company must watch carefully its massive operational costs, diversify its investments and start low-cost divisions.

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“"“In the middle of every difficulty lies opportunity.”**

- Albert Einstein

Bank Mergers: Opportunity or Obstruction? An Indian Case Study

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Abstract

The mega-merger of the State Bank of India and (SBI) its Associate Banks & Bharatiya Mahila Bank was completed in April 2017. This was the largest merger in the history of Indian banking industry where the State Bank of India merged with its five associate banks namely State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore(SBM), State Bank of Patiala(SBP), State Bank of Travancore(SBT) and Bharatiya Mahila Bank. Since SBI is the largest bank in India in terms of profits, assets, deposits, branches, employees, the merger caught the attention of the media, analyst and experts. It was projected that the merger will result in the SBI becoming among the top 50 banks in the world. The merger exercise raised concerns about the opportunities available and the possible obstructions. Various aspects of the SBI merger strategy and the outcomes were highlighted, including the benefits and threats of bank mergers and acquisitions.

Keywords: India, State Bank of India (SBI), Mergers, Associate Bank

Introduction

"Merger to give clients finer pricing, more innovation"[1]

- Arundhati Bhattacharya, Chairman, State Bank of India

On 1st April 2017, a swap merger was completed between State Bank of India (SBI) and its five associates i.e., State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Patiala (SBP), State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH) along with Bharatiya Mahila Bank (BMB). It was one of the largest merger deals in Indian banking industry, predicted to result in SBI becoming among the top 50 banks[2] of the world in terms of asset size. SBI would become the largest Indian bank in terms of deposits, advances, branches, and employees. The deal was initially announced on 17th May 2016[3] with the aims of cost reduction, better operational efficiency, and cost rationalisation. After the merger, the combined entity's market share increased from 17% to 23%[4]. The balance sheet size of the combined entity reached 33 lakh crore with deposits worth of '26 lakh crore and nearly '18.76 lakh crore worth of advances. Under the roof of the enlarged bank, were approximately 24,017 branches, 59,263 ATMs, 2, 71,765 employees and 42 crore customers[5]. The banks faced many integrations-related issues during the completion of the merger deal. This case study provides knowledge on what an organisation can achieve from a merger deal and what possible problems it can face.

More than a year into the merger, questions have been raised as to the practical benefits of the whole exercise. The associate banks had become subsidiary banks, hierarchically subordinate to SBI. Issues relating to cultural differences and the integration of staff between the associate banks and SBI had to be addressed. We examined the issues through the raising of pertinent questions, such as:

1 *Mehta, S. (2016). Merger to give clients finer pricing, more innovation: SBI Chairman Arundhati Bhattacharya, Economic Times 19 Aug, Available at: http://economictimes.indiatimes.com/markets/expert-view/merger-to-give-clients-finer-pricing-moreinnovation-sbi-chairman-arundhati-bhattacharya/articleshow/53765113.cms (Accessed: 24 April 2018)*

2 *Saha, M. (2017) When SBI, associate banks merge, The Hindu 5 March, Available at: http://www.thehindu.com/business/Industry/when-sbi-associate-banks-merge/article17410334.ece (Accessed: 24 April 2018)*

3 *Reuters (2018) SBI, associate banks rise as Cabinet approves merger proposal, The Hindu 20 Jan, Available at:http://www.thehindubusinessline.com/markets/stock-markets/sbi-associate-banks-rise-on-talks-of-merger-approval/article8731963.ece (Accessed: 24 April 2018)*

4

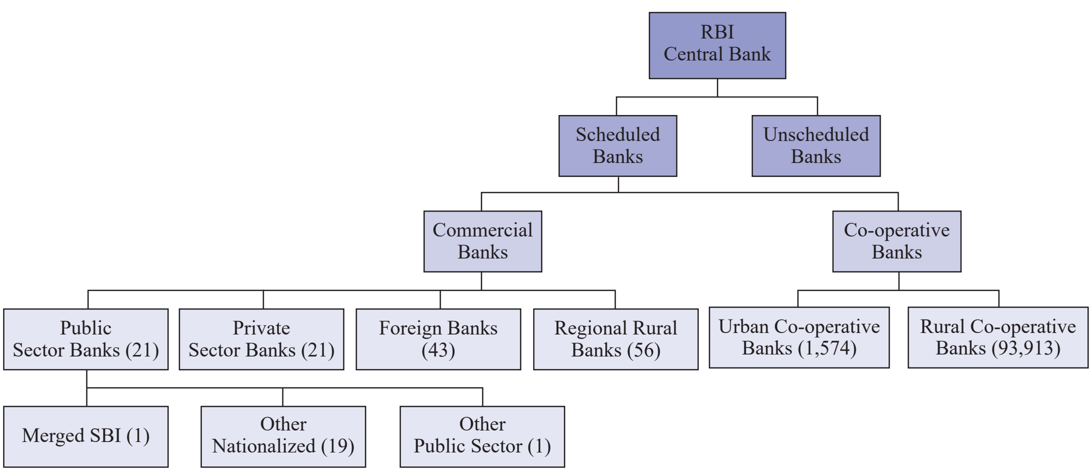
5 *SBI (2017) Annual report of SBI 2016-17 Available at: https://www.sbi.co.in/AR1617/ (Accessed:24 April 2018)*

1. What is the future scope of the merger deal; a tough road or a smooth river?
2. Was the merger decision right under the given circumstances or would privatisation have been a better option?
3. What was the rationale or logic behind the decision to merge a largely owned government bank with its Associates?
4. Was a proper risk management analysis carried out that would have helped management avoid a crisis?

Scenario of Banking Industry in India: What Triggered the Merger?

The banking industry as the backbone of Indian financial system comprises public sector banks, private sector banks, foreign banks and regional rural banks. The Indian financial system also includes many co-operative banks and non-banking financial organisations. All the banks in India are regulated by a centralised body known as Reserve Bank of India (RBI) The management and operations of banks are governed by both the RBI Act, 1934 and the Banking Regulation Act of India, 1949.

Figure 1: Banking Structure in India



Source: Reserve Bank of India (RBI) website
Note: numerical values given in the figure represent the number of banks in specific categories.

There were 27 public sector banks in India before the SBI merger. After the merger of SBI with its five associate banks and BMB, as on 1st April 2017, the number of Public Sector Banks (PSB) was reduced to 21 (comprising 19 nationalised banks, one newly nationalised banking organisation i.e. Industrial Development Bank of India (IDBI) and one merged SBI). Outside the public bank sector, India currently has 21 private sector banks, 43 foreign banks, 56 regional rural banks, 1574 urban co-operative banks and 93, 913 rural co-operative banks.

The public sector banks dominated the financial sector, having around 80% of the market share[6]. SBI (State Bank of India) is the largest public sector bank with a market share of 23% among all Indian banks. At the end of FY 2017, the total assets value of 21 PSBs reached 74, 26,467.48 crores[7]. PSBs sought to be competitive by adopting innovative technologies and addressing issues of efficiency, development and growth, including excessive manpower and non-performing assets (NPAs).

Presently, Indian banks seem to be holding their own competing with the global banks. Compared with global banks, Indian banks have higher Net Interest Margins (NIM). The NIM of Indian banks are 2-3% higher than that of Chinese banks. The private bank, HDFC bank enjoys a high NIM of over 4.3% in FY17[8]. Indian banks are paying more attention to risk management concerns, adopting Basel II norms issued by Basel Committee on banking supervision. The RBI report indicated that most of the Indian banks have already maintained the capital requirements according to Basel III norms, before the 31 March 2019[9] deadline for implementation of Basel III.

As part of the "Digital India" movement, Indian banks were focussed more on building up their technological infrastructure to provide better and advanced customer services. The Gartner report estimated that spending on information technology by banking and securities companies in India would grow by 8.6 percent in 2017 to reach $8.9 billion[10]. The demonetisation was deemed a significant step towards making India

6 IBEF (2014) *Banking Sector in India, Available at: https://www.ibef.org/industry/banking-india.aspx, (Accessed: 24 April 2014)*

7 *Max Life Insurance (2014) Banks- public sector, Available at: http://www.moneycontrol.com/stocks/marketinfo/totassets/bse/banks-public-sector.html (Accessed on 24 April 2014)*

8 *HDFC Bank (2014) HDFC bank Investor's presentation, Available at: https://www.hdfcbank.com/assets/pdf/Investor_Presentation.pdf, (Accessed on 24 April 2014)*

9 *Wikipedia (2014) Basel-III, Available at: https://en.wikipedia.org/wiki/Basel_III, (Accessed on 24 April 2014)*

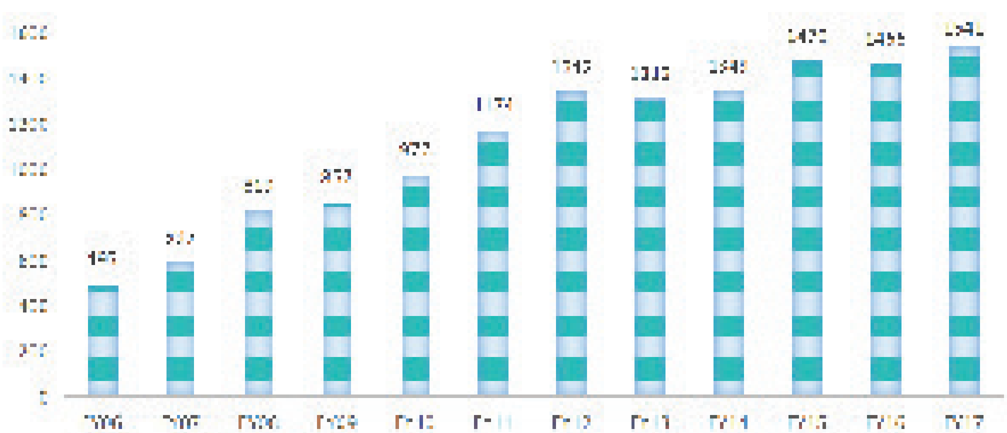
10 *Business Standard (2014) IT spend in Indian banking and securities industry to grow 8.6% in 2017, Business Standard 24 April, Available at: http://www.business-standard.com/article/economy-policy/it-spend-in-indian-banking-and-securities-industry-to-grow-8-6-in-2017-117061600501_1.html, (Accessed on 24th April 2014)*

a cashless economy, designed to bring about a shifting of customers from traditional banking to modern banking and the incremental use of ATMs, internet banking, and mobile banking. The banks were also encouraged to adopt Know Your Customer (KYC) procedures as per RBI norms for opening an account and making any investment. The implementation of KYC was a forward step taken by banks in providing more safe and secure services to the customers.

According to the RBI report, 490,000 villages had no banking facilities. To expand the banking services in rural areas, the Government of India launched various schemes like Pradhan Mantri Jan DhanYojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY)[11]. The main aim of these schemes was to provide financial services to low-income groups. As a result of the extension of banking services in Indian villages, as on 4th October 2017, PMJDY deposits touched to `67,016 .04 crore (US$ 10.42 billion) with 303.8 million numbers of accounts.

Over the last ten years, banks had been growing in term of asset size, deposits, credits, number of branches, ATMs, and number of transactions. The deposits were growing at a Compound Annual Growth Rate (CAGR) of 12.03% and reached 1.54 trillion by FY 2017. It was expected that commercial banks deposits would increase to US$ 1,482 billion and credit would reach US$ 1,223.81 billion in FY 2017-18[12].

Figure 2: Growth in Deposits Over the Past Few Years (US$ Billion)



Source: RBI Website

11 *Department of Financial Services (2018) Pradhan Mantri Jan Dhan Yojana. Available at: http://financialservices.gov.in/new-initiatives/schemes, (Accessed on 24 April 2018)*

12 IBEF (2018) Available at: *https://www.ibef.org/industry/banking-presentation, (Accessed on 24 April 2018)*

The Indian banking industry faced various challenges like the decline in credit growth, increase in non-performing assets (NPA), and the high capital requirement for regulatory requirements. Over the last few years, the trend of credit growth in India has declined and in FY17, credit growth reached 4.7%, which was the lowest growth rate in over a decade[13]. As per the RBI Financial Stability Report June 2017, the gross NPAs of scheduled commercial banks would reach at 10.2% by March 2018, which was 9.6% in March 2017[14]. There was thus evidence that Indian banks were facing many crucial challenges due to the changing financial environment and were seeking effective ways to overcome these challenges. As a corporate restructuring activity, M&A provided an opportunity to banks to combine their business with a suitable partner for their rapid growth and development. The merger of SBI with its five associates and BMB represented such an attempt by the government of India to enhance their growth by increased efficiency and competitiveness in the global economy.

State Bank of India

State Bank of India was one of the largest and public sector banks in India. It originated in the first decade of the 19th century of the British era with the formation of the Bank of Calcutta (later called the Bank of Bengal) in 2nd June 1806. Later, two other banks, Bank of Bombay (1840) and Bank of Madras (1843) were amalgamated with the Bank of Calcutta to form the Imperial Bank of India on 27 January 1921. On 1st July 1955, the State Bank of India was formed to take over the business of Imperial Bank of India under the provisions of the State Bank of India Act, 1955.

After the independence of India, SBI became the first nationalised bank of the country with its headquarter in Mumbai, Maharashtra. In 1959, State Bank of India (Subsidiary Banks) Act was passed to empower SBI to acquire control of eight princely state-associated banks. Under the SBI Subsidiary Bank Act, seven banks were formed namely, State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad(SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Travancore(SBT), State Bank of Saurashtra (SBS) and State Bank of

13 Professional Risk Opnion (2017) Indian Banking Sector: Update FY17 & Outlook, Available at: http://www.careratings.com/upload/NewsFiles/SplAnalysis/Indian%20Banking%20Update%20FY17%20and%20Outlook.pdf, *(Accessed on 24 April 2018)*

14 Reserve Bank of India (2017) Financial stability report, Available at: https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/0FSR_30061794092D8D036447928A4B45880863B33E.PDF, *(Accessed on 24 April 2018)*

Indore (SBI - Indore). These banks were functioning individually before they merged with SBI. Subsidiary banks mostly concentrated their business at state level.

The plan to merge SBI with its associates started in the year 2008. On 13th August 2008, SBS merged with SBI, followed by SBI-Indore in August 2010. During FY16-17, the Government of India announced the merger of SBI with its' five associates and BMB. Table 1 provides all the information regarding the associate banks.

Table 1: Brief Summary of Five Associates Banks of SBI

Details	State Bank of Bikaner & Jaipur	State Bank of Hyderabad	State Bank of Mysore	State Bank of Patiala	State Bank of Travancore
Origin Bank	State Bank of Bikaner (SBB) and State Bank of Jaipur (SBJ)	Hyderabad State Bank	Bank of Mysore Ltd	Patiala State Bank	Travancore Bank Ltd
Founded (Year)	SBB (1944) SBJ (1943)	1941	1913	1917	1945
Founder	SBB (Maharaja Ganga Singh) SBJ (Ramnath Anandilal Podar)	Mir Osman Ali Khan	Sir M. Visvesvaraya	Bhupinder Singh, Maharaja of Patiala State	Chithira Thirunal Balarama Varma Maharaja of Travancore
Associates with SBI (Year)	1960	1959	1960	1960	1960
Headquarters	Tilak Marg, Jaipur	Gunfoundry, Abids Hyderabad India	Bengaluru	Patiala	Poojappura, Thiruvanan-thapuram, India
Key People (Managing Director)	Dibakar Mohanty	Mani Palvesan	N.K.Chari	S. A. Ramesh Rangan	C.R.Sasikumar
No. of Branches in India	1,360	2000	1074	1314	1,157
Status of Associate Banks as on 31st March 2017 (Rs.in crore)					
Total Assets	1,16,293	1,63,190	88,996	1,22,829	1,25,917
Investment	676.12	367.55	628.63 9	4,859.10	885.11
Total Deposits	1,03,662	1,42,955	77,769	1,00,507	1,14,323
Total Advances	68,774	87,715	38,608	77,100	52,506
Net Profit	-1,368.33	-2,760.26	-2,006.26	-3,579.46	-2,152.46
Operating Profit	1,942.14	2,909.86	913.58	1,454.83	1,503.32
CAR %	9.25	11.73	12.41	12.43	12.19
Gross NPAs%	15.52	20.76 1	25.68	23.15	16.79
The % of share of state bank of India	75.07	100.00	90.00	100.00	79.09
Legal Status	Listed	Unlisted	Listed	Unlisted	Listed

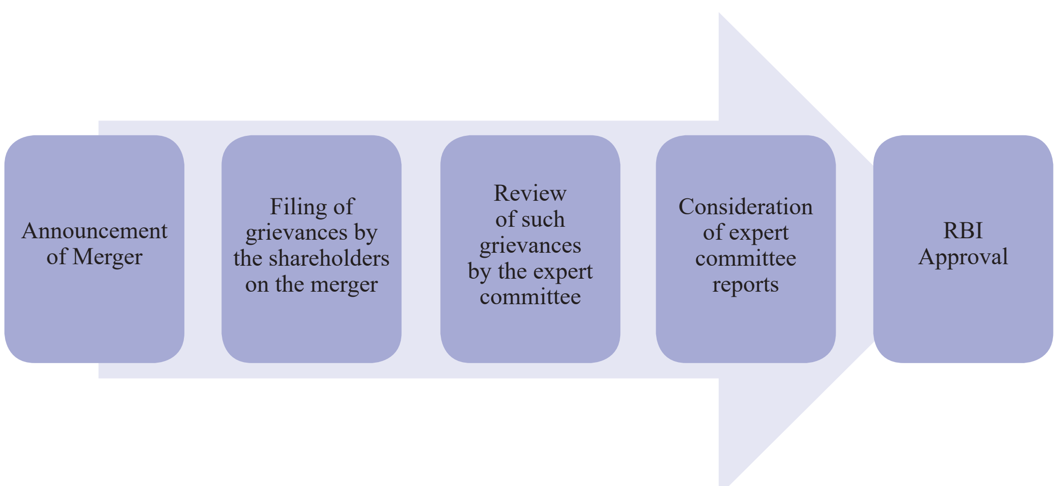
Source: Banks Annual Report and various other online sources

Before 31st March 2017, all these banks operated as individual business entities. After the merger in April 2017, these banks came under the SBI roof. The parent SBI had 17,170 domestic and 195 foreign branches distribute across 36 countries[15] and the five associate banks collectively had 6,847 branches and 9,075 numbers of ATMs. It was predicted that, after the merger, the merged entity would account for one-fourth of the market share in India's banking sector (in terms of loans and deposits), with an asset base of about ` 40 lakh crore from ` 23 lakh crore[16]. Smt. Arundhati Bhattacharya remained the Chairman of this enlarged bank SBI.

The Merger Deal

On 1st April 2017, SBI announced the merger proposal with fully owned BMB, three listed associate Banks i.e. SSBJ, SBM, SBT and two unlisted associates i.e. SBH and SBP. This proposal followed the provision of section 35 of the SBI Act, 1955. The Central Government of India approved the swap merger. The entire merger proposal followed the following steps.

Figure 3: The Procedure of SBI Merger with its Associates



The deal was seen as being beneficial for the shareholders of SBI and its associates. The swap ratio was calculated as per the market price. Two of the associate banks

15 *SBI Annual report FY17*

16 *Parmar, B. (2017). Cabinet approves merger of SBI, 5 associate banks, Available at: http://www.moneycontrol.com/news/business/companies/cabinet-approves-mergersbi-5-associate-banks-1003769.html, (Accessed on 24 April 2017)*

i.e. SBP and SBH were fully owned by the parent SBI and were not listed in any stock exchanges; the other three associate banks i.e. SBBJ, SBM and SBT had public ownership and were listed in Indian stock exchanges. On 18th August 2016, SBI officially announced the merger with its associates to the stock exchange. Under this merger, listed associates banks shareholders received share of SBI in exchange for their shares held in associate banks. As SBP and SBH were fully-owned subsidiaries banks of SBI, there was no requirement of share swap and cash outgo. In the new entity, the shareholding pattern of the government of India and public in SBI was 59.70% and 40.30% respectively[17].

Figure 4: Share Exchange Ratio

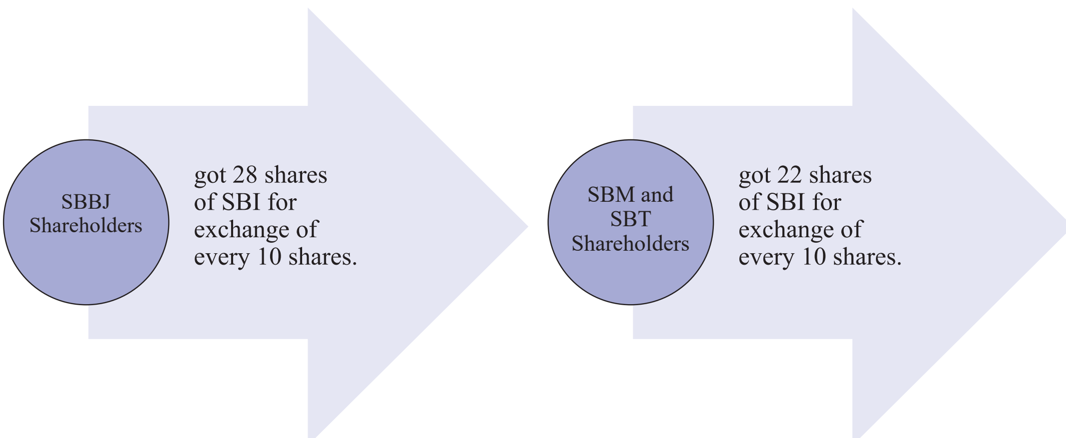


Table 2: Share Swap Ratio - SBI with SBBJ, SBT and SBM

Details	Weights	SBI	SBBJ	SBT	SBM
Market Price Method	45%	197.40	507.00	390.00	394.50
CCM Method	45%	202.80	536.90	433.20	393.10
NAV Method	10%	228.80	906.50	797.70	893.90
Weighted average value per share		203.00	560.40	450.20	443.80
Exchange ratio			28:10 (2.8:1)	22:10 (2.2:1)	22:10 (2.2:1)

Source: SBI & Associate Banks Merger – Birds Eye View, available from https://www.sesgovernance.com/pdf/home-reports/SBI%20%20Associate%20Banks%20Merger%20-%20Birds%20Eye%20View.pdf, last accessed on 25th April 2017.

17 SBI is owned by government and it is a public sector bank. https://www.sesgovernance.com/pdf/home-reports/SBI%20%20Associate%20Banks%20Merger%20-%20Birds%20Eye%20View.pdf

As per the provisions of the SBI Act, 1955, the merger neither required the approval of the Stock Exchange Board of India (SEBI) nor the court. After the successful completion of the deal, the parent SBI and the five associates of SBI and BMB operated as a single bank.

Opportunities

The newly created banking giant in India enjoyed the benefits of economies of scale and scope. It became one of the top 50 banks of the world, with total assets size reaching 41 lakh crore[18, 19]. The consolidated SBI served over 42 crore customers with their combined 24,017 branches and 59,263 ATMs[20]. After merging the liquidity of all banks, the consolidated entity was in a better position to manage the short term as well as long-term liquidity position and would not need the overnight borrowings from RBI under the liquidity adjustment facility (LAF) and marginal standing facility (MSF). The new merged entity gained more global recognition and better rating. The burden of maintaining the capital adequacy ratio and the capital requirement as per the norms of Basel III was reduced. The merged entity would be able to manage their combined liquidity more efficiently. All the employees of the associate banks would also enjoy the same facility like the employees of the SBI after the merger. The total number of products and services would increase after the merger and the customers of SBI and its associates could access a wider number of choices in products and services.

According to the finance minister, Mr. Arun Jaitley,

"The banks would receive operational benefits from the merger. A large number of a top-level posts like CMD, MD, GM and the Zonal manager would be reduced, and it would be resulting in the saving of salary cost. SBI employees were enjoying the benefits of both pension fund and provident fund but its associate bank's employees had only provident fund benefits. Because of the merger, the employees of the mega SBI

18 *A crore (/krɔːr/; abbreviated cr) or koti denotes ten million (10,000,000 or 107 in scientific notation) and is equal to 100 lakh in the Indian numbering system as 1, 00, 00,000 with the local style of digit group separators (a lakh is equal to one hundred thousand and is written as 1, 00,000). Large amounts of money in Pakistan, India, Bangladesh and Nepal are often written in terms of crores. For example, 150,000,000 (one hundred fifty million) is written as 'fifteen crore rupees', '15crore' or 'Rs 15 crore'.(Wikipedia)*

19 *Max Life Insurance (2017) Post-merger, SBI to join top '50 Global Banks' with asset size of Rs 41 lakh crore Available at: http://www.moneycontrol.com/news/business/post-merger-sbi-to-join-top-50-global-banks-with-asset-size-of-rs-41-lakh-crore-2251193.html, (Accessed on 24 April 2017)*

20 *SBI Annual Report 2016-17*

would get the benefits of both the pension fund and provident fund. The concentration risk for individual banks would end with the merger and the risk would spread off in all over the India".

The manifold benefits of the mega SBI were considerable. Because of the merger, the customers received all banking products and services on one platform. The merger helped reduce the duplication of work. The enlarged SBI was able to make a concentrated effort towards financial inclusion. The SBI branch networks were more evenly dispersed all over the country. As a result, the threat of transfers to far off places lessened for middle management grade scale III officers. After the merger, the combined bank could spend more money for the training and development of their employees and officers. Employees and officers would get broader exposure in the mega SBI. The strength and funds of trade unions increased, due to the addition of employees. At the same time, the dominance of one section, one geographical region and one linguistic group were reduced.

The merger with the subsidiary banks was a win-win situation for both the subsidiaries and the parent SBI. The adoption of new advanced technology, improved environmental infrastructure and more staff providing service helped in improving customer services. From the perspective of the regulators, it was easier and convenient for RBI to monitor and control a large bank rather than deal with many small banks. Once the consolidated entity achieved synergy, the rate of interest of deposits went up marginally while the interest on loans became cheaper. As a large bank, the SBI would be able to finance big projects and trades that indirectly, boost the economy of India.

Obstacles

Like any other M&A deal, there were obstacles behind the mega-merger of SBI and its associates. Soon after the announcement of the merger, the All India Bank Employees' Association (AIBEA) called for a strike to oppose the merger with SBI and demanded for a separate merger of five associate banks as a single large bank.

Another problem surfaced as the enlarged entity inherited a vast branch network, with ATMs and control offices of both the associate banks and SBI in the same areas.

According to Dinesh Kumar Khara, SBI Managing Director,

"*…half of the offices of associates' banks would be shut down to avoid the overlapping issues and duplicacy in the controlling structure. Shifting or closing of nearby branches because of branch overlapping might create hurdles in the day-to-day operations of the bank along with financial issues…*[21].

As a result of the merger, all the employees of the associate banks became employees of the parent SBI. Reduction in the number of controlling offices led to job cutting. Employees who did not want to relocate were offered a voluntary retirement scheme (VRS). Around 2800 employees[22] of Associate banks of SBI opted for VRS. Dissimilar employee-related policies, different wages and pension structures, unrelated promotion policies of SBI and its associates became problematic in the post-merger period. The rationalisation of resources led to the retention of fewer top-level employees. The loss of many talented and experienced personnel caused a serious crisis among the middle and upper-level management. It was a challenge to provide product, process and service training over a limited timeframe to the vast number of employees from the associate banks.

According to the president of All India Bank Employees Association, Rajen Nagar, the proposed merger would create problems associated with size and the large number of bank branches as well as different work cultures and attitudes.

The entire merger process involved the complete technological and financial integration of all the associate banks with its parent bank. This was a really expensive and time-consuming exercise. SBI used India's number one ISO-certified technology and safety system while the associates operated on a different technical base. The challenging task of technological integration may lead to possible losses of data and diminution of control and a change in the IFSC codes of the associate banks.

21 *Adhikari, A. (2017). Five key challenges ahead for SBI post-merger, Available at: http://www.businesstoday.in/sectors/banks/sbi-associate-banks-merger-five-key-challenges-ahead/story/246939.html, (Accessed on 24 April 2017)*

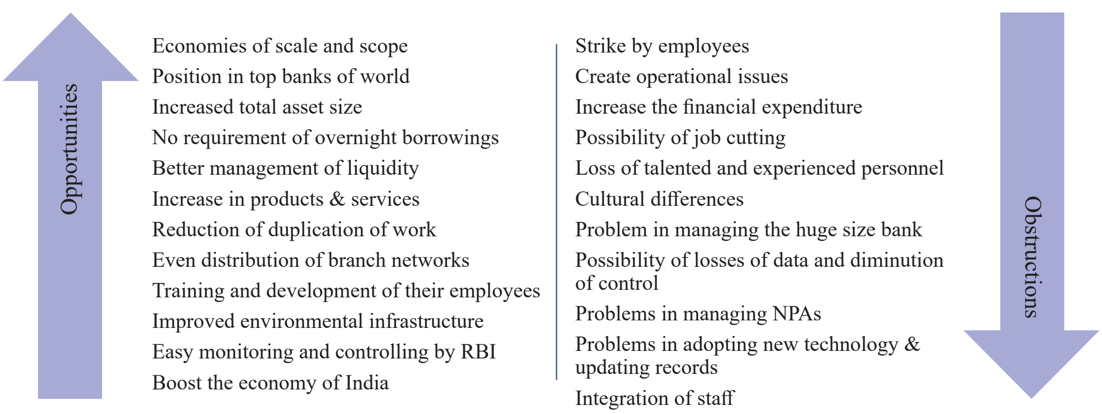
22 The Hindu (2017) 2,800 employees of SBI's associate banks opt for VRS, The Hindu 3 April, Available at: http://www.thehindubusinessline.com/money-and-banking/2800-employees-of-sbis-associate-banks-opt-for-vrs/article9613285.ece, (Accessed: 24 April 2017)

SBI chairman Arundhati Bhattacharya[23] highlighted that managing the non-performing assets (NPA) of the different associate banks would be another great challenge for SBI. The bad loans of five associate banks were around `35,396 crores. This would have to be transferred and added to the bad loans of SBI amounting to `66,117 crores in FY 2015-16[24]. This would directly affect the asset quality and operational activities of SBI. It may result in the lowering of the aggregate spending and a reduction of the lending amount to customers.

Both SBT and SBM saw losses in their December quarter, resulting in a negative impact on the performance of the combined entity. Because of losses in the associate banks, there would have to be a reduction of the rate of the dividends of the parent organisation during the first two and three years of the post-merger. Immediately after the merger, the share price of the merged entity fell.

Several problems related to the integration of accounts, updating of records, adoption of new technology and cultural differences may take more than two years to solve. Within the merger period, the plans and strategies for financial inclusion may have to be revised leading to a delay in implementation. Various government subsidies, direct benefit transfer (DBT) and government grants to the public would also be affected.

Figure 5: Snapshot of the Possible Opportunities & Obstructions in the SBI Merger Case



23 Max Life Insurance (2017). Arms merger, NPA resolution key challenges: SBI's Bhattacharya, Available at: http://www.moneycontrol.com/news/business/companies/arms-merger-npa-resolution-key-challenges-sbis-bhattacharya-2150099.html, (Accessed on 24 April 2017)

24 India Today (2017). Five key challenges ahead for SBI post-merger, Available at: https://in.news.yahoo.com/five-key-challenges-ahead-sbi-142048959.html, (Accessed on 24 April 2017)

Conclusion

The corporate restructuring of the banking sector through M&A was part of an on-going reform initiated by the government of India. The merger of SBI with its associates created the country's largest public sector bank, making it among the top 50 banks globally. Each associate bank added strength to the Indian banking system and should bring efficiency and synergy of operations. The enlarged SBI can more comfortably manage its liquidity short term as well as long term positions comfortably. It will not have to resort to overweight borrowings in the call market and from RBI under liquidity adjustment facilities and marginal standing facilities. As a giant financial body, SBI can now contribute effectively in building the Indian financial system. Though many challenges remain, this bank merger would create many opportunities in the future. Whether it achieved its anticipated synergies remained to be seen.

Valuable lessons can be learnt from this case study. Possible learning objectives include:

- Understand how a merger is used as a strategic option to cope with competition in the banking sector.
- Understand how to critically appraise opportunities (benefits) and obstructions (risk) in merger deals.
- Identify the important factors affecting the success or failure of merger transactions.
- Understand the structure and method of payment in a merger deal.

The following questions can stimulate further discussions and learning points to create a more comprehensive understanding and appreciation of the nature, problems and challenges of merger and acquisition activities in the banking sector in India.

1. What is the present scenario of the banking industry in India?
2. Are you fascinated by the merger deal or apprehensive about the success of the merger? If so, what would be the possible opportunities or challenges for this merger?
3. What is the share distribution pattern of SBI and its associate banks in the merger?
4. "This merger is a win-win situation for both bank and customer sides". Do you agree with this statement? Give reasons.
5. "Other Public sector banks should go for merger". State your viewpoints with reasons.

Annexure – I

Comparison of Financial Performance Between Q1 FY2017 and Q1 FY2018

Details	Increased/ decreased	% of Increased/ decreased	Amount of Q1FY17 In Cr	Amount of Q1FY18 In Cr
Net Profit	Increased	436%	374	2,006
Operating Profit	Decreased	13.72%	13,762	11,874
Net Interest Income	Decreased	3.51%	18,246	17,606
Non-Interest Income	Decreased	8.62%	8,761	8,006
Operating Income	Decreased	5.17%	27,007	25,612
Total Interest Income	Increased	0.76%	54,494	54,905
Interest Income on Advances	Decreased	8.40%	39,454	36,142
Interest Income on Resources Operations	Increased	25.95%	13,929	17,543
Total Interest Expenses	Increased	2.90%	36,248	37,299
Interest Expenses on Deposits	Increased	4.04%	33,632	34,990
Operating Expenses	Increased	3.72%	13,245	13,738
Staff Expenses	Decreased	0.75%	7,783	7,724
Overheads	Increased	10.08%	5,462	6,013
Deposits	Increased	13.28%	22,97,426	26,02,534
Savings Bank Deposits	Increased	23.45%	7,65,537	9,45,040
Current Account Deposits	Increased	24.61%	1,35,155	1,68,414
Gross Advances	Increased	1.46%	18,59,513	18,86,666
Corporate and SME advances	Decreased	4.35%	9,70,744	9,28,479
Retail Advances	Increased	13.31%	4,32,455	4,90,005
Agricultural Advances	Increased	1.69%	1,85,948	1,89,100
International Advances	Increased	3.22%	2,70,365	2,79,082
Gross NPAs	Increased	36.60%	1,37,662	1,88,068

Source: SBI quarterly reports

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“Taste the relish to be found in competition - in having put forth the best within you.”

- Henry Kaiser

Enhancing Global Competitiveness through Employees: A Case Study of Toyota Motor Corporation

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Abstract

This paper examines how organisations gain competitiveness in a global market environment characterised by fierce competition and challenges. Creating and maintaining sustainable competitive advantage through employees is essential for the success of companies. Toyota Motor Corporation puts its employees at centre stage to enhance competitiveness. Developing new products is necessary; however employees play a vital role in delivering high quality services and output that create customer satisfaction, loyalty and value. Organisations must provide the right environment and resources that support the delivery of quality services. In order to ensure well coordinated activities that produce the desired results, employees must be integrated into the organisation's processes and business systems.

Keywords: Competitiveness, Employees, Toyota, Training, Customers

Introduction

In the highly competitive twenty-first century business world, only the strong survive. Even maintaining the status quo may not be enough to prevent rivals from gaining a competitive advantage. Business firms develop their resources and when they do a good job, the firm is known to have the capability to excel in its core functions. A firm's capability is recognised from how well it integrates, co-ordinates and manages its resources to perform certain tasks. Competitiveness is the ability and performance of a firm to offer products and services that meet the quality standards in a given market (Krugman, 1994). Industrial competitiveness refers more to dynamic improvement based on the changes in the international economy (Maskell and Malmberg, 1999). The purpose of this paper is to examine how organisations gain competitiveness in a global market which has become increasingly difficult and only the creation of long-lasting competitive advantages seem to offer an avenue for survival. The case study of multinational automotive company Toyota Motor Corporation (Toyota) is mentioned with the key aspects of its competitive strategies. For many industries, employees play a vital role in achieving global competiveness. Companies must not only actively develop new products and improve quality, but also actively seek to raise the levels of customer satisfaction and loyalty through its employees. On the contrary, companies must provide the necessary support and resources to enable the delivery of high quality services and output. Many firms are endowed with good physical, financial and other technology-based resources. Workers must be integrated into the organisations' processes and business systems to ensure that activities are effectively and efficiently coordinated to bring results that create value.

People are the most important competitive resource and the foundation of an organisation's competitive capability. How an organisation manages its employees is important for achieving competitive advantage and of strategic importance to ensure that the employee-customer relationship works effectively and efficiently to achieve the organisation's objectives (Blount, 2011). Workers are considered good targets for development by firms that see them as the source of strategic competitive advantage. For these firms, workers provide them with the ability to perform better than their competitors. When workers are unable to use these resources to provide the firm with any significant advantage over its competitors, then the firm is said to be unable to develop core competency, as it is not capable of performing better than the others in the same trade or industry.

Can Workers Make the Difference?

Workers can make a big difference in a firm's performance. The performance can be translated into above average productivity, giving above average returns. These firms are able to use their human assets to provide good value. In many industries, firms try hard to beat their competitors to gain higher market share and better revenue performance. For example, supermarkets, service stations, bus/coach services on our highways, restaurants and fast food outlets display good rivalry in competitive markets. If competitive firms have similar products and services or have common operating features in their business operations, then firms can surpass competitors only with the performance of their human resources.

Employees have an important role in the service value chain as they shape customer perceptions and the service quality of the organisation (Scotti, Harmon and Behson, 2009). Indeed, leading firms globally outsmart their competitors based on their workers' positive attitude, helpful disposition, knowledge, skills, tidiness and smiling faces and many other likeable personal qualities. The concept of rivalry will require well-structured service indicators. The development of a rivalry culture needed to improve competitiveness and bring out the best in people, requires well-structured service indicators, including a reward system that is effectively promoted to the employees.

The programme must be delivered with a consistent pace, based on a well-structured plan that will have reward (penalty) provisions for the different levels of organisational structure. The simulation of the private sector merit system should be closely adopted and strategic leaders must provide a role model to the lower levels. This means managers can be answerable if performance indicators are below a certain agreed level. The cost savings from higher productivity will translate into competitive advantage. The competition programme must be introduced with adequate induction and training so that workers buy into the new culture. A more competitive and rivalry induced scheme may well be the way to go. An award ceremony recognising the achievements of the above average performers will provide the climax to this programme.

Employee Training

Companies have placed increased emphasis on training their workers. A study on the automotive industry reveals that high quality technical and behavioral training is the most significant foundation of harmonious and long lasting relationship with customers (Joshi *et al.,* 2013). This emphasis in training reflects the need for more highly skilled workers. Remaining competitive in an increasingly technology-intensive global economy requires firms to continually increase their investments in employee training. The widely accepted human capital model suggests that organisations provide training in anticipation of improvements in worker productivity. Indeed, human capital comprises skills obtained through formal training and on-the-job training.

American manufacturing firms have continually maintained comparatively high levels of productivity. Advances in production processes and the advent of new technology prompt manufacturing firms to offer increased levels of training that is job-specific. Investment in training is justified because of a positive relationship between efficiency and investments in training.

The methods used for training employees range from formal classroom training to informal training. Training offered on the job is one effective type of training. One study found that workers employed in the trade industry obtained over 90 percent of the skills required by their job through on-the-job training (Joshi *et al.,* 2013). This type of training requires a sound structure to be successful and is regarded as one of the most effective methods for learning about technology and improved production methods.

Is Core Competency Sustainable?

The use of a firm's resources at its disposal indicates the level of capability of the firm. If it brings about above average returns (profit level that is above the industry average) then the firm is regarded as having a core competency in that area of resource utilisation. The firm will only have a competitive advantage if it uses the core competency to gain an advantage over its rivals. Integration of a number of competencies provides even better strategic management.

Many firms have not been able to maintain the core competency which they achieved initially. They become complacent and lose out on the unique resources as rival firms copy these or obtain them by some means. If the unique resources are workers then the firm must endeavor to keep an edge over its competitors. Generally it is easy to copy products and service systems, and even new technology become quickly generic in this highly globalised trading environment. However, a smart firm develops uniqueness in its employees as a strategic element by incorporating them into the organisation's business systems, to ensure that worker-led processes are effectively coordinated.

These firms endeavour to keep their executives busy. The management of employees with appropriate Human Resource (HR) policies and skills are crucial to ensure effective employee performance and response to customer needs (Conduit and Mavondo, 2001; Ruekert, 1992). Different levels of workers are trained to consistently monitor the external environment for any threats and to grab opportunities that come their way. Any potential weakness is quickly neutralised by abundant strengths available from the workforce. Worker rewards are also directly linked to this performance. This structured and planned approach helps emerging firms to develop their workers with the core competences needed to outperform rivals. Firms must recognise that people are the true source of competitive advantage and the companies' future.

Toyota Motor Corporation

The automotive industry produces all types of motor vehicles needed for tourism, infrastructure maintenance, transportation and agriculture. Therefore, any changes in the automotive industry deeply affect the entire economy. The global automotive industry produces approximately 70 million units each year, playing a vital role in the world economy and making important contributions to the well-being of societies (Ulengin *et al.,* 2014). Enhancing the competitiveness of the automotive industry is of crucial importance for both developed and emerging economies (Lin and Wu, 2011). Notably, only a few studies have examined the competitiveness level of the automotive industry (Ulengin *et al.,* 2014).

In the business world, characterised by strong competition, volatility and rising costs, companies are forced to increase competitiveness in order to survive. Having new markets and technology may not be enough to effectively respond to rivals or prevent them from gaining competitive advantage. Toyota has a focus on organisational learning, knowledge enhancement and perfection which has enabled the company to retain its position as a leading multinational automotive manufacturer. Liu, Chen and Tsai (2004) use a correlation model to study the link between knowledge management capability and competitiveness and test their model on high-tech enterprises. The authors conclude that there is a significant relationship between knowledge management capability and industrial competitiveness

Toyota is rated as one of the world's largest automotive manufacturer by production and one of the largest companies in the world by revenue. To emerge as the dominant leader in the industry, it has implemented various HR strategies to have a strategic competitive advantage over its competitors. It ensures that employees are well satisfied and engaged in their roles. When there is employee satisfaction and effective engagement, Toyota believes their workers perform better than its competitors. It provides continuous training opportunities to its staff with flexible work options, employee support resources, engagement surveys, social clubs and regular sessions with management for productive feedbacks. Other benefits include subsidised housing, low interest loans, skill improvement training and a pension scheme upon retirement.

Toyota has a flat hierarchy and an egalitarian corporate culture to ensure that workers and management share a common identity and common interest in the well-being of the organisation. The 'welfare corporatism' at Toyota gives rise to employee empowerment, job security and enrichment, consequent employee commitment and goal achievement to gain an advantage over competitors (Besser, 1996). To ensure that workers share a common 'oneness', it has one company uniform, common car parks and dining area for all staff.

Open and fluid communication patterns are also encouraged to ensure maximum interaction internally and with customers. Regular opinion surveys are carried out and a hotline is established to assist all stakeholders. Information on external threats is regularly fed to workers to assist in effective planning and execution of services.

At Toyota, an employee has the authority to stop a production process if there is a mistake identified. By adopting a decentralised approach, the company's aim is to take advantage of the elimination of layers of authority in order to have a more flexible and fluid communication process which has a significant impact on operating processes. Employees are encouraged to learn by seeing the actual processes and procedures so they keep in touch with the current market trends, customer tastes and preferences. The company also has a broad and open system so everyone is encouraged to think innovatively for a smarter and vibrant workforce. Toyota has a culture that requires workers to spend more time in developing the correct processes and competencies rather than the actual product to ensure the highest quality which makes the company and its workforce inimitable. Demands and legislative requirements from different countries and diversity pose a challenge to the various work processes and strategies.

Conclusions, Limitations and Future Research Directions

The automotive industry is a key contributor to the national economy, particularly for industrialised countries. The automotive industry is well-known for its efforts to improve output. In a business environment characterised by high complexity and uncertainty, automotive companies must manage their employees in order to increase efficiency and productivity. However, operational competitiveness can be difficult and challenging under the unpredictable global competitive environment, increasing customer needs and changing government policies.

In relation to research limitations, this study focused on the automotive industry exclusively. A single case study is not enough to make reliable and rational analysis. Therefore, more case studies should be added into the study in the future for a deeper analysis. Next, similar studies in developed automotive economies like the United States, Germany and Japan could be undertaken with the results compared with emerging automotive economies like India and Brazil. Further research could also involve other industries such as electronics or heavy machinery in order to test the general validity of the results.

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