

Organizational culture of public and private sector banks

[Finance](#), [Banks](#)



In the past 25 years, the concept of organizational culture has gained wide acceptance as a way to understand human systems. From an “open-systems” perspective, each aspect of organizational culture can be seen as an important environmental condition affecting the system and its subsystems. The examination of organizational culture is also a valuable analytical tool in its own right.

This way of looking at organizations borrows heavily from anthropology and sociology and uses many of the same terms to define the building blocks of culture. Edgar Schein, one of the most prominent theorists of organizational culture, gave the following very general definition:

The culture of a group can now be defined as: A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (Schein 373-374)

The pattern of shared values, beliefs and assumptions considered to be the appropriate way to think and act within an organization.

- Culture is shared
- Culture helps members solve problems
- Culture is taught to newcomers
- Culture strongly influences behavior
- Layers of Culture

1. 1 Elements of culture

G. Johnson described a cultural web, identifying a number of elements that can be used to describe or influence Organizational Culture:

The Paradigm: What the organization is about; what it does; its mission; its values.

Control Systems: The processes in place to monitor what is going on. Role cultures would have vast rulebooks. There would be more reliance on individualism in a power culture.

Organizational Structures: Reporting lines, hierarchies, and the way that work flows through the business.

Power Structures: Who makes the decisions, how widely spread is power, and on what is power based?

Symbols: These include organizational logos and designs, but also extend to symbols of power such as parking spaces and executive washrooms.

Rituals and Routines: Management meetings, board reports and so on may become more habitual than necessary.

Stories and Myths: build up about people and events, and convey a message about what is valued within the organization.

These elements may overlap. Power structures may depend on control systems, which may exploit the very rituals that generate stories which may not be true.

1. 2 Dimensions of Organizational Culture

Innovation and risk-taking

The degree to which employees are encouraged to be innovative and take risks.

Attention to detail

The degree to which employees are expected to exhibit precision, analysis, and attention to detail.

Outcome orientation

The degree to which management focuses on results or outcomes rather than on technique and process.

People orientation

The degree to which management decisions take into consideration the effect of outcomes on people within the organization.

1. 3 Keeping a Culture Alive

To keep the culture alive of an organization following are to be considered:-

Selection

Identify and hire individuals who will fit in with the culture

Top Management

Senior executives establish and communicate the norms of the organization

Socialization

1. 4. Profiles of the bank

Introduction to ICICI

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. ICICI Bank (BSE: ICICI) (formerly Industrial Credit and Investment Corporation of India) is India's largest private sector bank by market capitalization and second largest overall in terms of assets. Its industry basically includes banking, insurance capital alliance. It has about a network of 1, 668 branches and about 4, 883 ATMs in India and presence in 18 countries as well as some 24 million customers (at the end of July 2007). The Bank is expanding in overseas markets and has the largest international balance sheet among Indian banks. ICICI Bank now has wholly-owned subsidiaries, branches and representatives offices in 18 countries, including an offshore unit in Mumbai.

ICICI Bank is also the largest issuer of credit cards in India. It is the most valuable bank in India in terms of market capitalization. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.

The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses.

ICICI was the first one to introduce the concept of branding in the Indian banking industry.

ICICI Bank is one of the Big Four Banks of India with State Bank of India, Axis Bank and HDFC Bank.

Introduction to HDFC

Hdfc bank is one of the popular private sector banks. It was established in 1994. the full name of hdfc bank is Housing Development Finance Corporation. It was the first bank to receive an approval from RBI for setting up bank in private sector. This bank was incorporated with the name HDFC bank ltd. and the registered head office of hdfc bank is in Mumbai. At present the bank is having total no. of 1412 branches and over 3275 ATMs across India

MAJOR POINTS

In 2002 HDFC bank witnessed and its merger with times bank limited . with this both HDFC and times bank become the first two private banks in new generation private sector banks.

In 2008 RBI approved merger of Centurian bank of Punjab with HDFC bank. With this merger the total deposit reached RS 1, 22, 000 Crore. While advances were RS 89, 000 crore and balance sheet size was RS 1, 63, 000 crore.

All the branches of the bank are online connected with the other ensuring speedy funds transfer for the customers. The bank is Continuously using up

to date technology along with market position to build maximum market share.

CAPITAL STRUCTURE

HDFC bank's total authorized capital is RS 550 crore at present from this the paid up amount is 424. 6 crore. HDFC group holds 19. 4%. The bank has about 5, 70, 000 share holders. Its share find a listing on the stock exchange (Mumbai and national stock exchange). hdfc banks American depository shares are listed on the New York stock exchange (NYSE).

Introduction to SBI

SBI, the state bank of India is a public sector bank. It was founded in 1806 in Kolkata as Bank of Calcutta. Its headquarters are situated in Corporate Centre, Madam Cama Road, Mumbai 400 021 India. It includes the banking, insurance and capital market industry. The roots of the State Bank of India rest in the first decade of 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806.

The Bank of Bengal and two other Presidency banks, namely, the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies, and were the result of the royal charters. These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act, a right they retained until the formation of the Reserve Bank of India. The Presidency banks amalgamated on 27 January 1921, and the reorganized banking entity took as its

name Imperial Bank of India. The Imperial Bank of India continued to remain a joint stock company.

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Pursuant to the provisions of the State Bank of India Act (1955), the Reserve Bank of India, which is IndiaHYPERLINK “ [http://en. wikipedia.org/wiki/Central_Bank](http://en.wikipedia.org/wiki/Central_Bank)”“ HYPERLINK “ [http://en. wikipedia.org/wiki/Central_Bank](http://en.wikipedia.org/wiki/Central_Bank)” s central bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955 the Imperial Bank of India became the State Bank of India. The Govt. of India recently acquired the Reserve Bank of India’s stake in SBI so as to remove any conflict of interest because the RBI is the country’s banking regulatory authority.

In 1959 the Government passed the State Bank of India (Subsidiary Banks) Act, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries. On Sept 13, 2008, State Bank of Saurashtra, one of its Associate Banks, merged with State Bank of India.

State Bank of India is one of the Big Four Banks of India with ICICI Bank, Axis [HYPERLINK “ http://en. wikipedia. org/wiki/Axis_Bank”](http://en.wikipedia.org/wiki/Axis_Bank) Bank and HDFC Bank.

Introduction to Punjab national bank

The Punjab National Bank or PNB is one of the well known commercial and banking institutions India . it is the second largest government owned commercial bank in the country and offers financial services in public sector. Around 37 million customers are served by the bank on an average basis. The customized facilities and services make it a trusted name in the domain of banking.

Growth of pnb

Punjab National Bank was registered under the Indian Companies Act on 19 May in the year 1894 and its first office was set up at Anarkali Bazaar in Lahore. Since then, the bank has become a great name in the field of banking and is very much preferred by the customers for the wide range of its services. Today, the bank has around 4, 904 branches.

Due to its facilities and services of high standards, Punjab National Bank has also been the recipient of a number of prestigious awards.

Punjab National Bank offers financial solutions and services in an array of sectors. All these services that are offered keep pace with the changing market trends in order to fulfill the needs and preferences of the customers. Some of the well known sectors on which the main functions of the bank are based are:

- Personal Banking
- Corporate Banking
- Agriculture finance services
- Industrial finance services
- Trade financial services
- International banking services

2. RATIONALE OF STUDY

In the past few decades, the concept of organizational culture has gained wide acceptance as a way to understand human systems. From an “open-systems” perspective, each aspect of organizational culture can be seen as an important environmental condition affecting the system and its subsystems. The examination of organizational culture is also a valuable analytical tool in its own right. This study tries to find out the variations that prevail in public sector banks with that of private sector banks with respect of the dimensions, artifacts and power structure etc. this study also tries to find out the relationship between organization culture and motivational level of the employees.

3. REVIEW OF LITERATURE

3.1 Schein [1998]

We can also characterize culture as consisting of three levels. The most visible level is behavior and artifacts. This is the observable level of culture and consists of behavior patterns and outward manifestations of culture: perquisites provided to executives, dress code, level of technology utilized and the physical layout of the work spaces. All may be physical indicators of culture, but difficult to interpret. Artifacts and behavior may also tell us what a group is doing, but not why.

3.2 Koen [2009]

While both the strategic management and the network literature recognize the importance of inter-firm relationships for explaining competitive advantage, the question why firms differ in their ability to benefit from these relationships is rarely addressed. This study aims to begin to fill this gap in the literature and argue that organizational culture is an important factor influencing the relationship skills of a firm, defined as a firm's ability to manage its ties with other firms, whether these are customers, suppliers, or service providers. The researcher assumes relationship skills to be especially relevant for the formation and maintenance of close and durable transaction ties. The researcher tested the model on a dataset of 127 Dutch inter-firm relations and found general support. Specifically, researchers find that firms with organizational cultures characterized by an orientation towards stability and predictability, a positive orientation towards innovation, and not characterized by a strong focus on immediate results, score high on relationship skills. Relationship skills, in turn, are found to have a positive

influence on the outcomes of inter-firm relationships in terms of learning, achieving innovations and gaining new contacts, but not in terms of immediate (financial) results.

3.3 Indian Association of Computational Mechanism – conflict types and role of organization culture (2004)

The potential positive or negative consequence of relationship conflict versus task conflict for group members and organizations continues to be a controversial topic. Whereas a certain amount of agreement exists on the negative consequences of relationship conflict, the evidence for task conflict is not as conclusive. This has led some authors (De Dreu & Weingart, 2003a, b) to propose a contingency perspective. This article continues this approach and analyzes the influence of types of conflict on group members' satisfaction and wellbeing, considering the moderating role that organizational culture plays in this relationship. Two types of service organization have been studied; private organizations with a high goal oriented culture, and public organizations with a low goal oriented culture. Results show that a) relationship conflict decreases both public and private workers' job satisfaction and affective wellbeing; b) task conflicts decrease private organization workers' satisfaction and affective wellbeing, while this dysfunctional effect is absent in public organizations; c) goal orientation moderates the effect of task conflict in private organizations; and d) support orientation moderates the effect of task conflict in public organizations.

3. 4 Berrio – Organizational Culture Assessment Using the Competing Values Framework

The contemporary definition of organizational culture (OC) includes what is valued, the dominant leadership style, the language and symbols, the procedures and routines, and the definitions of success that characterizes an organization. OC represents the values, underlying assumptions, expectations, collective memories, and definitions present in an organization (Schein, 1992; Cameron & Quinn, 1999). Cameron and Quinn (1999) have developed an organizational culture framework built upon a theoretical model called the “ Competing Values Framework.” This framework refers to whether an organization has a predominant internal or external focus and whether it strives for flexibility and individuality or stability and control. The framework is also based on six organizational culture dimensions and four dominant culture types (i. e., clan, adhocracy, market, and hierarchy). In addition the framework authors generated an “ Organizational Culture Assessment Instrument (OCAI)” which is used to identify the organizational culture profile based on the core values, assumptions, interpretations, and approaches that characterize organizations (Cameron & Quinn, 1999). The central issue associated with organizational culture is its linkage with organizational performance. Connections between OC and performance have been established. An increasing body of evidence supports a linkage between an organization’s culture and its business performance. In the business arena, evidence has confirmed that companies which put emphasis in key managerial components, such as customers, stakeholders and employees, and leadership, outperform those that do not have these cultural

characteristics (Kotter & Heskett, 1992; Wagner & Spencer, 1996). The competing values framework can be used in constructing an organizational culture profile. Through the use of the OCAI, an organizational culture profile can be drawn by establishing the organization's dominant culture type characteristics. In this respect the overall culture profile of an organization can be identified as:

- Clan: an organization that concentrates on internal maintenance with flexibility, concern for people, and sensitivity for customers.
- Hierarchy: an organization that focuses on internal maintenance with a need for stability and control.
- Adhocracy: an organization that concentrates on external positioning with a high degree of flexibility and individuality.
- Market: an organization that focuses on external maintenance with a need for stability and control.

The culture of Ohio State University Extension plays an important role in the way Extension personnel plan, implement, and evaluate educational programs. OSU Extension is perceived by its personnel to be an institution devoted to satisfying the needs and wants of its clients through programs that are clearly defined, sensible to public needs, constantly monitored for success, and pro-actively implemented.

3. 5 KAVANAGH & ASHKANASY – Impact of Leadership and Change Management Strategy on Organizational Culture in Case of Merger

This study reports a longitudinal study that examined mergers between three large multi-site public-sector organizations. Both qualitative and

quantitative methods of analysis are used to examine the effect of leadership and change management strategies on acceptance of cultural change by individuals. Findings indicate that in many cases the change that occurs as a result of a merger is imposed on the leaders themselves, and it is often the pace of change that inhibits the successful re-engineering of the culture. In this respect, the success or otherwise of any merger hinges on individual perceptions about the manner in which the process is handled and the direction in which the culture is moved. Communication and a transparent change process are important, as this will often determine not only how a leader will be regarded, but who will be regarded as a leader. Leaders need to be competent and trained in the process of transforming organizations to ensure that individuals within the organization accept the changes prompted by a merger.

3. 6 Western's survey of Organizational culture (2003)

In December 2003, Western's Academic and Administrative Leaders and Managers received the results of Western's survey of "organizational culture", completed in July 2003. Staff academic and administrative leaders from 33 different groupings had an opportunity to respond to survey questions regarding "What is expected, from a person in your role, to fit in and meet expectations here." A report for Western as a whole was compiled, and the leaders of the 33 groups were invited to requisition confidential "sub-group" reports for their own areas. The initiative was undertaken on behalf of the University by Human Resources to provide a) information for focussing leader, staff, and organizational development initiatives, and b) baseline data for evaluating the outcomes of these initiatives over the next 3

years. The survey will be repeated in 2007. Research on organizational culture conducted by the survey company used (Human Synergetics) shows that performance feedback systems and leadership practice exert the greatest influence on culture. Culture, in turn, can be correlated with levels of role clarity, role consistency, employee satisfaction, and commitment to customer service. Western has committed resources to enhance leadership practice, support campus-wide staff development, improve work systems, and more closely integrate academic and administrative leadership, so that all work is clearly aligned with Western's academic mission. In an effort to enhance positive aspects of Western's culture and to decrease negative aspects, leaders can now draw on research regarding the "levers for change" for influencing organizational culture. Areas to improve include: communication processes, work design, the performance feedback system, and the participative dimension of the operational planning process."

3. 7 McMurray- Organizational Climate and Organizational Culture (2003)

This multi-method study explored the relationship between organizational climate and organizational culture in a newly emerging university.

Organizational climate was explored through the distribution of a survey to 145 academic staff. An 88% response rate yielded 128 responses. To uncover the organizational culture, semi-structured interviews were conducted with the Deputy Vice-Chancellor, the Deputy Principal, 7 Deans, and 15 Centre Heads from the various faculties. The study uncovered the ways in which organizational culture evolves and becomes intertwined with organizational climate. The data yielded new insights as to the ways in which organizational climate and culture intersect. This has particular relevance at

the sub-unit level where climate features are most positive in those faculties whose subcultures are congruent with the leadership culture, and are least positive in faculty subcultures that are incongruent with the leadership.

3. 8 Purang- HRD Climate in Public and private organizations

Most researchers agree that a congenial HRD climate is extremely important for the ultimate achievement of the business goals. It is a phenomenon experienced by the employees and often referred to by expressions like environment, atmosphere and so on. Climate at the individual level is a summary perception of the organizations work environment that is descriptive rather than evaluative in nature. Another approach to the climate is the cultural approach, which proposes that the climate arises from the intersubjectivity of the members as they interact within a context established by an organization's culture. In the Indian context type of organization influences the culture prevalent in the organization. Since climate is an outcome of culture this study compares the HRD climate perceptions of public and private organizations. The study compares the perception of middle level managers from different organizations and gives the conclusion that in government organizations there is need to improve HRD climate.

3. 9 Srimannarayana – HRD climate in Dubai Bank

Based on the responses of 212 employees working in a local bank in Dubai, the study attempts to assess the HRD climate in a bank through a questionnaire containing 38 items. The areas of difference were identified in this study among the various categories of HRD climate. An attempt was

made to find out the difference in the perception of HRD climate among the employees, based on position, nationality, gender and age and gives the conclusion that personal power bases had a strong direct effect on job satisfaction. both position and personal power are positively related to job satisfaction.

3. 10 Sengupta- Gender, work and organization culture

Organizations work in social milieu and therefore the socio cultural factors greatly affect the organizational culture. The social role perception seemed to have a bearing on the structural role of men and women in the organization. The study aimed to examine the impact of social role on organization culture and managerial work behavior. The study concluded that managerial behavior is culturally influenced and women managers are perceived as equally competent as male managers.

SCOPE OF THE STUDY

4. 1 Universe/Population of the study

The universe or the population of the study is confined to the four organizations viz, State bank of India, icici bank, hdfc bank and pnb

4. 2 Category of respondents

The respondents will be selected from the different levels of the management as per the need of the study. The respondents will be selected using the stratified random sampling.

4. 3 Region of the study

The study will be confined to the region of jalandhar city only, the reason for this confinement to jalandhar only is due to time and cost constraints.

RESEARCH METHODOLOGY

5. 1 Objectives Of the Study

To study and describe the prevailing organization culture of Private and Public sector banks in terms of :-

Artifacts

Beliefs, Values and Assumptions

Dimensions of Organizational Culture

Relationship between organization culture and structure

Relationship between organization culture and power structure.

To study the effect of promotion policies and subsequent employees turnover rate : the comparison of the two organizations.

To study the impact of organization culture on employees' motivation level of two organizations.

5. 2 Sample Size and Design

Sampling is an essential technique in the field of research, “ Probably no concept is as fundamental to conduct research and interpretation of its results as is sampling”. In survey kind of studies, the population under investigation is quite large, making it practically impossible for researcher to

research every member of the population. The conclusions will be drawn and generalizations will be made on the basis of examination of some part of the whole population and this is termed as sampling. The population of study will consist of total number of employees working in the four banks.

In this study the sample will selected from the head office of all four banks in jalandhar named as state bank of india, Punjab national bank, hdfc and icici. For this purpose the whole the population will be divided into 5 categories i. e. M1, M2, M3, M4, and M5.

5. 3 Method of Data Collection

The feedback forms will be used for the purpose of data collection. The feedback will be directly given to the respondents. The instructions will be clearly given on the feedback forms to facilitate easy and accurate responses but in order to avoid biasness in the responses; the purpose of the study will not disclosed. The respondents will be assured that the record would be kept confidential. if they faced any difficulty in understanding any item the meaning will be readily explained without biasing their responses in case of direct filling of questionnaire. These feedback forms will be given to whole of the sample and the feedback will be analyzed as after.

5. 4 Instrument to be Used

The study will be conducted using pre-structured questionnaire. To facilitate answering, the questions will be developed in simple words, to convey the real and full meaning. The questionnaire will be also pre-tested to see whether the respondents would face any difficulty in understanding and answering the questions.

The questionnaire will be divided into two parts. The first part of the questionnaire will aim at getting basic information relating to the respondents socio-economic background such as age, education, marital status, occupation, monthly income etc. and in the second part of the study the detailed information for the motivation level and impact of other cultural variables among employees.

5. 5 Statistical Analysis and Tools

The data, after collection will be processed and analyzed, comparisons and analysis will be made. Thus, “ in the process of analysis, relationships or differences supporting or conflicting with original or new hypothesis will be subjected to statistical tests of significance to determine with what validity data can be said to indicate any conclusion”

5. 6 Proposed Plan

Introduction

Research Methodology

Introduction to the company

Data presentation

Analysis

Conclusion

Bibliography

5. 6 Limitations of the study

The study do not take all the issues relating to the organization culture due to time constraint, but an attempt is made to cover all the important issues in the study.

There may be some bias in the responses which cannot be ruled out. i. e. some of the feedbacks may not be given with honesty.