IDENTIFYING MANAGERIAL COMPETENCIES IN THE INDIAN BANKING SECTOR

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Abstract *In today's liberalised & globalised banking environment, managerial competencies have been considered very important concept. These competencies help in improved customer satisfaction which ultimately leads to enhanced customer base. The objective of the present study is to identify the competencies which are important for middle level managers in the banking industry, particularly in the Indian context. The objective was determined with the help of a survey which was administered to various banking professionals in the National Capital Region. The first part of the paper deals with the current situation of the Indian banking industry, concept of competency and managerial competencies, and literature review on managerial competencies. The second part deals with the survey carried out and the outcomes obtained as a result of it. Finally, the paper concludes with the limitations of the study and comes up with the areas in which future research can be carried out.*

Keywords: *Competency, Managerial Competencies, Banking Industry*

Introduction

The banking sector reforms in 1991 gave way to the growth of Indian banking industry of today. Currently, it is one of the fastest growing and the largest banking hub of the world worth US $ 1.3 trillion, having a total of 167 commercial banks and 87,768 business offices (Gauba & Mishra, 2013). The liberalised and globalised banking environment has paved the way for abundant opportunities & new challenges. Improved purchasing power of the customers, rise of the middle class followed by more liberal attitudes toward personal debt have contributed to India's banking sector (Dev, 2013). All these factors put together promise growth in the Indian banking sector, which at present is in the budding stage. Further, all the banks whether they are domestic players or foreign players, are facing tough competition in every respect (Gauba & Mishra, 2013). In order to survive in this competitive scenario, it has become imperative on the part of banks to pay more attention to customer service. Since all the banks are offering more or less the same products with minor variations in nomenclature, it is only the good customer service that can give a bank a competitive edge.

Providing good customer service is not an easy task. It is an art, which depends upon the skills, abilities, and competencies of managers and the employees working in the banks. Hence, the concept of managerial competencies is critical for banks for not only attracting new customers but also in retaining the existing ones.

What is competency?

The idea of testing competence rather than intelligence was first proposed by a Harvard psychologist, David McClelland, in the early 1970s. McClelland was asked by the US Foreign Services to find new research methods that could predict human performance and reduce the bias of traditional intelligence and aptitude testing; hence the idea of measuring competencies was born (Brophy & Kiely, 2002).

Researchers have defined the term 'competency' in their own unique way.

Boyatzis (1982, p 21), citing Klemp, defines job competency as "an underlying characteristic of a person which results in effective and/or superior performance in a job". Spencer & Spencer (1993, p 9) define a competency as "an underlying characteristic of an individual that is causally related to criterion-referenced, effective and/or superior performance in a job or situation". Parry (1996) defines competency as "a cluster of related knowledge, skills and attitudes (KSA) that affects a major part of one's job (a role or responsibility), correlates with performance on the job, can be measured against well accepted standards, and can be improved via training and development (Barber & Tietje, 2004). Hoffman (1999) after doing a comprehensive literature review developed a typology of the meaning of competency. He showed that the term has mainly two meanings, depending on the purpose for which it is used: one referring to the outputs, or results of training- that is, competent performance; the other refers to the inputs or underlying attributes, required of a person to achieve competent performance.

By reviewing the above definitions of 'competency', one fact emerges out clearly: the researchers did not have a common view point on its definition or use. However, it is observed that researchers tend to define competency either in terms of performance of specific activities or skills by an individual, or as characteristics or traits possessed by an individual.

Managerial Competencies

The term competency was first used in the managerial context by Boyatzis in the year 1982. According to him, managerial competencies can be divided into 2 categories: Threshold Competencies and Differentiating Competencies. Threshold competencies are basic requirements to carry out the job, but they do not distinguish the high & the low performers, whereas, differentiating competencies are the ones that distinguish superior from average performers. Boyatzis surveyed about 2000 managers and through critical incident technique, determined the following nine competencies to be essential for successful performance of the managers: (1) efficiency orientation, (2) concern with impact, (3) pro-activity, (4) self-confidence, (5) oral presentation skills, (6) conceptualisation, (7) diagnostic use of concepts, (8) use of socialised power, and (9) managing group processes.

According to Hellriegel *et al.*, managerial competencies are "sets of knowledge, skills, behaviours, and attitudes that a person needs to be effective in a wide range of managerial jobs and various types of organisations".

Literature Review on Managerial Competencies

One of the earliest studies on managerial competencies in the hospitality industry was conducted by Tas (1988) in the lodging sector. He identified 36 competencies for hotel general manager trainees. These competencies were rated on a five point Likert scale to determine the importance of each competency. Further, Tas used a scale developed by Butula (1975) in order to categorise each competency statement's mean level of importance. Competencies that had mean scores over 4.50 were classified as essential; competencies with mean scores that were between 3.50-4.49 were classified as considerably important and competencies with mean scores of 2.50-3.49 were classified as moderately important. The results indicated that six competencies were found to be essential, 18 were found to be considerably important and the remaining 12 were rated as moderately important. The six competencies which were identified as essential were managing guest problems, professional & ethical standards, professional appearance & poise, effective communication, positive customer relations, and positive working relationships.

Perdue *et al.* (2000; 2001; 2002) conducted three studies to assess the competencies perceived to be important for club managers. The first study identified competencies required for current effectiveness; the second study focused on competencies required for the future and the third study focused on comparison of present and future competencies required for managers. They observed that managers needed expertise in accounting and finance, human resource, marketing, and food and management competencies in order to be successful. Their findings were similar in all the three studies.

Agut & Grau (2002) analysed technical and generic managerial competency needs and managerial training requests for tourism industry. Their main aim was to determine which method provides more accurate information on the real deficits in managerial capabilities. In order to conduct the study, they started with a review of the tourist industry literature and managerial competency literature, and were able to find out the following 16 technical competencies and 26 managerial competencies to be important for tourism managers.

Wickramasinghe & Nimali De Zoyza (2008) conducted a study in which they identified a list of competencies which were important for managers in a Sri Lankan telecommunication firm to be successful. They adopted a five step methodology to prepare the list. In the first step, a comprehensive list was created with the help of competency literature. In the second step, a hypothesised list of 107 competencies was summarised that was extracted from various sources in the literature. Thirdly, they consulted a panel of industry experts from the telecommunication industry and asked them to rank the importance of each competency for managers in the telecommunication industry from the list. In the fourth step, they randomly selected a team of managers from the telecommunication industry and asked them to rank the importance of each competency from the list. In the final step, the two researchers independently analysed the list along with the ranks given by the two panels. The final list comprised of 31 competencies which were considered to be most important for managers in the telecommunication industry to be successful. These competencies were Customer relations knowledge, Cost conscious, Change handling skills, Planning & scheduling, Strategising ability, Technical competence, Technology application skills, Safety focus, Empathy with people, Conflict resolution, Negotiation, Empowerment ability, Holistic, Creativity, Coaching ability, Time management ability, Pressure management skills, learning, Listening, Oral communication, Written communication, Quality focus, Flexibility, Team player, Customer focus, Resiliency, Ethical, Achievement orientation, Risk taking, Positive vision, and Attitude to meet targets.

Qiao & Wang (2009) conducted a study to explore the competencies critical to the success of middle managers in China. According to them, middle managers were those who were placed in the middle of the organisation and served as vertical links between the strategic decision makers and the first level supervisors as well as well as front-line employees in the business units. By way of mixed approaches, like focus groups, critical incidence interviews, and survey questionnaires, they came to the conclusion that competencies like accountability, team building, relationship management, continual learning and conflict management were considered to be the most important for middle managers.

Weber Melvin R. *et al.* (2009) tried to identify a comprehensive list of soft skill competencies that will be considered as important for entry-level managerial positions. Through previous literature review, the researchers had compiled a list of 107 managerial competencies. They developed an electronic survey using these 107 competencies and sent it to 1278 HR representatives of various companies located in the United States. These HR professionals were asked to rate the importance of the competencies. Means were calculated and it was found that the following competencies had the highest means: acts with integrity, acts straightforward and honestly, follows through on commitment, shows enthusiasm, follows up with others, inspires trust through others, responds professionally to guests, and is courteous and respectful.

Tahir & Abu Bakar (2010) conducted a study to identify and examine managerial competencies in the Malaysian financial services sector. They found that core competencies for managers of financial institutions were 'Leadership', 'team building', 'communication', 'results', 'efficiency', and 'coaching and counselling'.

Wadongo *et al.* (2011) conducted a study to identify emerging critical generic managerial competencies in the Kenyan hospitality industry. Through questionnaires administered on 160 hospitality managers from 10 five star hotels in Nairobi and Mombasa, they concluded that managers consider the following 15 competencies to be important; taking initiative, motivating others, goal setting, personal productivity and motivation, planning and presenting information; writing effectively, delegating effectively, organizing, developing subordinates, creative thinking, conflict management, controlling, time and stress management, team building, managing change, negotiating agreement and commitment.

Mohd. Shamsudin & Nirachon (2012) conducted a study to identify the critical managerial competencies of primary care managers in Southern Thailand. With the help of a survey involving distribution of questionnaires to 358 rural primary care managers, they found that six managerial competency factors were very critical for the primary care managers. These competencies were visionary leadership; assessment, planning & evaluation; promotion of health & prevention of disease; information management; partnership & collaboration; and communication.

Literature suggests that it is important to identify which particular set of key individual competencies are required for a business to achieve its strategic goals (Wickramasinghe & De Zoyza, 2008). Through exhaustive literature review, it was observed that most of the studies on managerial competencies have been conducted mainly in the financial services, telecommunication, tourism, healthcare and hotel industries in the western world. However, there is a paucity of research in the banking sector especially in the Indian context. Considering the huge potential of this sector and its contribution to Indian economy, the authors thought that it would be wise to investigate the various managerial competencies which are required for managers in this sector. (As per the McKinsey report 'India Banking 2010', the banking sector has the potential to account for over 7.7 per cent of GDP and to provide over 1.5 million jobs). The study would add to the body of knowledge and would give an input to the industry people to hire the right kind of candidates with the requisite competencies so that they can contribute to overall organisational effectiveness.

In the above context, the specific aim of this paper is to identify the competencies which are important for middle level managers in the banking sector.

Methodology

In order to achieve the objective, the study was conducted in two parts. Part one involved identifying the competencies which are important for managers across different functional areas at different levels & different sectors. This was done through secondary sources and literature review. In part two of the study, the researcher tried to find out the competencies that are most important for managers at the middle level in the banking sector in the Indian context.

Part one:

In an earlier study, the researcher had carried out an exhaustive literature review, using content analysis method, to extract the themes related to managerial competencies. Data were examined from peer-reviewed and full text articles published in journals, from the year 1982 to year 2013 and available in databases PROQUEST and EMERALD. Search terms like 'competency' and 'managerial competency' were used to gather the data. A total of 50 articles formed the sample of the research. Table 1 reflects the list of managerial competencies identified through the literature.

Table 1: List of Managerial Competencies

1.Technical expertise
2. Financial management
3. Computing
4. Strategic thinking
5. Business expertise
6. Business process improvement
7. Negotiation
8. Quality focused
9. Customer relations knowledge
10. Vision
11. Safety conscious
12. Following processes & procedures
13. Planning & organizing
14. Controlling & Co-ordinating
15. Change handling skills
16. Cost conscious
17. Benchmarking
18. Crisis management
19. External awareness
20. Thinking globally
21. Ethical/ legal issues
22. Resource allocation
23. Navigating the organisation
24. Task focus
25. Critical thinking
26. Maintaining professional & ethical standards in the work environment
27. Problem solving
28. Analysing information & reducing information overload
29. Turns negative situation into a positive/ learning situation
30. Managing knowledge & talent
31. Team building
32. Developing subordinates
33. Goal setting
34. Reviewing and guiding
35. Delegating effectively
36. Mentoring/ Coaching
37. Holds self-accountable for actions
38. Holds others accountable for their decisions
39. Participative decision making
40. Autonomy and empowerment
41. Cultivating climate of trust
42. Shows accessibility/ approachability
43. Feedback, praise and recognition
44. Managing diversity
45. Consulting/ facilitating
46. Co-operation
47. Communication skills
48. Listening skills
49. Understanding self and others
50. Relationship management
51. Motivating others
52. Develops rapport
53. Achievement orientation
54. Taking initiative
55. Conflict resolution
56. Time management ability
57. Stress management ability
58. Self-development
59. Resilience
60. Hard worker/ Diligent
61. Humour
62. Portraying enthusiasm, work commitment, passion & confidence
63. Responsible & dependable
64. Humility
65. Consistent
66. Tolerant
67. Flexible
68. Credibility
69. Assertiveness
70. Ambitious
71. Orderliness
72. Patience

Part two:

For this part of the study, a survey was conducted in which a questionnaire was administered by the researcher to a panel of experts (N=52). This panel comprised branch managers of various public & private sector banks, and faculty members of staff training centres of various public & private sector banks in Delhi NCR. There was no uniform procedure of sampling. Questionnaire was distributed randomly to these experts depending on their interest and availability. The information was collected during October- November 2013. These experts were asked to rate the importance of the competencies, for middle level managers in the banking sector, on a five point Likert scale, where 1 = not at all important, 2 = slightly important, 3 = moderately important, 4 = important, and 5 = essentially important.

Data Analysis

Data were analysed using SPSS version 16.0. Descriptive statistics like mean & standard deviation were requested. Table 2 reflects the list of competencies whose mean score was above 4 and standard deviation less than 1. Scale used by Butula (1975) & Tas (1988) was used to identify the essentially important competencies which had a mean score over 4.50.

Table 2: List of Competencies with Mean Score > 4 and Standard Deviation < 1

No.	Competencies	Mean	SD
1	Listening skills	4.68	0.56
2	Team building	4.64	0.57
3	Customer relations knowledge	4.6	0.65
4	Maintaining professional & ethical standards	4.52	0.59
5	Feedback, praise & recognition	4.48	0.51
6	Delegating effectively	4.48	0.59
7	Managing knowledge & talent	4.48	0.87
8	Communication skills	4.44	0.58
9	Motivating others	4.44	0.65
10	Understanding self & others	4.4	0.5
11	Relationship management	4.4	0.58
12	Problem solving	4.4	0.65
13	Time management ability	4.4	0.65
14	Credibility	4.36	0.57
15	Taking initiative	4.36	0.7
16	Responsible & Dependable	4.36	0.7
17	Developing subordinates	4.32	0.69
18	Turns negative situation into a positive learning situation	4.32	0.75
19	Reviewing & guiding	4.28	0.61
20	Goal setting	4.28	0.68
21	Self-development	4.24	0.52
22	Co-operation	4.24	0.66
23	Patience	4.24	0.66
24	Quality focused	4.24	0.72
25	Cultivating climate of trust	4.24	0.72
26	Shows accessibility/approachability	4.24	0.88
27	Crisis management	4.2	0.71
28	Portraying enthusiasm, work commitment, passion & confidence	4.2	0.76
29	Following processes & procedures	4.2	0.87
30	Task focus	4.16	0.75
31	Achievement orientation	4.08	0.70
32	Consistent	4.08	0.76
33	Negotiation	4.08	0.86

Results and Discussions

It can be observed from Table 2 that four competencies were found to be essentially important as they had a mean score above 4.5. These four competencies were listening skills, team building, customer relations knowledge, and maintaining professional & ethical standards. 33 competencies were found to be important as they had a mean score which varied from 4-4.5. These competencies were feedback, praise & recognition, delegating effectively, managing knowledge and talent, communication skills, motivating others, understanding self & others, relationship management, problem solving, time management ability, credibility, taking initiative, responsible & dependable, ethical/ legal issues, developing subordinates, reviewing & guiding, goal setting, self-development, co-operation, patience, quality focused, cultivating climate of trust, shows accessibility, crisis management, portraying enthusiasm, work commitment, passion & confidence, following processes & procedures, mentoring/ coaching, task focus, achievement orientation, consistent, develops rapport, negotiation, and stress management ability. The findings are in line with the earlier researches carried out in the hospitality & tourism sector which are also examples of service industry (Wadongo *et al*, 2011; Wickramasinghe & Zoyza, 2008).

Conclusion

Banking sector is an example of service industry where customers are seen as the primary focus. In order to be successful in such a customer driven industry, a manager needs to have adequate knowledge of his customers, listen to their problems patiently, and maintain professional and ethical standards and finally he should be a team player. The results corroborate the importance of these soft competencies for employees working in the service industry. Therefore, the present research provides a direction for identification, implementation and development of soft competencies in banks for providing better services to the customers.

Limitations & Directions for Future Research

The study was limited to banking industry professionals in the National Capital region. Also, the sample size was very small (N=52). Future research can be conducted by increasing the sample size & by administering the questionnaire to various banking experts & professionals throughout India which will provide a fair idea of the important managerial competencies for the middle level managers in the banking sector. Having done that, another study can also be conducted to find out whether these competencies are actually utilised by the middle level managers in the banking industry or not, & if at all utilised, what is the frequency of utilisation. Also the list of managerial competencies can be administered to other sectors as well in order to get an idea of the competencies which are important for their managers.

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