

## Chapter 6

# AN OVERVIEW OF THE CASE BANK

---

## 6.1 INTRODUCTION

The banking sector has experienced dramatic change over the past two decades. Following the sweeping deregulation of banks, they were faced with new and competitive operating environments, and as a consequence endeavoured both to increase operating efficiencies and develop new income streams through various structural and strategic change initiatives.

Implicit in such dramatic change is the relatively new orientation by banks towards marketing and the adoption of a customer service orientation. Since all banks operate under the same legislation, it is believed that employees are the source of differentiation and competitive advantage. Customer satisfaction, service quality perceptions, and customers' decisions to remain loyal or to switch to another bank are significantly influenced by bank employees' attitudes and behaviour. Employees contribute to service excellence by delivering on the promises of the bank, by creating a favourable image for the bank, by going beyond the call of duty for customers, by promoting the bank's products and services and, in general, by rendering better service than the bank's competition.

However, employees will only provide good customer service if they are treated fairly. Fairness of job supervision, pay and promotion rules and supervisor administration of these rules are key predictors of employees' prosocial behaviour and commitment (Bettencourt & Brown, 1997).

Despite their importance, employees continue to be viewed and treated as disposable resources. A few banks, however, are beginning to realise that an emphasis upon customer satisfaction is incongruent with this outdated view of employees. Good service providers emphasise the fairness of their relationship with their employees as a prerequisite for customer satisfaction. Employees thus need to be treated with respect and dignity while promoting fairness in their compensation, rules and interactions.

It is in this context, that this study examines the perceived fairness of AA, the treatment of AA employees in the workplace and the impact of fairness perceptions on employees' commitment in the banking industry. The implementation and management of AA in the bank are used as the organisational context in which the effects of the perceived fairness of AA measures on employee commitment are tested.

## 6.2 AN OVERVIEW OF THE CASE BANK

The bank is a leading banking institution in South Africa and realised a R1,8 billion profit for the year to 31 March 2003. The bank's dedication to being a partner in South Africa's prosperity, by being the leading financial services group serving all stakeholders, is clear when one considers all its achievements. The bank was rated "Bank of the year in South Africa 2001" by Britain's *The Banker Magazine* and according to the *Financial Mail* and Deloitte & Touche Human Capital Corporation, it is ranked the seventh best company to work for in South Africa.

The bank has made a concerted effort to improve its operations with regard to training and development, diversity and employment equity and change initiatives.

### 6.2.1 Learning and development

In its continuing quest to be globally competitive, the bank has adopted a learning and development philosophy which includes a strategy of sourcing from and partnering with external service providers. The learning and development department has made further contributions towards the meaningful realisation of the aims of South African education, training and development legislation by registering the first learnership in the banking sector. It is clear that the bank regards human capital development as a cornerstone of the bank's people management strategy if one considers the fact that the bank was able to claim R24,7 million from the banking sector's education and training authority, Bankseta, for the 2003 financial year. Table 6.1 indicates the number and categories of employees who attended training courses during 2003.

**TABLE 6.1: NUMBER AND CATEGORIES OF EMPLOYEES TRAINED DURING 2003**

	BLACKS		WHITES	
	Male	Female	Male	Female
MANAGEMENT	52	22	603	317
PROFESSIONALS/TECHNICIANS	231	271	1 134	1 631
CLERICAL STAFF	2 543	6 012	1 698	9 596
SERVICE WORKERS AND OTHER	158	1 141	517	816
<b>TOTAL</b>	<b>2 984</b>	<b>7 446</b>	<b>3 952</b>	<b>12 360</b>

The average training cost per employee per year amounts to R2 600-00.

**6.2.2 Diversity and employment equity**

The bank's affirmative action approach revolves around employment equity (EE), empowering employees, managing diversity and understanding differences. In achieving its desired position in terms of EE, the bank has established employment equity forums on a business unit level to ensure optimal consultation and the involvement of people at all levels.

The role of these forums is to act as an advisory board to business units in terms of compliance with the EE Act and to support and monitor the implementation of the EE plan in the bank. The forums also advise on the management and retention of employees in designated groups. Senior management are penalised if employment equity targets are not met.

The number of employees who have attended diversity workshops has increased considerably over the past year, from 1 517 in 2002 to 4 975 in 2003. In enhancing diversity in the bank, emphasis has been placed on affording employees from designated groups opportunities to attend several special programmes. The bank endeavours to have the designated groups adequately represented at all levels in the bank to mirror its customer base. Table 6.2 represents the employee statistics of the bank for 2002 and 2003.

**TABLE 6.2: EMPLOYEE STATISTICS**

	<b>2003</b>	<b>2002</b>
<b>TOTAL NUMBER OF EMPLOYEES</b>	29 714	32 323
<b>GENDER</b>		
Male	10 160 (34%)	10 832 (34%)
Female	19 554 (66%)	21 491 (66%)
<b>NONMANAGEMENT LEVEL SPLIT BY GENDER</b>		
Male	5 921 (25%)	6 572 (25%)
Female	17 667 (75%)	19 772 (75%)
<b>MANAGEMENT LEVEL SPLIT BY GENDER</b>		
Male	4 239 (69%)	4 260 (71%)
Female	1 887 (31%)	1 719 (29%)
<b>ETHNIC GROUPS</b>		
African, coloured and Asian	11 180 (38%)	11 252 (35%)
White	18 534 (62%)	21 071 (65%)

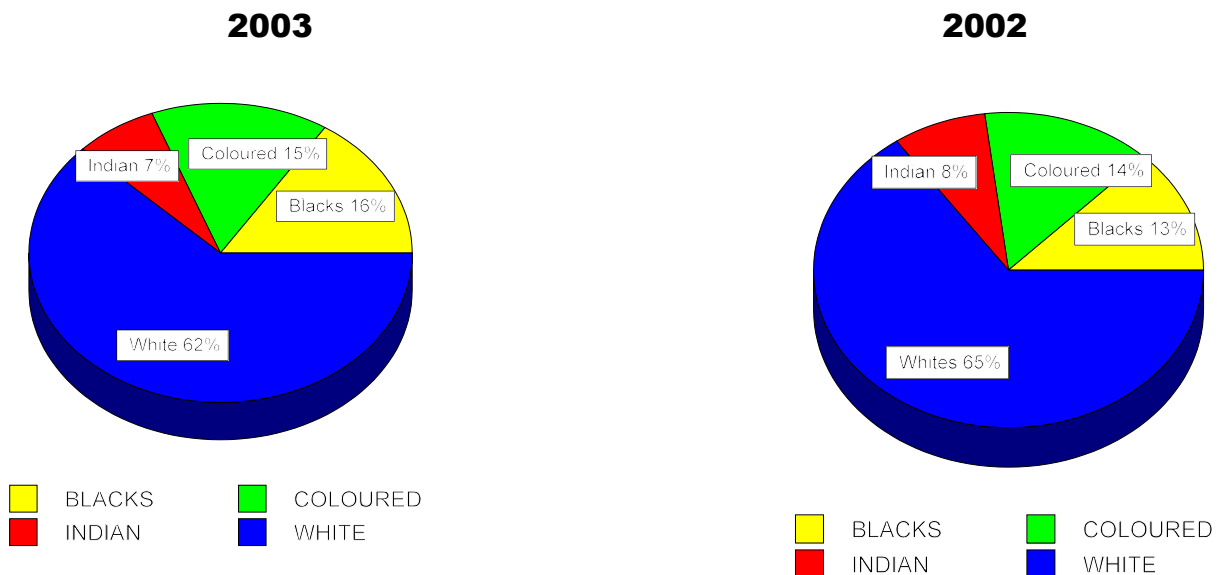
TABLE 6.2 (continued)

6.4

	2003	2002
<b>MANAGEMENT SPLIT BY ETHNIC GROUP</b>		
African, coloured and Asian	824 (14%)	607 (10%)
White	5 302 (86%)	5 372 (90%)
<b>AGE</b>		
Under 25 years	16,3%	17,8%
26 - 35 years	38,1%	37,3%
36 - 45 years	26,1%	25,4%
46 - 55 years	15,5%	15,4%
Over 55 years	4,00%	4,10%
<b>AVERAGE REMUNERATION PER EMPLOYEE</b>		
	R9 681	R8 830

Figure 6.1 provides a graphical representation of the composition of the bank's workforce in terms of ethnicity as at 31 March 2002 and 31 March 2003.

FIGURE 6.1: WORKFORCE PROFILE ACCORDING TO ETHNIC GROUP



As indicated in figure 6.1 and table 6.2, the bank still has a long way to go in achieving employment equity. The bank's employment equity target is set at 45,6 percent for 2004. Taking into consideration the fact that the bank managed to increase the employment of blacks by only 3 percent the previous year, increasing the employment of blacks from 38 percent to 45,6 percent in 2004 poses quite a challenge. Of greater concern is the inequity in managerial positions. As indicated in table 6.2, whites occupy 86 percent of the top management positions.

### **6.2.3 Change initiatives**

The change initiatives that have taken place in the bank, are typical of those being experienced by many organisations in the industry, and include changes to (1) structures and processes, and (2) to strategies and staffing.

#### *6.2.3.1 Structures and processes*

In an attempt to become less bureaucratic and to move decision making closer to the customer, the branch network has been divided into geographically distinct operating areas. Within these, much of the decision making formerly reserved for head office has been delegated to senior managers. Typically such decisions were lending related, but developing management information systems enabled area by area comparison in a range of matters, including costs and product sales. The new structure and circulated information therefore also had the effect of introducing inter-area competition.

The various change initiatives also resulted in the centralisation of much branch outlet administration, further changing the role of the branch. In essence, the various changes are resulting in the role of the branch slowly evolving into that of a sales outlet.

The structural and process changes in the bank can thus be summarised as follows:

- the movement of decision making closer to the customer
- the development of revised reporting lines, with the separation of the sales and costs functions
- the separation of retail and corporate business to facilitate specialisation

#### *6.2.3.2 Strategies and staffing*

In an attempt to become more efficient and effective, major cost reduction and sales development strategies were simultaneously introduced. A dedicated bank-wide, sales division was created at head office level to coordinate training and liaise closely with the marketing department in terms of new product development and implementation strategy.

6.6

New human resource policies have been introduced alongside these changes. The principal strategic and staffing changes in recent years include

- the formulation of a mission statement
- an increase in competition monitoring
- regular intakes of school leavers and people from previously disadvantaged groups
- the development of training courses to develop key skills and competencies

The extent of the change that has occurred in the bank is such that it has profound implications for both values and working practices in it. Since values and working practices are the cornerstones on which organisational commitment is founded, an understanding of the impact of the perceived fairness of AA on commitment levels in the bank is essential for its success.

### **6.3 SUMMARY**

This chapter provided an overview of the most profound changes banks are experiencing. One of the challenges facing organisations today is meeting employment equity targets. In order to determine the bank's status with regard to employment equity, employee statistics were provided. Although the bank has developed and implemented change initiatives to deal with employment equity and AA issues, employee statistics show that it still has a long way to go.

This concludes the discussion on AA, organisational justice and employee behaviour. The next chapter deals with the research and statistical methodology.