Managing Human Resources

As financial markets become more competitive and as interest and non-interest expenses rise, the effective use of human resources becomes increasingly important. In banking, where human resource costs are usually exceeded only by interest expense, optimum human resource use is necessary if profits or cash flows from operations are to be maximized. Therefore, banks in competitive markets will have to identify and implement measures that will enable their staff, to exploit their full potential and enthusiasm as a team and as individuals. These measures may be specified in the bank’s overall human resource plan.

Bank management may be faced with the challenges of technology and regulation and the difficulty in finding or preparing staff to meet these challenges. Moreover, as domestic financial markets become more internationally integrated, the productivity of staff and equipment becomes crucially important. Finally, as the banking business grows geographically, the human resource capability will have to expand to meet the new and increasing demand that accompanies such growth. Therefore, bank management in developing financial markets will have to recruit not only tellers and loan officers as was normally the emphasis in repressed financial markets, but also staff with skills in securities and foreign currency trading, with expertise in particular economic sectors and industries, and with knowledge of the business practices and needs of the domestic and foreign market locations where the bank operates.

This chapter reviews some of the challenges of effective human resource planning and utilization, identifies a set of objectives on which bank management in developing financial markets may focus, and describes measures that may be implemented to achieve these objectives. Among these objectives are to: (1) organize the bank’s human resource management function in a manner to achieve its mission and objectives; (2) utilize the bank’s human resources as effectively as possible; and (3) develop the bank’s corporate culture and specific skills to achieve its performance goals. The chapter argues that bank management in developing financial markets may encounter special problems in attempting to achieve effective human resource management and highlights some of these problems.
The human resource management practices of repressed financial markets may be incapable of meeting the challenges that face banks in developing financial markets. Among these challenges are the need for compliance with increasingly complex prudential regulations and public reporting requirements; for technology; and for expertise in non-traditional fields. Each bank may rise to the challenges in different ways. Some banks, steeped in the management tradition of repressed financial markets, may be inclined to stick to the narrow personnel emphasis on replacement hiring, training, promotion, and compensation determination.

Other banks may have the broader view that human resource planning and management must have the right individuals in the right jobs today, but also provide today for the needs of the future. The broader view centres on management’s determination of the size and type of staff required to achieve the bank’s future goals; as well as the skills and competence of the bank’s existing staff. Moreover, this determination implies that the bank has the human resource forecasting capabilities that provide information on the new skills needed, the amount and quality of training, or existing staff required to achieve the bank’s objectives.

The broader view stresses that knowing the bank’s goals and objectives is not enough. Knowing the difference between human resource needs, and skills available to meet these needs is also an important management challenge. At times, the skills and competence of staff are often under-utilized and any new objectives management may have may be achieved by a more efficient utilization of such staff. It is therefore important to have access to complete personnel data (for example, education, work history, and performance evaluation) to assess the bank’s ability to venture into new activities with its existing work force.

As in any other market, a principal objective for banks in developing financial markets is to operate efficiently and profitably. This objective can be attained if banks provide the products and services that are in effective demand and do so by utilizing competent staff and appropriate technology. An organization structure that facilitates the achievement of this and other related objectives will tend to focus on the manpower needed (for example, aggregate number of employees, and required skills) and define the levels, jobs, and tasks for each employee.

With financial liberalization, the banking environment becomes more complex as reflected mainly in the product mix, and customers’ demand for more efficient services and innovative products. This complexity is also indicated in the increased willingness of customers to switch to the