



## **Employee Management at HDFC Bank – A Case Study**

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### ***Abstract***

*The employees are verily the life blood of any organisation. They give all their talent and time, energy and enthusiasm to the organisation and sometimes even their entire life in the service of the organisation. Without them, the organisation would not be able to deliver the goods and achieve its identified and highlighted goals and objectives. While the employees are expected to do much for the organisation for the remuneration they receive, the organisation also needs to go that extra mile in order to appreciate their honest and lifelong services. This case attempts to study the employee-related best practices of an industry leader like HDFC Bank. The data collection for the case has been done by the authors through personal interviews with top executives of the Company and supplemented through other information available in the public domain.*

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### **HDFC Bank – Company Introduction**

On the 18th of February, 1995, the then Finance Minister of India, Dr. Manmohan Singh, inaugurated the first branch of a new bank called HDFC Bank. Promoted by the Housing Development Finance Corporation Limited (HDFC), it was the first private sector bank to have received a license from the Reserve Bank of India, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

From the beginning, HDFC Bank began operations with the mission of becoming a 'World-class Indian Bank', and the endeavour of fulfilling all the financial requirements of the customers under one roof. Over the years, the Bank has built a stable and long-lasting relationship with nearly nine million customers. In a matter of 14 years it has grown both organically and inorganically and is today the sixth largest bank in the India with total assets of Rs. 1,33,177 crores. Its culture for learning; quick absorption of latest and best technologies; and adherence to best practices in governance have been the core strengths that have brought it to its present position. Today, the Bank is one of the top three, in most of the segments that it operates in.

### **Promoter Company – HDFC**

Since its inception in 1977, the Housing Development and Finance Corporation (HDFC), a housing finance company, has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its loan portfolio covers over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, market reputation, large shareholder base and consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

### **Amalgamations with HDFC Bank**

The Times Bank Limited (a new private sector bank promoted by Bennett, Coleman & Co. / Times Group in the post liberalisation period) was merged with HDFC Bank Ltd., effective February 26, 2000. This was the first merger of two private banks in the New Generation Private Sector Banks. The amalgamation added significant value to HDFC Bank in terms of increased branch

network, expanded geographic reach, enhanced customer base, skilled manpower and the opportunity to cross-sell and leverage alternative delivery channels.

On May 23, 2008, the amalgamation of Centurion Bank of Punjab (CBoP) with HDFC Bank was formally approved by the RBI to complete the statutory and regulatory approval process. As per a Datamonitor Report, the acquisition was for Rs. 95,100 million and was the largest merger in the financial sector in India. The CBoP was itself an amalgamation of three separate entities – the Centurion Bank, the Bank of Punjab and the Lord Krishna Bank. The merged entity had a strong deposit base of around Rs. 1,22,000 crores and net advances of around Rs. 89,000 crores. In the year ended September 2008, and subsequent to the merger the balance sheet size increased to Rs. 1,72,000 crores, a 40% increase over the previous year and net revenues touched Rs. 2,500 crores, a 50% increase over the previous year. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower. It has been a crucial leap ahead for the Bank with a combined branch network of 1,400 branches and the largest distribution network in all Indian cities in terms of branches. CBoP has a larger presence in the north and south regions of India, and post the merger, HDFC Bank's would benefit from this. However, the merged entity would still be two-fifth the size of the country's second largest lender – ICICI Bank.

### **HDFC Bank – Business Focus**

HDFC Bank's mission is 'to be a World-Class Indian Bank' benchmarking itself against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective is to build sound customer franchises across distinct businesses

so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The Bank has a policy to maintain the highest level of ethical standards, professional integrity, Corporate Governance and regulatory compliance. One of the Board members of the Bank defines the culture at the Bank today as “*Conservative and one of calculated growth*”.

HDFC Bank's business philosophy is based on four core values - Operational Excellence, Customer Focus, Product Leadership and People.

Highlighting the purpose of business, the Managing Director of the Bank says, “*Business has multiple constituents. Firstly, the shareholders are putting in their money, so they expect a good return. Secondly, the employees who are joining expect good working conditions and a good career. Lastly, the society in which you function, you must be a good citizen of. In effect, profit cannot be your only motive. It must be a combination of all stakeholders. What you can do for your community at large which includes the country as well. You must do to the extent you can in helping the poor, in better distribution and all that you can.*”

### **HDFC Bank – Businesses**

The bank has a list of businesses that form the bedrock on which it stands. It is the sole distributor for parent HDFC's life insurance, mutual funds and housing loan products. It accounts for nearly 30% of all its parent's business and makes its earning through fee income. In cash management, it took on collections for the government in 2002 at a time when the businesses were limited to only public sector entities. Today as per an Executive Director of the Bank, it has 20% market share in the industry and this business is growing 60% annually. With 55% market share

in the capital markets business, it is today the largest clearing house for commodity exchanges in the country and this business is growing at 30% annually. When the Employee Provident Fund was opened to private sector competition, it bagged the rights to be one of four – Reliance, HSBC and ICICI – to gain a foothold in this space. The Bank's secret is its SME business which at around Rs. 27,000 crores as in end of 2008 (the merger with the Centurion Bank added a fresh Rs. 10,000 crores) is nearly two and a half times of its competitors' SME business.

A wide range of commercial and transactional banking services and treasury products to wholesale and retail customers are offered by the Bank in three key business segments – wholesale banking services (includes commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc), retail banking services and treasury (includes services such as Foreign Exchange and Derivatives, Local Currency Money Market and Debt Securities and Equities) ·

The Bank has mostly stayed away from the international markets, but has made some excursions into NRI enclaves such as the UAE. The Managing Director says, *"There is so much to do at home. I will build at home where I am known rather than fight a difficult battle abroad where I am not."* According to him, gaining market share has never been HDFC Bank's prime strategy. The Chairman of the Promoter Company, HDFC also has a similar approach. He feels that performance at HDFC Bank is considered a balance between growth and controlling enterprise-wide risk. Policies here are the same as at the parent bank. *"Follow prudential norms while lending. No overseas exposure. Avoid funding over-leveraged Indian acquisitions overseas."* He further adds, *"You have to put your might behind NPA management: banking begins with NPA management."*

Through its past five-year performance, HDFC Bank has grown consistently at 25-30%. Like its competitors, it may have been capable of growing much faster if it wanted to as it has the branch network to do that. But the Managing Director feels, “*A bank has to be conservative.*”

### **HDFC Bank – Business Strategy**

As highlighted on its website, HDFC Bank’s business strategy emphasizes the following:

Increase our market share in India’s expanding banking and financial services industry by following a disciplined growth strategy focusing on quality and not on quantity and delivering high quality customer service.

Leverage our technology platform and open scaleable systems to deliver more products to more customers and to control operating costs.

Maintain our current high standards for asset quality through disciplined credit risk management.

Develop innovative products and services that attract our targeted customers and address inefficiencies in the Indian financial sector.

Continue to develop products and services that reduce our cost of funds.

Focus on high earnings growth with low volatility.

### **Objective of the Case Study**

The main objective of this case study is to highlight the employee-related best practices of HDFC Bank Ltd. In the post liberalisation era, HDFC Bank is one of the first private sector banks and has many firsts to its credit. This case attempts to describe its contributions towards the Employee Stakeholder.

### **Methodology of the Case Study**

The case study data has been collected based on personal interaction by the authors with top executives of the Company and based on the following 5 parameters:

**Needs** – The needs/expectations that the natural environment ‘would have’ from the Company

**Constraints** – The constraints/challenges faced by the Company in order to fulfill the needs/expectations of the natural environment

**Alterables** – The alterables/best practices undertaken by the Company in order to satisfy the needs of the natural environment or to overcome the challenges/constraints that exist with respect to it

**Strengths** – The strengths possessed by the Company with respect to the natural environment

**Areas of Improvement** – The areas where the Company needs to improve with respect to the natural environment. The parameters of Needs, Constraints and Alterables as stated above are based on the Social Systems Engineering Tools as proposed by Sage (1977) and Warfield (1976). The top executives interviewed by the authors include:

<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Date of Interview</b>	<b>Type of Interview</b>
1.	Mr. Aditya Puri	Managing Director	06.06.2008	Personal
2.	Mr. Philip Matthew	Vice President (HR)	07.06.2008	Personal
3.	Ms. Nusrat Pathan	Head, Corporate Social Responsibility	08.06.2008	Telephone

The above interviews have been supplemented by information available in the public domain through documents such as the Company Annual Reports and also information available on the Company website.

## **HDFC Bank – Employee Management**

### ***Introduction***

HDFC Bank is a young and dynamic bank, with a youthful and enthusiastic team determined to accomplish the vision of becoming a world-class Indian bank. It ensures equal opportunities, living wages, social security and well being of its employees. As stated on the Bank website, people development is an integral value of the Bank and it implements a range of training and developmental activities towards this end. As per the annual report of the Bank for the financial year ending 2008, the total number of employees increased from 21,477 as of March 31, 2007 to 37,836 as of March 31, 2008. The Bank continues to focus on training its employees on a continuing basis, both on the job and through training programmes conducted by internal and external faculty. The Bank has consistently believed that broader employee ownership of its shares has a positive impact on its performance and employee motivation. The Bank's employee stock option scheme so far covers around 6,535 employees.

Highlighting the strength of the Bank's employees and the culture which exists at the HDFC Bank, the MD says, *"If you look at our employees, we provide fair and clean employment to about 40,000 people. Every employee knows that there can't be any pressure on him to do anything wrong, against the regulations and against his professional judgement. This is happening daily. Anywhere the customer goes, he will see this happening. Nobody will think of offering money to anyone in HDFC Bank to get things done because he will probably be thrown out. This is happening daily. It's not on the basis of my*



*statement alone but has become a part of the DNA (of the Company).”*

Based on the actual discussion with the Managing Director, Vice President (HR) and the Head – Corporate Social Responsibility, a detailed list of the Needs-Constraints-Alterables with respect to the Employee Stakeholder has been collated.

### ***Needs***

The Needs for this important stakeholder have been listed below:

#### **Career and Personal Growth**

#### **Rewards and Recognition**

**Exciting Work Environment** – The organisation should be an exciting place to work in.

**Inspiring Mission** – The organisation should have an inspiring mission for which the employees are collectively working.

**Feeling Important** – There is a need to make the employees feel wanted and important in the organisation by the organisation.

**Other operational expectations** – These are relating to regular guidance and training which actually are hygiene factors.

Ensure employees’ health and provide **health care related facilities** – E.g. Gymnasium facilities, medical assistance, etc.

### ***Lifestyle facilities***

#### ***Constraints / Challenges***

In the competitive banking industry where attrition is also very high, there are many challenges and constraints faced by the Bank while trying to satisfy the employees’ needs. Some of these have been highlighted here:

**Varied Expectations** – Since the people who are recruited and who work for the Bank are from different backgrounds and are of different varieties, their expectations from the organisation are also varied. Hence one of the major constraint / challenge is to be able to manage these expectations.

**Lack of Tolerance** – There is also the necessity to have varied degrees of tolerance.

**Retention** – This is also a challenge. However in the opinion of the VP (HR), *“We are doing well in this aspect as well.”*

**Shortage of skilled people** – There are some pockets within the Bank where there is a shortage of skilled people which needs to be filled up in order to provide the niche and high quality services required for customer satisfaction.

**Consistent Performance** – There is a need to keep doing better and better in a competitive environment which exists today especially in the banking and financial services sector. In such a scenario, the Bank can't afford to be static. Highlighting the magnitude of this issue the VP (HR) states, *“To understand the expectations of the employees and getting these aligned with the organisational expectations and mission is a major challenge in today's times.”*

### ***Alterables / Best Practices***

In order to internalise the best practices across the organisation and at all levels, these should become a part of the organisational culture. Highlighting the importance of the right performance oriented culture at HDFC Bank the MD states, *“When an organisation becomes large and you have decentralised decision making, then the parameters within which you have to take decisions are specified. And everything has to be a process, whether it is sales, marketing, audit, product development, etc. All of it has to be defined as to what is the process. Otherwise you cannot have professional assessment of performance. So you have to have job descriptions for people, you have goals; you have to give them processes which everybody in the organisation understands. The processes don't have to be rigid. They have to be flexible to meet the expectations of the customer. Without base processes nothing will work including Corporate*

*Governance. So the culture will come as a combination of culture, targets, procedures, way of working, etc. and it has to be formalised.”*

Some of these best practices put in place by the Bank for the employees are:

**Managing performance** both qualitatively and quantitatively

**Aligning the business objectives** till the grass root level of the organisation. In fact VP (HR) feels, *“The objectives that we pursue as an organisation help us to retain the people in the organisation.”*

Providing **training and development** opportunities

Developing and sustaining a **vibrant culture** with transparency and openness with appropriate feedback systems

### **Employee Empowerment**

Compensation, **Pay for Performance and Wealth Creation** are the Philosophy of the Bank

**Health and health care facilities** are provided for all the employees. Some of these are:

Regular eye, dental, diabetes and osteoporosis camps are conducted to benefit the employees. Medical checkups for employees above the age of forty have been instituted by the Bank on a yearly basis to help them diagnose ailments if any at an early stage.

The Bank is conducting health audits with leading groups in the healthcare sectors, like Nicholas Piramal and Apollo.

Total health check up is highly subsidized. 50% of the expenditure is paid by the employee and the rest 50% is contributed by the Bank.

A visiting doctor comes on site twice a week and free of cost consulting is available for all the employees. A complete health check up for all Bank employees has been done in some metros.

In addition to periodic health check-up for the employees, the Bank has initiated a risk assessment and aims to have measures in place to control the health and safety risks arising from work activities and to develop a preventive health care programme. All aspects of the Bank's environmental impact are also being assessed to adopt practices that have the least harmful effect on the environment.

**Lifestyle facilities** are also provided for the employees. Some of these include:

- A 'Lifestyle Assessment' is done to identify 'at risk' factors through a survey. The typical modern life is prone to high blood pressure, stress and a sedentary life. This is taken care of for the employees through Yoga and other stress relief programmes.
- The Bank believes that fit employees are happy employees. Thus it has gymnasiums at select locations where the employees can have a workout after office hours.

**Sports Activities** – The Bank's employees are active participants on the sports field as well. They have their soccer team winning Times Shield competition in Mumbai and the Cricket teams have won laurels for the Bank in Delhi by winning the TERI cup three years in a row. One of the Bank's cricket team won the Cricket Super Cup in Mumbai Corporate Challenge three times in a row creating history of sorts. The women bowling team won the prestigious BMI Corporate Bowling Championship 2006 while the men's team was the Runners up.

**Cultural Activities** – Employee celebration is a way of life at HDFC Bank. These opportunities are used to show case the employees' talents in the HDFC idol show. Participants across the region use the forum to exhibit their singing and dancing talents. There are occasions for the employees to enjoy and people walk the ramp to win coveted awards for the best dressed male and best dressed couple.

**Woman Power @ HDFC Bank** is celebrated each year in the form of Women's Day across key locations where female employees participate in large numbers. The day is highlighted by talks from eminent personalities on health and grooming. There are interesting debates / sharing sessions on work life balance for women. Talent competitions are also organized on the occasion.

**Festival Celebrations** – Festivities are a part of Indian culture and at HDFC Bank the employees celebrate them with gusto. In Diwali, the employees wear traditional dresses and have Rangoli competitions. Each branch head of the Bank is suitably empowered to conduct and rejoice with his team in his own way. On Christmas, the employees' children take part in games, contests along with their own Santa Claus. Cutting across multiple locations, this is an effort at integrating the HDFC Bank family.

### **HR Awards 2008**

HDFC Bank has received a number of awards in the area of HR. At the Asia Pacific HRM Congress held in Mumbai from February 12-14, 2008, HDFC Bank was awarded prizes under the following categories:

#### ***Recruitment and Selection Best in Class (RASBIC) Awards:***

Organisation with Best Overall Recruitment and Selection Practices

Organisation with most Informative Recruitment Practices

Best use of Technology in Recruitment

#### **Global HR Excellence Awards:**

Organisation with most Innovative HR Practices

#### **Employer Branding Awards:**

Best HR Strategy in Line with Business

Organisation with Innovation in Recruitment and in Career Development

## Talent Management Excellence in Training

### ***Organisational Strengths with respect to the Employees***

In the words of the VP (HR), *“The existing culture of the organisation is conducive to performance and growth. But this culture is not easily explainable in words.”* This culture of the organisation is its greatest strength and it has been built and solidified over the last one and a half decades. Some of the elements which constitute this culture are given here.

The **Core Values** of the organisation (Operational Excellence, Customer Focus, Product Leadership and People) are the bed rock on which it functions.

The **Performance Management System** (PMS) of the organisation measures and manages the working and people effectively.

**Quality of man power** is above average

The **leadership and management talent** within the organisation is impressive.

The organisation has a very **customer centric focus**.

While sharing some of the examples which depict the organisational strengths, the VP (HR) states that the experience of the review process validates these organisational strengths. Also, the delight of the employees is seen in the ‘Voice of the Employees’ feedback survey. The induction and mentoring experience of the new comers also highlights the aforementioned strengths.

Highlighting the rigorous way in which this organisation culture is implemented at HDFC Bank, the MD says, *“There is very strong deterrent action for a deviant behaviour. There are certain things which employees should not do and if they do they are removed. No discussion. No apologies. There is very strict action because at the initiation stage itself the employees are told*

*that these are things they should not do. You fool around with the customer, you are rude, you change the passwords, you don't follow the key processes, etc., and you are out. You can't say one thing and do another thing... You have to believe in it, you have to follow it through the last detail and you have to enforce it."*

## **F. Areas of Improvement with respect to Employees**

Though the Bank has been successful across many parameters in its relatively short journey of about 15 years, there are many areas where improvements are required. These could also be called as the next level the Bank needs to work towards in case of its employees.

There is a need to create an organisation where HR processes are better taken care of in terms of **development and training initiatives**.

There is a **need to expand the Bank's 'Employer' brand** in all channels and ways. The Bank is identified as one of the most preferred employers and must continue the process of being identified as such.

There is a **need to create more leaders within the organisation**. These are needed across the organisation and must become the focus of all the development activities. This is because the Bank is in the expansion phase. Post the Centurion Bank of Punjab merger, there are 1,400 branches of HDFC Bank. Thus there is an acute need to meet the ever increasing target which is possible by moulding leaders within the organisation who can head these units.

**Compensation and Communication** is also an area for improvement.

There is a **need to monitor the activities** in order to guide the employees in the right direction.

In the light of the four acquisitions – Times Bank, Centurion Bank, Bank of Punjab and Lord Krishna Bank, there is a major

challenge of integration as HDFC Bank is getting bigger. In the words of the VP (HR), *“Mergers need to espouse a unified vision and there is a need to work as one big team and get integrated.”* Efforts are required to align the Bank’s priorities.

## **Conclusion**

By undertaking the above mentioned analysis (based on the Needs, Constraints, Alterables) greater visibility of the employee-related issues of the organisation along with its strengths and areas of improvement can be highlighted for appropriate organisation-wide and industry-specific interventions. This case attempts to give a brief insight into the diverse initiatives undertaken by an industry leader in the Banking and Finance sector like HDFC Bank towards Employee Management which is a crucial resource for this technically advanced industry category.