

**Report On**  
**Change Management and HR practice: Case Study on AB BANK**

**By**

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**An internship report submitted to the Brac Buisness School in partial  
fulfillment of the requirements for the degree of  
MBA**

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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## Letter of Transmittal

27th September, 2020

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**Subject: Submission of Internship Report**

Dear Sir

With due respect, I would like to inform you that, I am a student of BRAC Business School, BRAC University. It is an absolute pleasure for me to submit the internship report titled '**Change Management and HR practice on AB Bank**' which has done as a part of the requirement of the course BUS-699. Your guideline has been followed in every aspect of preparing this report. I have really enjoyed working on this report and I have tried my level best to make an effective report. This report is focuses on both theoretical and practical knowledge.

Within the title limit I have made this report as comprehensive as possible. But there may be some mistakes due to various limitations. So I beg your kind consideration in this regard. I hope that my work would meet the level of your expectation. Any query on this report is appreciated.

Sincerely yours,

NAZIFA YEASMIN

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BRAC Business School

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# Introduction

The Bank has a central part in the development of a country. As civilization becomes modern and digital, a country's overall economic and financial growth depends on bank performance. So Bank must perform effectively under any crisis to hold the country economically strong. Banks need some active executives with modern banking knowledge and experience to develop a service-oriented industry to sustain a dedicated, skilled, and enterprise workforce. As time changes rapidly, people are now eagerly dependent on banking facilities to handle cash, transfer cash, and various business finance projects. So, the development of banking practices is needed to provide better service to their respected customer. Among all other public and private Banks in Bangladesh, AB bank Limited is a commercial bank that offers various modern banking services and products. Due to the epidemic of COVID-19, business and economic activities have come almost to a standstill, resulting in a fall in most banks' profitability. In July 2020, AB Bank has terminated more than 120 of its employees to overcome the crisis. 70 to 80% of employees had to resign forcefully due to their ineffectiveness and inability to do the work. To operate the business properly, firms need an essential employee with knowledge and skill when crises arise. People can only transform to human resources when they have adequate knowledge, skills, and competencies. The HR division's function is to make the selection, recruitment, and training process, but there is a significant impact on HR rules in a firm's performance. The case study provides an essential prospect for implementing change management and HR practice in AB Bank Limited.

# Background

AB Bank, known as Arab Bangladesh Bank Limited, is the first private sector bank in Bangladesh, started as Joint Venture with Dubai Bank Limited. UAE united with Bangladesh on December 31, 1981, and started its operation effectively from April 12, 1982.

Dubai Bank Limited had deposited their investment in AB Bank Limited, and with a vision to emphasized their activities in the UAE in the early part of 1987 and the shares were sold to Bangladeshi Sponsor Shareholders, according to the articles 23A and 23B of the Articles of Association of the Company and the relevant authorities' necessary approval.

On December 31, 2006, the total Equity (Paid-up Capital and Reserve) of the Bank were BDT 2000 million and BDT 2582.76 million. The General Public Shareholders save 49.43% of the Share Capital, the Sponsor-Shareholders hold 50%, and the rest 0.57% Shares hold by the Government of the People's Republic of Bangladesh. However, individual sponsor shareholder of AB Bank does not save more than 10% of its total shares.

Shared the vision of being a leading service provider and provide value to its employees, shareholder, and client, AB has formulated a golden legacy that may be hard to imitated by many other commercial banks. Over the last 38 years with numerous changes, AB bank has achieved plenty of corporate milestones by providing high-quality service and retain their authentication with innovative technology, confidence, and reliance on the public. AB Bank has introduced its product and service effectively to accomplish competitiveness through internet banking, SMS banking, cutting-edge ICT, state-of-art network solutions, 24/7 ATM service, and many other e-products.

AB Bank Limited has 70 Branches all over the World. Among those, one foreign Branch is in Mumbai, India, two Representative Offices in London and Yangon, Myanmar, respectively, and established a Wholly Owned Subsidiary Finance Company in Hong Kong of AB International Finance Limited and also maintains a correspondent relationship with over 220 international banks across 58 countries to facilitate cross border trade and payment-related services.

AB Bank improves its performance over time and achieves sustainable growth that reaches BDT 42076.99 million Deposit, which is precisely 53.78% higher than the previous year. AB Bank raises its portfolio to BDT 31289.25 million by increasing its profit of 46.32% and became a top private commercial bank in Bangladesh.

The bank has made significant progress in Foreign Trade Account by import, export, and inflow of foreign exchange remittances from abroad.

The bank's management follows the overall board direction for supervision and policy formulation. The Board consists of 11 members. The president and the bank's managing director are in charge of general supervision and control the bank's activity. The Board has the power to establishes the

objectives, declare a dividend, and approve the Balance sheet, etc. The Chairman keeps the Board of directors conversant about the bank's progress and any implementation of policies.

The bank could not operate its strategies plan and bring desired outcomes without merging its people in corporate activities. AB Bank always tried to establish a family concept among its employees and worked them as a team. To accomplished organization goals, a business strategy must be linked with HR strategy. AB Bank has gained its competitive advantage through a reliable foundation, quality officer, and always be ready to face any challenges.

## Evaluation of the Case

Bangladesh discovered COVID-19 in March 2020. On March 23, Bangladesh's government announced a lockdown throughout the country to protect the people from spreading the virus, and it extended to July 2020. This pandemic situation leads Bangladesh into a challenging situation. Lots of people died, uncertainty arises, economic disruptions, GDP fall, and so on. Several industries in Bangladesh sink into losses such as hotel & tourism, airlines, banking & insurance, agriculture, transportation, ready-made garments (RMG), etc.

In Bangladesh, Banks were already struggling with poor performance even before coronavirus spread to the country. But this pandemic worsens the situation by adding salt to the wound. And these troubles also get more exacerbated when the central banks take a recent move to cap lending rates at 9%. Now, the banking sector faces liquidity pressure, as deposit growth and loan recovery also decline.

AB Bank has about 2,300 employees. About 120 employees were terminated when five banks have reduced their staff's salary, intending to reduce operating costs in the wake of COVID-19. AB Bank Ltd. decides to lower their operating costs and restructure their organizations by laying off workers they no longer need to downsize their organizations. AB Bank's terminate their employees with three months' primary salary benefits.

Due to Covid-19, Most of the organization wants to change its strategic and operational levels by implementing a new process, tools, and techniques to deal with changing business environment and benefit from the opportunities. Management faces the most significant challenges while



managing corporate changes. AB Bank applied 'Theory E' to acquisitive economic value by the appliance of far-reaching layoffs, downsizing, and restructuring to deal with the challenges.

Working with management for ongoing performance evaluations is an essential part of HR practice. When poor performance is elicited from the employee, then reviewing performance becomes more necessary. This process is an opportunity for AB Bank to identify where and what training needs for employee improvement. Employees have to fulfil their promise to the organization by giving their best to meet the organizational objectives. AB Bank laid off their 80 employees due to poor performance. Even after 20 years of job, the employee does not improve their performance. AB Bank provides proper training and assessment to improve their skill but failed to motivate employees. So in this crisis, when the situation itself is challenging, AB Bank decided they could not move on without efficient human resources. And this move was taken to protect public money.

### **Research Objective:**

- To examine the ways and purposes of training and development in AB Bank
- To examine managers, monitor, and evaluate the performance of their employees.
- To implement an approach that can avoid employee termination.

## **Proposed Solutions and Changes**

### **Training and Development**

There is a need for Technological Development and new policies/frameworks in AB bank to identify the new talent, qualified and knowledgeable employee to associate with the upcoming challenges, and adopt changes in the working environment's nature. They have to be adaptive, flexible and focused on their goal. AB bank can take the initiative by developing their growth and

career with proper training and assessment, which motivated them to achieve their personal and professional goals. Employee Enlargement requires a mutual responsibility among all over Bank Management, including all heads of Branches, Divisions, Departments, Units, Cells, and employees.

HR divisions have to effectively design the training program to target the right people in the team with proper assessment. Continuous efforts can improve employee performance and acquire them to grow the right set of skills required in a challenging situation. The employee development plan can be made by proper training assessment. The whole capacity-building efforts will revolve around the banking sector's unique understanding and required behavioural skills to develop vital leadership skills. The changing nature of threats and risk make the banking industry more complex and diverse. So the training method needs to change from time to time for employee development.

AB Bank can ensure a skilled and willing workforce to its Bank with the training and development process. There are four objectives AB bank can follow to identify qualified employees; these are Individual, Organizational, Functional, and Societal.

In Individual Objectives, AB bank can help motivated employees gain their personal goals and enhance self-esteem. AB Bank can help the organization achieve its primary objective by fetching individual effectiveness to attain Organizational Objectives. By maintaining the department's improvement and its contribution at a sustainable level merge with the organization's needs, AB bank can accomplish Functional Objectives. Societal Objectives can also be ensured by make employees ethically and socially responsible for society's needs and challenges

## **Performance Management and Appraisal**

Human Resource Management of AB bank needs to recognize the procedures and policies that directly affect the employees to ensure they have sufficient staff with the right skills, proper rewarded, and motivated. AB Bank can increase organizational performance, motivating everyone to understand their values and responsibilities towards the organization's goals. Performance appraisal, including various incentives, bonuses, or any compensation plan, can improve employee performance. Adequate compensation can provide a much-needed enhancement in employee

determination. AB Bank can stimulate this practice very effectively to encourage strong competition amongst staff and raise awareness of their roles and responsibilities in accomplishing those objectives. Collect performance feedback by using a tool that can help managers to identify individual and team performance levels. AB Bank would not provide customer service without proper human resources and human resource management.

The AB Bank managers can utilize evaluation forms, including attributes such as several achievements, completion of general tasks, punctuality, cleanliness, appearance, performance (customer feedback), and contribution towards the Bank development, and this can be done annually.

## **Organizational Change:**

In organizational changes, two theories need to compare, theory E and theory O, to function effectively. AB Bank can practice the combination of these two approaches for better implement.

### **Theory E**

The strategy of Theory E is to acquisitive economic value. Its emphasis on the evolution of structures and systems, increase share-holder values, use incentives, extensive layoffs, downsizing, and restructuring.

### **Theory O**

Theory O is developing organizational capability, emphasizing culture change, learning participation in change programs, and experimentation. Organizations must have strong commitment-based psychological contract with their employees.

### **Combine of theory E and theory O**

Many organizations examine that both strategies have validity, and a mixture of both theories can be the best path for better implementation to follow.

Struggling with low profit and fixed costs., AB Bank can combine E & O strategies to build a company that can survive and adapts to the crisis. AB Bank can open an innovative banking service that let clients to open their account from home to achieve the primary goal. It will help them to acquire customer expectations through advanced products and services. It also allows them to

recognize shareholders' s expectation, actions, and optimize their rewards through dedicated working. AB Bank can embrace the shareholder value organizational between economic capabilities value and increase organizational competency. In leadership, the Bank can seek a job support subsidy at 50% of the government's minimum wages for at least four months. They can engage their employees in improving their skills to adapt to the crisis. Make their employee more technologically advance and quality human assets. AB Bank can switch to theory O strategy by an initiative to change to avoid laying off employees. AB Bank can actively promote new ideas by delivering free debit cards and check books to customers' doorstep by maintaining safety standard and collecting their signature with documents to focus on economic value and transforming culture. They can run this process with spontaneity plan to allow real experimentation without imprisoning for failures. To apply theory E inducements in theory O, AB Bank can also provide rewards to the employees as a stock option based on personal performance. They can provide necessary specialized knowledge and skill through a consultant in the early stage of change.

Some employees do not respond to change with the same excitement as expected. They become change resistance and could not go beyond comfort. Always prefer stability over the change both in their private and professional lives.

Some reasons lead employees to resist change initiatives:

- **Job Loss**

The employees become change resister because of fear of job loss. To operate this system, bank required a more efficient and smarter worker for a better turnaround that creates fear among the senior employee that they might lose their job.

- **Poor Communication and Engagement**

Sometimes poor communication is the reason for employee opposition to the change. Bank employees were not aware of change outcomes, how they will achieve success, the benefits, and why change is needed. This Miscommunication arises confusion and conflict among the employee and leads them to become change resistance.

- **Lack of Trust**

Employees become change resister; one of the reason is trust. Sometimes they could not be able to trust their management for initiative change.

- **Fear of Unknown**

Employees felt that they do not know what is going on and what will come in the future. So it makes the possibility that the employee became change resister.

- **Poor Timing**

The timing was one of the biggest problems when the employee was not ready for change.

**To deal with the change resister, AB Bank manger need to,**

- Identify those people who have a fear of lose, and let them respond to drive out the anxiety.
- Communicate with them with the answer to “why,” “where’ and “how” the change will establish business transformation.
- Highlight the benefits of change to potential resisters. Made them understand that those benefits might be more incredible for future job security, higher pay, and so forth. It will enhance their capabilities and skill. Sometimes explain of benefits may switch their concentration from negative to positive.
- Help resisters to understand that their genuine contributions can ease their losses.
- By making resister be active partners in the change program, the bank manager can provide the senior employee some authority to motivate them towards the change.

In Business, change is now the normal state, and this change needs to be handled by the employee. To gain competitiveness, companies need to manage change resister.

Every organizational change requires one or more change agents. AB Bank needs a change agent who has the skill and power to stimulate, facilitate, and coordinate to bring change effort. Change agent plays different roles during the transformation of business,

**Articulate the need for change;** when decided to restructure the entire company. Managers need to reduce the large workforce to a small group.

**Are accepted by others as trustworthy and competent;** by providing the reasons for restructuring for business transformation, the Manager gains employee faithfulness and is considered as a reliable change agent within a short time.

**See and diagnose problems from their audience;** Leader must play as a consultant to places employees collect data from outside the organization and helped organization members generate data from within the organization. By the analysis of valid, they find solutions to problems motivate people to change; provides continuous motivation to this employee towards the change by made the understand with better future, tell them with benefits, how they will have achieved organization goals,

**work through others in translating intent into action;** manager effort depended heavily on the quality and workability of the relationship between him and his critical decision within the organization.

**Stabilize the adoption of innovation;** the manager needs to bring continuous innovation into the process.

**Foster self-renewing behavior in others to “go out of business” as change agents;** Through leadership and communication, they managed to direct the business through an incredibly difficult time and turned AB bank into a profitable business.

The organization sometimes has its in-house change specialist. This person replaces the external consultant and works directly with the organization’s management team to facilitate change efforts. The individual or group that undertakes to initiate and managing change in an organization is known as a change agent.

A consultant is someone who makes a significant contribution to effective change management at an organization, sometimes they develop the evaluation plan, and sometimes they implement the strategy by provide information, advise process solutions, innovative technology, and behavior.

Recently, most banks struggled to survive from the ongoing financial collapse brought on by COVID-19. With the consultants' help, AB Bank can introduce a novel banking product that will help clients open their account from home. Consultants and employees' role affects the change process to bring outcomes, improve business growth and maximize efficiency and profitability

### **Diagnosis:**

Consultants provide information about both inside and outside of the organization compatible with the goal. The consultants' role is to determine where AB Bank is standing in terms of its

performance and then find out the possible solutions to the problems, several root causes concerning that performance level. To maintain social distance, they can come up with a solution to launch a service "Account from Home" that helps customers open an account. Finding a change initiative is only taken by a consultant; no internal employee would involve in this process. Internal management might have individual judgment, own-preference, and sometimes make bias decisions, which is not right for the organization. To avoid discrimination and correctly implement the changes, the consultant plays a vital role in this process.

### **Capabilities assessment:**

Consultants also find the capabilities of the company's human and physical resources assessed in achieving objectives. The consultant analyzed the gap between the current and future needs of AB bank. CEO has a role in ensuring the capability assessment with the various method. AB Bank has enough capabilities or not, to implement the plan that will be confirmed by the employee. Human resources, business practice, facilities and equipment, information and communication technologies, knowledge, accountability, and governance, must be analyzed in the assessment.

### **Strategy development:**

Consultants and employees both have equal participation in developing a strategy. Working with management, the consulting team develops a strategy for AB Bank to reach the desired level of performance during this crisis. Depending on the situation, to support the plan, employees have to work together in various activities, including employee training, process reengineering, organizational restructuring, and even some new information technology. To develop the new strategy, AB Bank can deliver a welcome pack at customers' doorstep, including free debit card and checkbook, also collect documents with their signature by maintaining health and safety standard.

### **Implementation:**

Consultant teams will provide guidance and training to implement the change program and operate the strategy. But the employee has a crucial role than consultant in the implementation of business transformation. AB Bank banks' accounts may increase faster after imitates a successful change implementation. AB Bank will not succeed without employee involvement in change execution.

A consultant will involve only those type of change initiative, when

- The company will plan to increase its sales or purchase, introduce a new product, implement a new policy, and restructure the organization,
- In the case of merging units or departments, the consultant has an enormous role.

But if the company brings a change in employee engagement, working process and manages how people will work together, then leader or manager has a vital role in setting the plan. The relationship between manager and employee is stronger than the consultant. A leader has a better idea of developing the working schedule that will make employees motivated.

This change process will have helped AB Bank run business to a great extent by encouraging clients to do banking while sitting from home to control the spread of pandemic and overcome the crisis.

## Recommendation

Due to the Covid-19 pandemic, all the government and non-government organizations, except emergency services, have been closed to prevent virus transmission. A total lockdown has been imposed in all over the country. But, banks remained open to provide emergency service. Since fewer branches were operating, customers of the closed units were facing problems in their financial transactions. Bangladesh Bank has instructed that the banks have to encourage employees to be motivated with various incentives. The termination and salary cut are not logical, and it may affect other serving bank staff, make them disappointed and demotivated. Bangladesh Bank does not support any bank employee's salary reduction, stop increment, or retrenchment. They believe it is not right in principle and inhumane too. To overcome the crisis, banks could reduce costs in other operating function, like office expenses, new purchases expense and new recruitment process expense, etc.

On the basis of the case study the following recommendations can provide better HR practice in the AB bank:

- AB Bank should practice both Theory E and Theory O simultaneously, instead of using only one theory or sequencing of both approaches.



- The top management of the AB Bank can set the direction and organizes company changes in current crises.
- At the same time, the leaders can listen and look for input from the lower levels.
- To get an effective and efficient employee, the bank should arrange proper training and development programs.
- Employee's development for the own interest is also essential to attain organization goals.
- Performance evaluation needs to be review time to time to motivate qualified employee for their self- recognition.
- Appropriate training is required to ensure the efficient performance of the employees.

A manager has to implement proper HR practices to avoid mistakes and distractions in their organizational process. Only the right people can make the manager ensure the correct result. Sometimes managers do everything right with thoughtful strategic planning, have useful resources, bring the innovative idea, draw clear organization charts, and set up-to-date assembly lines. However, they still fail because of having not the right people in their operating function, not correctly motivated them, and training them with a needed assessment.

So, for this reason, HR practice is essential to all managers. Due to this pandemic, all banks get a lesion that manual banking is not always possible, and they have to develop digital and virtual banking to deal with the crisis. Improving the skill in the workforce will be the core target in the days ahead.

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