Case study on implementation of People Capability Maturity Model (PCMM) in NBFC sector

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Case objectives

This case study presents how an organisation in the Non Banking Financial Corporation (NBFC) sector improved its workforce practices and service efficiency by adopting People Capability Maturity Model (PCMM) and accrued benefits.

Client’s background:

- The client is a subsidiary of a reputed conglomerate business house in India. The organisation operates in NBFC space and has business in various segments such as retail, finance, investment banking, rural finance and private equity, with more than 1000 employees working in 95+ branches across 70+ cities in India.
- The organisation was looking to build strategic alliances with firms outside India, to reinforce its presence in global markets.

Client’s challenges:

**Business challenges:**

- Differentiate itself from competitors by increasing its product innovation and customisation by aligning to the needs of its customers.
- Enhance its branch efficiency by increasing per branch business.
- Sustain the growth of Assets Under Management (AUM) and continuously improve its quality by reducing risk of Non-Performing Assets (NPAs)
- Make the organization agile and capable to seamlessly manage the changing financial regulations

**Need for change:**

- The organisation in its strategy to address the above challenges identified its workforce as a key enabler to deliver business value.
- Key workforce KPIs identified for improvement
  - Align employees’ goals with organisation’s goals
  - Enhance employees’ competency by focused and thorough development initiatives leading to increase in per branch business
  - Improve employee engagement
  - Retain critical talent
  - Design career framework
  - Streamline Human Resources (HR) processes to provide standardised experience to employees
- The organisation was exploring to implement a HR excellence model which is holistic, globally acceptable and industry agnostic, to help design, deliver, sustain key operational processes and achieve business goals.
Our proposition

Keeping in mind the organisation's business objectives and its intent for long-term growth, we customised our PCMM approach that helped the organisation leverage and use the model to instill strong workforce practices. We adopted an employee and business centric approach thereby enabling the client derive long-term solutions to overcome its existing challenges.

Threads of PCMM

<table>
<thead>
<tr>
<th>Levels</th>
<th>Develop competency</th>
<th>Build workgroups and culture</th>
<th>Motivate and manage performance</th>
<th>Shape the workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Optimising</td>
<td>Continuous capability improvement</td>
<td>Competency integration Empowered workgroups</td>
<td>Organisational performance alignment</td>
<td>Continuous workforce innovation</td>
</tr>
<tr>
<td>4 Predictable</td>
<td>Competency based assets Mentoring</td>
<td></td>
<td>Quantitative performance management</td>
<td>Organisational capability management</td>
</tr>
<tr>
<td>3 Defined</td>
<td>Competency development Competency analysis</td>
<td>Workgroup development Participatory culture</td>
<td>Competency based practices Career development</td>
<td>Workforce planning</td>
</tr>
<tr>
<td>2 Managed</td>
<td>Training and development</td>
<td>Communication and coordination</td>
<td>Compensation performance management work environment</td>
<td>Staffing</td>
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Source: CMMI Institute
Our approach:

The Diagnostic, Handholding, Implementation Review and Assessment (DHIRA) approach was deployed in this case as we were required to handhold the client towards achieving the PCMM maturity level 3. Diagnostic focuses on seeking leadership commitment and involvement and in-depth study of the client’s current workforce practices to gain an understanding of its strengths and areas of improvement when benchmarked to the PCMM framework. This helped us sketch a clear road map to work on areas of improvement to help address the short-term and long-term business challenges. Handhold phase focuses on introducing, defining and mapping specific set of practices from PCMM model to achieve the goals. Implementation Reviews helps focus on continuous review of the adaption of workforce practices so that there is deep institutionalisation. Assessment phase focuses on benefit realisation and formal PCMM appraisal to evaluate the achieved outcomes.

Duration:

The PCMM adaption can take roughly 14 to 15 months from initiation to reach PCMM maturity level 3, however, given the involvement of multiple branches and unique approach for the organisation and the larger NBFC industry itself, the time taken to institutionalise workforce practices was around 20 to 25 months.

Client’s involvement:

Active participation of 50+ members with representation from across HR, businesses, support functions and locations to help institutionalise PCMM processes and practices.

Key challenges faced during the journey:

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<th>Key challenges faced during the journey</th>
<th>Proposed approach</th>
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| Processes and workforce capability to align to changing financial regulations | • Agility built in the integrated processes leveraging PCMM framework.  
• Enabled creative learning mechanism to disseminate regulatory changes to the client facing personnel  
• Enhanced competency dictionary to incorporate new skills related to regulatory norm  
• Aligned competencies with branch and risk management objectives |
| PCMM practice interpretation to NBFC’s workflow | • Customised processes to help align with NBFC’s terminologies and processes |
| Language barrier due to involvement of rural branches in scope | • Developed reading material, training programmes in vernacular languages to help disseminate the information on enhanced processes |
Key benefits to the client:

**Quantitative**

- **Business’s Key Performing Indicators (KPIs):**
  - Newly developed focused competency of the on-ground sales team resulted in an increase of average per branch business by approximately 8 to 10 per cent.
  - Introduction of structured workgroup processes and competency interventions aligning to present and future strategy of the organisation helped the client launch an average of 3 to 5 innovative financial products per year across its businesses.
  - Integrated risk management processes and workforce practices helped reduce NPAs by nearly 7 per cent.

- **HR KPIs**
  - Improved employee engagement which was seconded by 10 per cent improvement in the Gallup engagement survey scores.
  - Decreased employee attrition by approximately 15 per cent by constant employee connect and talent development initiatives.
  - Nearly 10 to 12 per cent improvement in the recruitment turnaround time helped save cost as well as filling up open positions faster and with right fit candidates.

**Qualitative**

- Constant enhancements to the integrated workforce processes helped workforce manage the changing financial regulations.
- Company achieved PCMM maturity level 3 and became one of the few in NBFC sector to have achieved it thereby helping them attract quality talent.
- The PCMM journey worked as a guide in planning, current and future HR requirement, based on organisation’s business objectives.
- As part of developing the competency framework, the organisation worked on identifying its core competencies and aligning them with its strategy.
- Providing strategic alignment and linkages of the workforce processes and practices with organisation’s balanced score card.
- Implementation of a systematic framework such as PCMM helped the client increase the accountability of business, HR and support groups towards people and vice versa.
- Objective assessment of workforce practices, regularly and consistently by senior management team through metrics and dashboards.

**Key outcome:**

“In the crowded financial services business, motivated employees are an organisation’s biggest differentiators. The PCMM perfectly aligns with this vision, and embarking on the journey of PCMM has helped us develop our employee engagement, which has helped us and align them with the organisation’s vision and enable them deliver business values.”

— CEO

“PCMM has helped improve the connect between customer, operations and HR”

— CHRO

The client achieved PCMM maturity level 3 milestone and is now scaling-up to higher maturity levels. It is laying foundation for utilising data analytics based decision making around areas of organisation alignment and development.
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