

Enhancing Motivation at Barclays

Introduction:

The present day business scenario is characterized by rapid changes in the economic environment, largely brought about by the phenomenon of globalization and the deregulation of markets. Organizations have to survive and be profitable in a fiercely competitive product market, with changing customer and investor demands. This has necessitated a continual improvement in performance by reduction in costs, continuous innovation of products and services as well as improvements in productivity, quality of products and speed in getting these improved products into the market. There is an ever increasing trend for quality to be the major criterion that determines productivity, rather than a singular focus on costs which was the guiding principle prior to globalization. This has given rise to the need for companies to pay a great deal of attention to employee performances on the job and motivate them effectively, in order to improve the productivity of an organization.

The recent credit crunch has hit the banking industry particularly hard, turning the spotlight on the manner of functioning of these institutions. The need for quality and accountability in these organizations has become even more evident, especially in a recessionary environment where productivity has become even tougher to attain. The management of human resources has come to play an even more important role in achieving that productivity and motivating employees has become vital, especially for the banking industry. This study therefore proposes to apply a case study approach to examine issues surrounding the motivation of employees in Barclays Bank.

The credit crunch and its impact on banks:

The true origins of the crisis can be traced back several years to the late 1990s when, concomitant with financial deregulation in the United States that commenced during the Reagan administration, banks began to change their traditional mortgage arrangements. Earlier, mortgages

issued were few and far between, because banks provided them to customers only after intense verification checks on credit and customer income. The customer was then obliged to make regular monthly payments to the bank. Earlier, banks had to finance their mortgages largely from their existing deposits from other customers; as a result this restricted the scope of their lending.

With the rise in the mortgage bond market, this situation changed because banks were able to find additional sources of funding for loans through investors in mortgage bonds. Banks began to lump their mortgages together with other kinds of loan assets and sell them off to investors in the bond market, through the process of securitization of loans.

In recent years, many of the regulatory measures that were instituted as a part of the New Deal after the Great depression of 1929 have been overturned, including the Steagall Glass Act, which imposed restrictions on speculative activity. (Chossudusky, 2008). Inflation in most developed countries was held down in developed countries such as the U.S. and the U.K. using the cheap imports available from countries such as China. Since inflation rates were low, this also helped to keep interest rates low, pushing up the value of property prices.(Blythe, 2008). Such an atmosphere, where property values appeared to be stable and keep rising, only encouraged banks further to branch into more speculative activity related to mortgage lending, and to lend out more than what they had on deposit from customers.(Blythe, 2008).

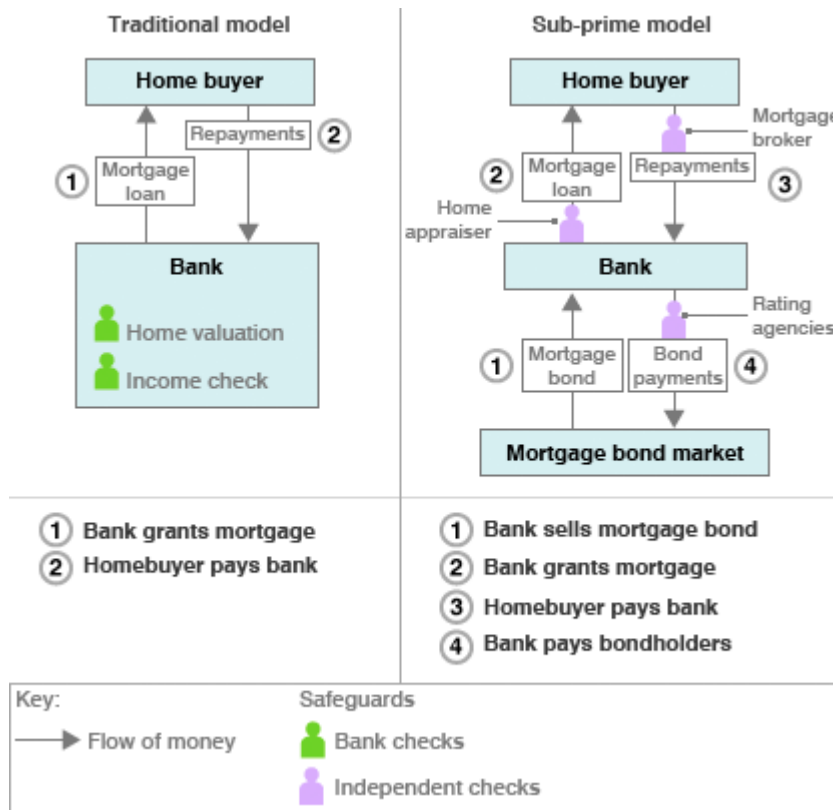
The model presented below graphically depicts the traditional model of mortgage lending as compared to the current, existing system which involves third party bond investors, with deregulation encouraging speculative activity by banking institutions.

Fig 1: The new model of mortgage lending (Source:

<http://news.bbc.co.uk/2/hi/business/7073131.stm>)

THE NEW MODEL OF MORTGAGE LENDING

□ How it went wrong



As per the new model, the banks rely on additional sources of funding over and above the deposits they have access to. The mortgages are packaged with other kinds of assets through the process of securitization into Collateralized Debt Obligations (CDOs) and sold to investors globally. According to Bair (2008), where private label, mortgage backed securities were concerned, investors pumped in trillions of dollars into mortgages that borrowers had little chance of repaying right from the very outset. Bair states that these were mortgages that were “unaffordable from the beginning, originated based on the assumption that home prices would continue to rise and borrowers would refinance.”

Since customers were unable to repay their mortgages, banks were unable to roll over their short term credit.(Sachs, 2008). Investors began to suffer losses which made them reluctant to take on additional CDO's. Banks became reluctant to lend to each other, because they were not sure how many of these bad loans were a part of other banks' financial structure. Century Financial, one of the specialists in sub prime mortgages, began to sell off many of its bad loans/debts to other banks

around April of 2007, which caused the bad debt contagion to spread. Barclays Bank was not exempt from the crisis affecting the markets, because it had also invested heavily in the CDOs that were the source of the crisis. During the last week of August 2007, Edward Cahill, the head of the CDOs handed in his resignation, thereby providing a strong indication that Barclays had also been exposed to the fallout from the crisis.(Stepek, 2007)

Interest rates were cut, but this did not stem the panic in the markets or restore customer and investor confidence. Neither did it improve the confidence banks had in each other, which prompted them not to lend to each other. In order to address these problems, the Federal Reserve Bank in the United States, the Bank of England in the U.K. and the European Central Bank extended huge amounts of short term credit to commercial banks in order to ensure that liquidity did not dry up.

Fig 2: Intervention by Central Banks:



(Source: www.bbc.co.uk/timeline)

As a result of the crisis in sub prime mortgages that resulted in July-August 2007, the market for asset based securities collapsed, forcing major banks to write down more than \$45 billion on their balance sheets.(Vasudevan, 2008). This also caused interbank lending to dry up, while there was a lack of confidence in money market funds, which played out in the American share markets,

later spreading into other international markets as well. All of this impacted severely on the productivity of banks all across the globe.

The case of Barclays:

There is little doubt that Barclays has also been one of the victims of the credit crisis that has afflicted the banking industry. But it is also significant to note that Barclays problems may have actually begun during a much earlier phase and the financial crisis might not necessarily have been the entire causal factor. For example as Stepek (2007) notes, Barclays borrowed a large sum of £314 million from the Bank of England's emergency fund in early August 2007. But this was not an isolated incident, rather towards the end of the month, the bank again borrowed a sum of £1.6 billion, which suggested that the bank was in deep financial trouble. While the bank claimed that technical problems had caused the liquidity crunch and that its liquidity in the money markets was substantial, Stepek (2007) points out that if this had really been the case, then it would have affected other banks as well. While it is possible that the credit crunch could have exacerbated Barclays' financial problems, it cannot be held to be the sole cause of it.

Barclays Bank is a financial services provider first established 300 years ago. It was started by John Fraeme and Thomas Gould trading as goldsmith bankers in the year 1690.

(www.barclays.com/about-us). The year 1896 represented another significant milestone in Barclays' history, because the Company joined up with 19 other banking businesses to form a conglomerate with 182 branches and deposits of 26 million pounds and was listed six years later on the London Stock Exchange. The bank commenced its overseas operations in 1922 with its first overseas branch in France and its credit card operations in 1966. It was also the first UK bank to have its shares listed on the New York and Tokyo Stock Exchanges (www.barclays.com/about-us).

Barclays moved into the mortgage business in 1999, when it became the first bank to offer its customers mortgages in Euros to buy homes in the U.K. In the year 2000, this was followed by its

acquisition of Woolwich, a leading mortgage bank (www.barclays.com/about-us). By the year 2006, a major part of the profitability of the bank accrued from its overseas operations.

As may be noted from the statement of the Chief Executive, John Varley, Barclay's global business trends reflected higher levels of profit growth. 75% of Barclay's Global Investors income was derived from outside the United Kingdom and the global client base jumped up by a thousand points in the space of five years. (www.group.barclays.com). Hence, the major activities and profits of the bank were derived from its international operations, of which heavy investments in CDOs was an inextricable part and only exacerbated the internal financial problems the bank was experiencing, despite the appearance of external profits. Many of these so called profits actually represented the money market position of Barclays, which was subject to risk rather than actual liquidity reserves (Stepek, 2007). Barclays Global Capital, while undoubtedly the largest income earner for the bank in 2005, was also responsible for about 8 billion pounds in credit crunch write-downs and would have made a loss in 2008, had it not been for the acquisition of a 2.2 billion pounds of accounting gain resulting from the takeover of one wing of the failed financial institution, Shearson Lehman (Treanor, 2009).

The importance of motivating the employees:

Human Resource Management is assuming a vital role in today's globalized context, where knowledge management is an integral aspect of competitive advantage for an organization. The knowledge possessed by a firm is largely in the domain of expertise and experience possessed by the employees of the firm. Effectively managing the resources and knowledge that employees bring to the firm is the function of the human resource department of the firm. Recruitment of skilled and qualified employees is a vital strategy for a company to function successfully in the global environment. Retention of those skilled employees is equally important because such specialist

personnel are in short supply and it is difficult for a Company to replace the experience and training of individual employees, especially the more skilled personnel. As a result, motivating employees to remain with an organization is almost as important as recruiting skilled employees in the first place and this objective can only be achieved through adequate levels of motivation of employees.

High employee turnover is one of the reasons for decreased organizational productivity. Between 1997 and 2000, employee turnover increased in all industries (Martel, 2002). There is an increasing tendency for employees to change jobs, for example British employees change employers an average of seven times during their lifetimes, with employees taking about twelve months to settle into their new jobs and become fully productive, which further shortens the effective working span of the average employee. Hence it is in the interests of an organization to retain its employees (Kransdorff, 1996). In the current recessionary atmosphere however, most employers are being forced to lay off large numbers of workers, thereby making it all the more important to effectively motivate the skilled employees who are retained, so that they are able to perform to higher levels of productivity. In an atmosphere where lay offs are becoming increasingly common, the sense of security which employees feel at their jobs is undermined and this could have a negative impact upon their motivation levels at work.

In a recessionary environment, Barclays has to deal with the same kind of liquidity crunch that other banks are facing, especially because it has such a large share of its operations diverted into CDOs and foreign markets. This also means that less resources are available to pay wages and salaries, therefore motivating skilled employees to remain with the bank is important, since it reduces the amounts that must be spent in training new employees and can also ensure that these employees can perform the same functions that a larger number of employees would have carried out in a non recessionary environment.

The new organizational approach that is being adopted by many organizations to ensure a competitive advantage in a global market focuses on employee participation in decision making

(Marchington and Wilkinson, 2005). Motivation of employees is a vital part of ensuring productivity and a new set of human resource practices have evolved, focusing upon improvement in employee welfare through training, compensation, profit sharing and ensuring job security, to motivate them to achieve the maximum productivity in the workplace. This aspect becomes all the more vital in the current global atmosphere of recession, where more and more Companies and especially banks, are being forced out of business due to a lack of availability of resources.

Motivating employees at Barclays:

Murphy and Burgio-Murphy (2005) have laid out five important aspects which every firm should know about employee retention. Firstly, some employees in the firm are more valuable than others, therefore the greater the degree to which a firm focuses on retaining the high performing employees and eliminating the low performing employees, the higher its level of success. In the recessionary environment, where Barclays has faced setbacks in productivity, it needs to identify its high performing employees and focus upon retaining them in order to improve its productivity. An organization that identifies its most valuable employees and provides them with job security and monetary incentives is likely to have highly motivated employees.

During the 1980s, organizations gained a competitive advantage through an emphasis on delivering a quality product or service, and this was the element that distinguished it from other similar services. But as more and more organizations responded to the quality challenge and began to develop ways and means to improve the level of quality in the services that they were providing, quality has ceased to be as important in distinguishing and setting apart one organization from another and providing it a competitive edge. Most organizations were able to meet the quality challenge to the point where most products and or services were equivalent to commodities (Yanovitch, 2007). Hence, the nature of a Company's product or the services it offers are no longer

adequate to provide it a competitive advantage, rather it is the quality of its employees that could make a vital difference. In the banking industry in particular, the kind of financial services provided by Barclays can be replicated by many other financial institutions and therefore, may no longer serve to provide the competitive advantage the company may need to survive and thrive in a tough recessionary environment.

In the present day competitive environment, people are viewed as an organization's most valuable resource. While it may not be difficult for competitor companies to imitate products, or even the quality of services that are produced by one Company, it is next to impossible for one organization to imitate the people or replicate their skills. Human resource strategies within an organization are difficult to imitate because of path dependency, i.e, they are based upon organizational policies that have evolved over time. This is the reason why human resource management and its associated practices have come to be recognised as one of the most important factors that could impart a strategic advantage to an organization in competing in the global marketplace.(Boxall and Purcell, 2003).

The underlying premise that all industries have to consider in Human resource management is to introduce those kinds of practices which have the potential to bring about improved organisational performance for all organisations (Marchington and Wilkinson, 2005:72). According to Baron and Kreps (1999), employees need to clearly understand what the best interests of their organization are and work towards the achievement of those ends. Secondly, in order to achieve these best interests, employees should also be flexible enough to take on assignments that may be different from the normal work routines. Thirdly, employees must engage both mental and motor skills in the performance of their jobs; they should not hesitate to exercise their own judgment where necessary in determining what needs to be done and contribute any ideas they may have for improvement of their organizations (Baron and Krepps, 1999:189).

In the banking industry however, many high level employees have not worked for the best interests of their organizations. The efficient market theory has been the guiding force in economic theory and the basic assumption of this theory is that markets are self correcting. This is the policy which has dominated economic policies and financial regulation, but it is now being blamed as one of the causes of the global financial crisis (Wighton, 2009). According to Alan Greenspan, former Federal reserve Chairman, the theory is flawed because the big mistake inherent in it was the assumption that banks' self interest would prevent them from doing anything that threatened their own survival. The current crisis however demonstrates the fact that the self interest of the employees may have assumed precedence over the best interests of the organization.

In the current global recessionary atmosphere, a much higher level of participation from employees is required, as compared to earlier trends. In order to facilitate increased employee participation and benefit from the skills and knowledge that employees can contribute, most organizations are developing a set of human resource practices geared towards improving employee motivation, performance and productivity at the workplace. Improving employee participation through representation in unions as well as direct participation in decision making may be "complementary vehicles for employee voice at work." (Batt, 2002:589).

This may also be relevant in the context of the Barclays organization, because the organizational decisions which have been taken so far have resulted in disastrous effects in terms of profitability and productivity and the ability to survive the hardships of a recessionary environment. Barclays' takeover of one profitable arm of Shearson Lehman may have averted it from the brink of collapse, but this cannot camouflage the fact that decision making at the top executive level may not have served the best interests of the Company. It may therefore be worthwhile for Barclays to reconsider its strategy and involve more lower level employees in the corporate decision making process, as a means to avert personal greed of top executives generated by the excessive bonuses and reward schemes offered to them under the employment contract.

One of the significant aspects that have traditionally been considered important in improving employee motivation is through offering monetary incentives. In the case of skilled employees in particular where there is a dearth, one of the most commonly used methods used by employers to attract the best candidates to their firm is to offer good monetary rewards, such as high salaries, signing bonuses and attractive benefits (Pfeffer, 1998). There are two components to providing high compensation that is contingent on the performance of the employee; higher salary that what is normally paid for a comparable job and specific performance related incentives, such as bonuses. Where the banking industry is concerned however, high bonuses are offered as a part of the employment contract and may not necessarily be contingent upon performance, thereby functioning as a hindrance to top executives acting in the best interests of the bank rather than their own interests.

For instance, in 2007, Barclays paid its chairman, Bob Diamond, more than 20 million pounds in cash and shares, while it is rumoured that Roger Jenkins, the Chairman of the Middle East operations of the bank, received double that amount (Northedge, 2008). These bonuses have been offered as an integral part of the employment contract and are paid out regularly, irrespective of whether or not there has been a corresponding level of performance to support it. In justifying the company policy of offering bonuses on the basis that it is appropriate for executives such as himself, who are in top positions, to have a mixture of short term and long term pay.

Providing bonuses in a business environment where the Company has faced losses and where the executives have hardly performed to the kind of exemplary levels that should be required for the payment of bonuses is meaningless and does not appear to be justified. But when Diamond was questioned on this very aspect, he responded that bonuses to top executives are justified despite the losses because they have “performed well in the context of a very difficult environment.” (Treanor, 2009).

According to Pfeffer(1998), investing in its employees can be very profitable for an organization in terms of increased productivity. He states that “substantial gains, on the order of 40 percent or so in most of the studies reviewed, can be obtained by implementing high performance management practices.” (Pfeffer, 1998: 32). The beneficial impact of providing monetary benefits to employees also appears to be substantiated in another study that was carried out by Batt (2002). She examined the relationship between the quit rates of employees in call centres and their organizational performance to the kind of human resource practices that were being used at the firm. The findings in this study showed that quit rates were lower and there were high levels of sales growth in those call centres where employees participated in decision making and were offered HR incentives such as job security and high levels of pay.

In the context of Barclays bank and the banking industry in general, the benefits of monetary incentives appear questionable, because they are not made contingent on performance, but are handed out as a regular part of an employment contract. As a result, there may be little, if any motivation for these executives to work in the best interests of the Company, since they are likely to be driven by greed and the complacency that they will receive their fat pay packets irrespective of their levels of performance.

In other industries also, high compensation may not necessarily achieve its goal of motivating employees to remain with a particular organization; on the contrary, the focus on pay-related incentives could impel an employee to purely use monetary benefits as a criterion in work related performance and leave a job if s/he is offered better pay elsewhere. Employees may be motivated to higher levels by satisfying their intrinsic needs, such as the need for recognition and respect.(Herzberg, 1968). Hence, the question of whether performance related incentives can achieve the desired objectives is questionable.

Recommendations for Barclays to improve motivation of employees:

Motivational practices that have traditionally been considered to be effective may not necessarily apply in the case of the banking industry, or Barclays bank. Since the bonuses paid to top level employees are not contingent upon performance, they will not serve as effective motivation. It may rather be necessary to devise a different motivation policy based upon a high commitment HR system, as set out by Marchington and Wilkinson, based upon the views offered by Pfeffer (1998), which include:

- (a) Selective hiring and sophisticated selection of applicants while recruiting
- (b) Providing extensive training to employees, as well as opportunities for learning and development
- (c) Employee involvement in company operations, sharing of information and worker voice
- (d) Working in teams which are self managed by the employees themselves
- (e) High levels of compensation which are contingent upon levels of performance
- (f) Harmonisation among employees and reduction in employee differentials
- (g) Employment security and internal labour markets (Marchington and Wilkinson, 2005:72)

Of all the above elements Pfeffer(1998) views the offer of employment security as being the most important Human Resource practice, based upon which all other components are derived, because the higher the level of job security that is offered, the more likely the employee is to contribute his or her hard work, skill and commitment to the job. In the case of Barclays bank, such levels of security were offered to the top level executives, but it may be advisable to shift the policy to provide high levels of security to lower level employees.

According to Pfeffer, when an organization resorts to practices such as compulsory lay-offs and downsizing, it is likely to undermine employment security and employers can consider alternative provisions such as reduction in working hours, reduction in wages, halting new recruitment and transferring production workers into sales to drum up demand. (Pfeffer, 1998:183). On the other hand, companies that offer job security to their employees may be providing an indirect signal to the employees about the organization's concern for their welfare and demonstrating a long term commitment to them, which in turn provides a powerful motivating force to the employees to put in their best performance and apply their skills in the best interests of the organization.

In an uncertain business atmosphere however, and especially for example in an environment characterized by a recession as is the case at present, it may not always be possible for an organization to assure job security to its employees; even in a normal business environment, there may be limits to the extent of job security that can be guaranteed to employees. It would not be practical or realistic for an employee to expect that s/he will have a job for life, but providing an assurance of job security does provide a sense of stability to an employee that job reductions will be limited as far as possible and that an employee can expect to continue with the organization on a long term basis. Such assurance of employment security are however are based upon the understanding that while the organization will strive to retain an employee as far as possible, the employee is also obliged to share in the responsibility to achieve a consistently superior organizational performance.

In the case of Barclays, it is not the high level employees who are likely to experience fears about their job security in a recessionary business climate. The high bonuses and salaries paid to these top executives are likely to have provided them with adequate financial resources for many years to come. It is the lower level employees who are being laid off in large numbers due to the recession and the crisis that has affected the financial services sector. Hence, it is these employees who need to be motivated to remain with the bank, through selection of the most talented and

capable employees and offering them monetary incentives and bonuses. Alternatively, the other measures recommended by Pfeffer (1998) could also be implemented, such as offering part time work or reducing salaries and making bonuses and monetary incentives contingent upon performance. Where top level executives are concerned, the practice of offering bonuses as a part of the employment contract must be scrapped and payment of such bonuses must be made strictly contingent on performance.

One of the goals of high commitment HRM practices in order to ensure high levels of motivation at the workplace, is to recruit employees of the best calibre. Boxall characterizes this as “capturing a stock of exceptional human talent”. (Boxall, 1996: 66-67). This may be achieved through selective hiring and the use of sophisticated selection criteria. Some of these would include (a) defining the job criteria correctly, so that only candidates with the appropriate qualifications apply for it (b) using employment tests prior to hiring, to get an idea of employee performance potential and (c) the use of polymetric tests and realistic job previews. (Marchington and Wilkinson, 2005:75). These are likely to be effective techniques for Barclays to follow because it would not only result in reductions in costs and also the time of human resource personnel who would need to interview and select these employees.

Once the best employees have been hired, imparting effective training may also be necessary to extract the best performance out of them. According to Boxall, the process of training can help to synergise the talents of skilled employees and provide the organization with an “organisational process advantage” and contribute towards sustaining a competitive advantage in the global market. (Boxall, 1996:67). To a large extent, the financial crises that have been caused at Barclays may have been mitigated if employees had been provided with adequate levels of training in approving mortgages and in the assessment of derivatives and the risks associated with other financial instruments.

Allowing employees to share in information about the Company, its goals and operations, etc, produces a higher level of motivation in them. Sharing of information about company strategy and performance provides employees with the sense that they are trusted. Additionally, it also enables employees to use the knowledge residing within the firm to its fullest potential (Pfeffer, 1998). Thirdly, team working among employees is likely to be more successful if workers are provided a base of information on which to base their suggestions and make contributions to improve organizational performance and productivity. (Marchington and Wilkinson, 2005:77). This may also have relevance in the case of Barclays, because while the top management may have been aware of the internal crisis within the company, which resulted in substantial borrowings from the bank of England in 2007, attempts were made to disguise it as merely a technical problem (Stepek, 2007). Allowing employees greater access to information may also help to enhance the corporate governance within the firm and help to spotlight any financial anomalies that may occur.

However, care must be taken to implement these measures properly. For instance, the argument that providing employees with high levels of information about the Company is likely to enhance the value of their contributions has been contested on the basis that providing a cascade of information from management is unlikely to be helpful in eliciting worker contributions (Guest, 1997). Rather, since such a flow of information is primarily one way, i.e, from management to employees, and is selectively imparted, it may be viewed as a controlling measure by management that emasculates employees. (Marchington and Wilkinson, 2005:78). If information about the internal operations of the Company are imparted in this way, it is likely to be counter-productive in terms of achieving the desired goal of motivating employees. Employees are unlikely to feel empowered, unless the sourcing and transmission of information through the firm is managed in a manner that does not appear to be authoritarian.

Lastly, introducing egalitarianism in the workplace through minimizing status differences and harmonizing employee status may help improve employee motivation. Through a reduction of

these differences, employees on the lower ranks in the organizational hierarchy, such as manual workers and lower grade level office staff get the feeling that they are also as valuable to the organization as higher level employees. This can be exemplified through HRM practices such as harmonisation in employment conditions, i.e, sick leave, holidays, pensions and hours of work (Marchington and Wilkinson, 2005). The objective of such harmonisation is to break down the hierarchal barriers and promote higher levels of team-working and networking among employees to enhance productivity.

Barclays Bank is likely to gain significant benefits by implementing such policies within the organization. There has been a wide disparity in pay between top level executives and employees in lower levels of the organizational hierarchy, which has largely relegated decision making into the province of these executives, who have been motivated by greed rather than the welfare of the Company. Creating a more egalitarian culture within Barclays bank would promote team work and networking among employees at all levels in the hierarchy and enhance communications, so that lower level employees also feel as valued and as informed about internal company operations as those placed higher up in the organizational hierarchy.

Harmonisation can also be achieved by allowing staff members to share uniformly in share allocation schemes, whereby they also gain some level of profit participation in the organization. Pfeffer has argued that this allows employees to gain some measure of ownership in the Company which, if "effectively implemented, can align the interests of employees with those of shareholders, by making employees shareholders too." (Pfeffer, 1998:38). This could contribute towards enhancing the motivation of employees to provide their best efforts in the firm's interest and would also help to ensure better corporate governance which is especially relevant in the context of the banking industry.

Conclusions:

On the basis of the above, it may be noted that Barclays Bank has been experiencing financial difficulties since 2006, because a large share of its business was coming from the foreign markets, and it was also enmeshed too deeply in CDO obligations. As a result, the credit crunch has only worsened its financial position. The acquisition of Shearson Lehman, a financial institution that had gone bust, may have further strained the resources of the bank, although it has averted losses. Another big problem has been the high bonuses paid to top level executives irrespective of their performance levels, which has resulted in these employees being motivated by greed rather than a desire to work towards the welfare of the Company. Moreover, in the current recessionary environment, the banking industry in particular has been facing high levels of lay offs and downsizing, which are a negative influence on the motivation of employees.

In order to improve motivation among its employees, Barclays Bank therefore first needs to eliminate the culture of bonuses which are made a part of the employment contract rather than being made contingent upon the performance. The bank also needs to reduce the gap in pay scales between top level executives and other employees in the organization. In a recessionary climate, employees are most anxious about retaining their jobs and job insecurity can significantly lower the motivational levels of an employee. While top level executives may have enough cash and asset reserves stashed away, this may not be the case with lower level employees who are being badly affected by the downsizing in the financial sector.

As a result, Barclays Bank may need to ensure that it provides job security to its best employees, so that they know the company cares about them and about their welfare. This objective could be achieved by providing higher salaries to lower level employees or by shifting their work schedules to part time work, so that the wages they receive are high enough to function as a motivation for the employees. But the most important factor is for the bank to ensure that its employees understand clearly that their jobs are secure and that they will not be laid off, only

offered alternative forms of work, such as reduced work loads. The elimination of bonuses would itself provide the bank with adequate reserves of spare cash to allow for a more equitable distribution of salaries among lower level employees as well. It would be especially beneficial to employees to receive better wages in a recessionary climate, to to have their work loads adjusted so that they are still paid a good rate for their work. This would ensure that employees feel their work is valued and the Company cares enough about them to make necessary adjustments to ensure that their job security is not threatened. Employees are likely to be more receptive to company policies and work with high levels of motivation if they feel that the Company cares about them.

The financial crisis has demonstrated clearly, the dire need for a more egalitarian culture within banking institutions in respect of pay and this would also apply in the case of Barclays Bank. Employees must be motivated to work in the best interests of the company rather than being motivated by greed or working in ignorance of the overall objectives and goals of the Company. Their performance and productivity is likely to be enhanced if they are provided with more information about Company policies and operations and there is a free flow of information and networking among various levels in the organizational hierarchy. Such a flow of information would also ensure that corporate governance is fostered within the organization and help to prevent financial crises in the future and is therefore especially relevant in the context of a financial institution.

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