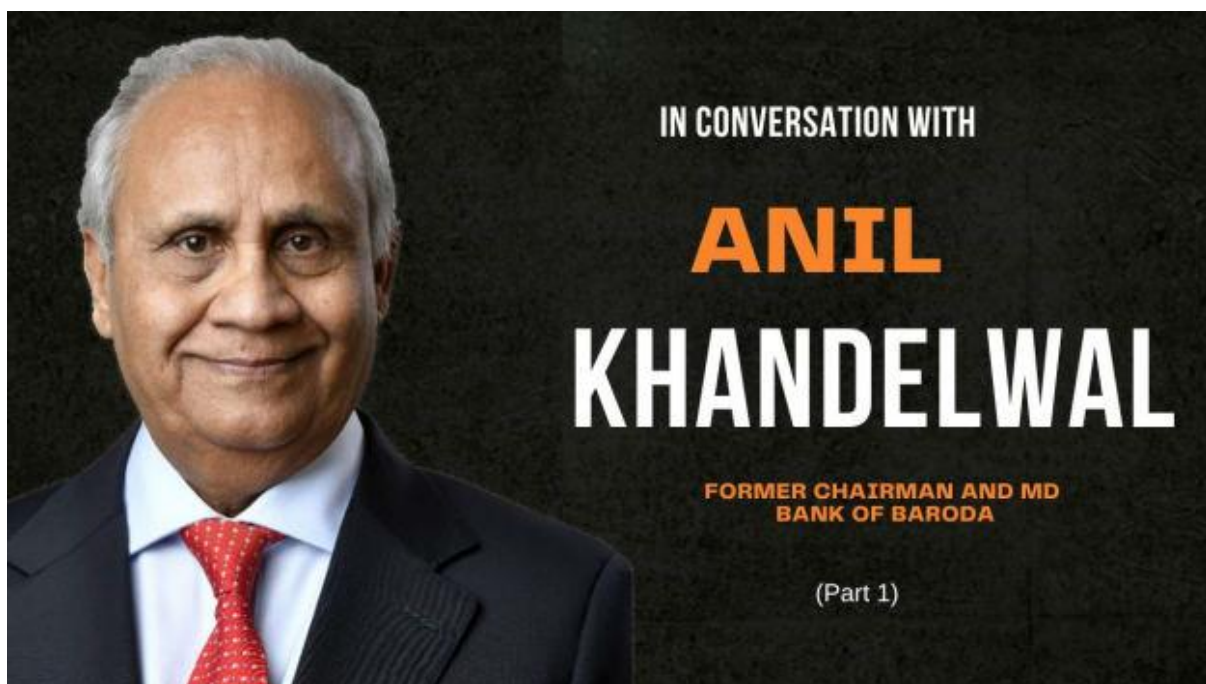


A conversation with Anil Khandelwal, former chairman and MD of Bank of Baroda (Part 1)

Anil Khandelwal discussed the updated edition of "DARE TO LEAD" and his successful transformation of Bank of Baroda in just three years. He emphasized the power of people and the role of HR professionals in leadership.



In a thought-provoking exchange, columnist Visty Banaji delves into a conversation with Anil Khandelwal, the former Chairman and Managing Director of Bank of Baroda. This dialogue unveils essential insights into leadership, transformation, and non-monetary motivation, as articulated by an experienced leader with a wealth of knowledge. The conversation uncovers valuable perspectives on the trials and triumphs encountered by leaders in diverse scenarios. Join us as we explore the pivotal highlights of their discussion.

Visty Banaji: *What are the significant differences between the new edition of "DARE TO LEAD" and the original version, as mentioned?*

Anil Khandelwal: In the updated edition of "DARE TO LEAD," originally published in 2011, several significant improvements have been made. Responding to feedback, I added learning and reflection boxes at the end of each chapter, transforming the book into a valuable resource on leadership in addition to a business autobiography. Key episodes related to customer centricity and courageous leadership have been integrated, and I've overhauled the chapter on my personal code of leadership. To maintain an optimal book size, some lengthy chapters were condensed while incorporating fresh content. A new chapter explores insights from the transformation process, inspired by Harvard Professor John Kotter's work. Notably, academics Professor Pradip Khandwalla and Professor Sriram contributed chapters offering unique perspectives on leadership and enduring transformations. These changes collectively enhance the book's value as a comprehensive guide on

leadership and organisational transformation.

Visty Banaji: *You led a remarkable transformation at Bank of Baroda in just three years, achieving all your set targets. What was the magic that made it happen?*

Anil Khandelwal: In a word, people. Despite criticism of HR, I've always believed that people are the solution, not the problem. I've seen that many organisational issues stem from process problems, and people can drive change. As someone who had soiled his hands at different levels, branch, region, zone, I understood the process deficiencies, and I really wanted to take the bull by its horns. So, if you talk of magic, it is the magic of people and my intense belief in the collective play of people's power.

Visty Banaji: *With your successful journey from HR to CMD of Bank of Baroda, what does it take for an HR professional to reach top leadership, and how should one prepare for it while in HR?*

Anil Khandelwal : The journey from HR to CEO is distinct, requiring specific qualities. First, it demands understanding of broad contours of business and problem-solving skills in people-related issues. Second, HR professionals should take lead in creating a facilitative culture by bringing to the fore core issues coming in the way of business development and help management align the structure, strategy and processes to deal with such issues. Third, they must deal with the issues of productivity and help deal with problems that may be hindering it. They should take moral position to confront any unethical policies/practices that may have an impact on the reputation of the company. Finally, HR managers should increasingly volunteer to take up business roles and demonstrate success on the ground.

An example from my career illustrates this. My success in turning around business in two business roles essentially through engagement of the frontline staff and creative problem-solving in the management union domain led to tangible and sustainable change. Also, in my role as Executive Director, my success in changing the power structure (which was heavily tilted in favour of unions) stultifying technology-driven business transformation and empowering the operating managers set the stage for a major transformation exercise. All these steps led to my rising to the position of Chairman and Managing Director and eventually I could lead a major transformation in Bank of Baroda.

Visty Banaji: *Building on the transition from HR to a line role, how do you navigate judgement in unfamiliar areas? Specifically, could you discuss the challenges of making significant strategic decisions and assessing individuals in different disciplines?*

Anil Khandelwal: As an insider, I had the advantage of knowing the executives who could excel in critical roles and restore the business momentum. After taking over as Chairman, I identified some key top executives for critical roles like credit, treasury, international banking, technology and human resources. The selection was purely done on merit irrespective of seniority within the grade. In the very first year we had dramatic growth in some critical areas like credit (the function grew by 41%, against a mere 0.2% growth in the past year).

I also drew inspiration from industry leaders like Mukesh Ambani and Anand Mahindra, seeking their feedback to enhance our customer engagement. To further strengthen our customer relationships, I implemented a rule that required every general manager to regularly meet with a set number of customers each month. This decision had a profound impact on our customer connections, ultimately driving our success. Likewise, I held several town halls to gain from the field wisdom to bring about changes in our policies. The stuck technology project was kickstarted, etc. These were some of the strategic steps I took to make a difference.

Visty Banaji: *In the foreword by Peter Capelli of the Wharton School and the last chapter by M S*

Sriram of IIM-Bangalore, the unique challenge of driving transformation without the financial incentives of the private sector is emphasised. Can you share your strategies for motivating individuals without relying on monetary rewards, as deemed crucial by these esteemed professors?

Anil Khandelwal : In the public sector, we are well aware of our compensation limitations, with few financial incentives and a general culture that lacks rewards for performance or consequences for non-performance. This understanding extends to my top team and me. We acknowledge this reality. In response to the question of how we stay motivated despite our private sector counterparts receiving more, I emphasise that in the public sector, we work out of passion, and that passion should not be subjected to auction. It's about our commitment for the larger purpose to serve the people.

What people truly seek are stable careers based on performance and growth opportunities. To address this, I expedited promotions, placement and overseas postings based on a meritocratic system and introduced a transparent culture within the system which fostered an environment of fairness and security.

Given the financial nature of our work, bankers are vulnerable, especially when things go awry and investigative agencies become involved. It's crucial for hardworking and honest individuals to have confidence that the organisation will support them. Through policy framework, I ensured that individuals are treated fairly and that equity and fair play prevail. But above everything we created a system of institutionalised compassion by quick problem-solving of employees serious personal issues through a direct help-line to chairman. These non-monetary incentives matter the most.

Visty Banaji : Compared to many private sector CEOs, you had the constraint of a limited three - year tenure. How did you manage this limitation? Did it necessitate initiating multiple projects simultaneously that might have been better sequenced? If your CEO tenure had been extended, say, to twice or thrice as long, what changes or adjustments would you have made?

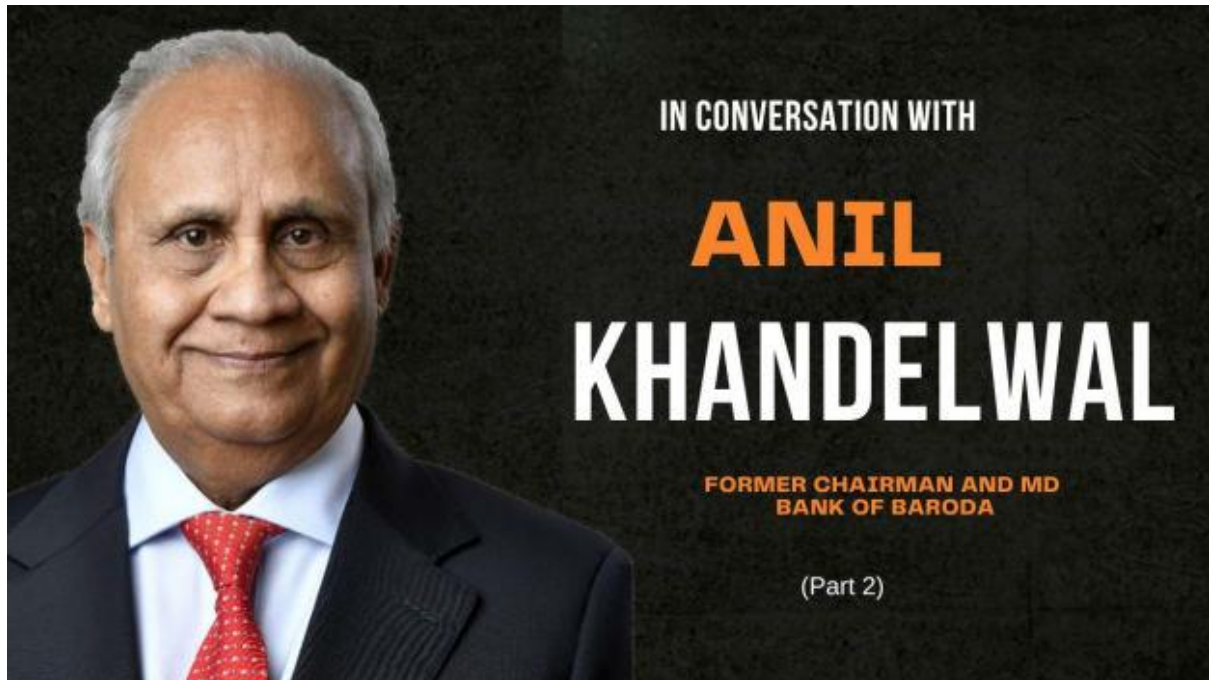
I had taken over as CEO in the background of slide in the ranking of the bank from number 1 to number 4 position in the nationalised sector. The staff was demoralised, peer banks had moved in initiating technology, and our bank had not even started due to industrial relations problems, customers were frustrated and leaving and the overall situation was alarming. Even though my tenure was short, I was very clear in my mind that I had to work hard to regain the past glory of the bank by mobilising the power of people. My immediate mandate was to mobilise 40000 employees for a major transformation program by kickstarting technology and taking other initiatives to restore our prime place in the industry. I personally deployed myself in seeding many customer-centric and employee-centric reforms and laid foundation for building leadership for the future. All these steps have paid off

Regarding transformation initiatives, they aren't always sequential. Some aspects of transformation cannot wait or be addressed in a particular order. For example, improving customer service in a bank isn't a step-by-step process. It involves multiple simultaneous actions. You start by ensuring your premises are appealing to customers, then focus on rebranding to improve your market image. Establishing a direct customer grievance redressal system follows, followed by creating attractive banking products. Creating a distinctive identity, like introducing extended branch hours and a next-generation bank for younger customers, is vital.

In essence, my perspective on transformation is that it often requires tackling multiple initiatives concurrently. And when it's time to leave, some initiatives continue to thrive, making a lasting impact, while others may evolve or cease due to operational reasons. It's about setting the organisation on the right path during your tenure.

A conversation with Anil Khandelwal, former chairman and MD of Bank of Baroda (Part 2)

Learning is ingrained in me, an integral part of my being, keeping me on a perpetual path of discovery with the understanding that there is no ultimate destination in this journey, said Anil Khandelwal.



Visty Banaji: *How did your commitment and approach to learning differ from that of most other managers, Anil, considering that learning has been a beacon for you since your student days and throughout your career?*

Anil Khandelwal: In my career journey, I kept learning as a high priority agenda and I was somehow able to create a 'magical 25th hour' for learning. I never allowed myself to be sucked by the routine despite pressures. This I could do because early in my formative days, My penchant for writing kept me going.

I joined the bank in 1971 as a probationary officer soon after completing my chemical engineering and MBA. In the absence of any induction training and in the prevailing turbulent environment at that time on account of prevailing union militancy and restrictive practices, I was quite disillusioned about the work culture and made a pivotal shift to the Human Resource function.

After a few years, I opted to join as a senior core faculty, Human Resource at Bank of Baroda Staff College, Ahmedabad and stayed there for thirteen long years. During this period, I completed my PhD under Professor N R Sheth, then Director IIM, Ahmedabad and also completed my three-year Law Degree. I also authored four books. This period was truly a learning period and brought me into contact with stalwarts like Udai Pareek, T V Rao,

Pradeep Khandwalla. Thanks to the encouragement of Udai Pareek and T V Rao, I successfully completed the three-phase ISABS process facilitation program. During the ISABS program, I developed a close professional relationship with Professor Rajen Gupta who has been a friend, philosopher and guide since then.

I believe that learning is hierarchy neutral and one can learn from anyone. During my first operational posting at Meerut, I learnt banking operations from officers five levels below me. Post retirement, my habit of learning brought me in touch with several outstanding professionals. I realise that it is our curiosity for learning that broadens our perspective and helps us achieve success in our roles.

The pursuit of learning has been ingrained in me to the point that it has become an integral part of my being. It keeps me on a continuous path of discovery, ensuring that there is no final destination in the journey of learning.

Visty Banaji: *In Chapter 29, "My Personal Code of Leadership," can you highlight the three to five essential leadership prescriptions a reader should not overlook from the numerous options presented?*

Anil Khandelwal: Your question is very relevant. Although, in this chapter a number of leadership skills find a place in my code, but essentially, they can be grouped into four critical traits. Leadership skills are often interconnected and if you have some basic traits and skills, they can help you become an integrated human being. To me, the following four traits are very critical and I have always tried to focus on these in my various leadership roles.

Credibility: It's crucial to be trustworthy and authentic, because it sets the foundation for mobilising the confidence and support of various stakeholders and most importantly your employees.

Courage: Embrace the courage to enact change, confront challenges, take responsibility, and maintain accountability.

Compassion: Balancing concern for high performance with empathy and compassion for your team is vital. As CEO, one needs to institutionalise compassion across the organisation as I did by establishing a direct helpline for 40000 employees and 30 million customers who reached to me directly in case of serious problems. Practical initiatives, like a direct helpline for employees, exemplify this compassion.

Character: Both intellectual and personal integrity are in a financial institution, it is much more crucial to preserve the trust of our employees, customers and the larger society. Each of the concepts I have described in my book fit into these categories.

Visty Banaji: *You emphasise the importance of staying grounded by recalling your humble beginnings in Agra. How can individuals who have had more privileged childhoods maintain a similar sense of humility?*

Anil Khandelwal: Humility doesn't solely come from hardship; it's also influenced by your upbringing and socialisation within the organisation. My own values, like empathy and discipline, have roots in my background. Difficult times instilled discipline, and the support of certain individuals fostered empathy. The values instilled by my parents, teachers, and personal beliefs played a crucial role in my shaping as a leader. Conversely, a challenging childhood can also lead to negative traits like revengefulness—it depends on what values you embrace.

Visty Banaji: *Among several HR initiatives, you created an HR committee of the Board though no such structure was mandatory.*

Anil Khandelwal: I had always felt that human resource issues rarely engage the attention of the boards despite their criticality and the role during the transformation process. I always held a belief that architecting a new paradigm of human resources is a critical part of our vision to become a prime brand in the Indian financial sector. In this background, we created an HR Committee of the Board.

Fortunately, we had exceptional individuals on the Board, such as Pradip Khandwalla (Ex IIMA Director) and Deepak Phatak (a well-known IT expert faculty at IIT, Bombay). We also brought in external experts, like Arvind Agrawal from RPG Group and Professor BL Maheshwari from the Center for Organisational Development. Occasional input from Professors Udai Pareek and T V Rao added valuable perspectives. Our HR Committee of the Board played a vital role in developing a long term HR policy document and a 5-year HR strategy and proposing multiple changes such as fast-track promotion system, meritocratic human processes, employee engagement strategies, succession planning for critical roles, and a strategic plan for developing 300 leaders for the future. Eventually, when the Government of India appointed the Khandelwal Committee, under my chairmanship, to suggest HR reform measures in the public sector banks, we suggested it as a reform measure and all banks were asked by the Government of India to introduce a HR committee of the Board. So, when in one bank you take an initiative, it can become an industry intervention. The HR Committee of the Board is one of the active committees in the bank even now and has turned substantive work to build the leadership at various levels.

Visty Banaji: *You accomplished so much in the limited time you had as a CEO. What is the secret of your time management?*

Anil Khandelwal: Any CEO of a large, complex organisation would have the challenges that I had with time management. But I have always been a multi-tasker. People are critical of multitasking and for good reason, but I have always benefited from this. Multi-tasking has to be for routine work, and it worked very well for me.

Yes, I have been very conscious in managing my time. Without sacrificing my daily routine of morning walk and physical exercises, I restructured my work in a manner that every hour of the day was 'a strategic time.' For example, my General Manager heading credit function, who himself was a health conscious executive. During the morning walk of one hour he was on Marine would brief me about the credit proposals in the pipeline and issues involved so that I wouldn't have to read a 100-page credit proposal. In fact, one of the personal transformations I brought about as CEO was that I started discussing the issues more than reading. And I would demand that, on anything which was lengthy, I had a summary note about the background of the issue and the decision sought.

I had twenty five general managers reporting to me on different functions and some operational issues were very complex but I had to understand the core issues and then make decisions. So, even when I had breakfast, I would have discussions with a general manager on issues concerning his function. Another would join me on my 40-minute car ride from my residence to the corporate office. And I reduced the number of meetings that used

to take place. There was only one major omnibus morning meeting, which initially was agenda-less.

In these meetings, we critically analysed the interdepartmental problems and our internal bureaucracy, that have been hampering the process of decision-making and eventually the growth of the bank. We collectively laid the foundation for agile decision-making and a facilitative work culture across the bank. The daily morning meetings became a crucible for culture change in the bank and contributed substantially to our technology led business transformation program.

Visty Banaji: *Anil, would you like to add anything before we finish?*

Anil Khandelwal: In my various roles and specially at the top, my emphasis has always been on building intangibles, encompassing culture, internal management processes, leadership development, governance, rebranding, technology, and an architecture of integrity. These elements harmonised like a symphony, yielding exceptional business results. Through this transformation journey, I reaffirmed my belief that intangibles are the driving force behind tangible business outcomes.

In essence, all your questions can be distilled to a single core principle: passion supersedes competence. While you can acquire competence, you must nurture and ignite passion, and this is the primary responsibility of leadership. The art of instilling passion remains an elusive yet pivotal aspect of leadership.