

# Who makes the cut for top bank jobs?

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Public sector chiefs must be tested for altogether different skillsets — the sort in vogue in international finance



No child's play Contemporary banking is different ball game  
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The recent controversy over the selection process of the chairman and managing director of public sector banks has raised a few pertinent issues. It has brought to the fore bureaucratic dominance and associated political interference influencing the process. Now that the Government proposes to undertake the selection exercise through three sub-committees, as reported in the press, the issue is: Are we going to repeat the same mistakes? There is no doubt the selection process needs overhaul to insulate it from bureaucratic dominance. Considering the sensitive nature of the position of the CEO in PSBs, it will be necessary to improve the credibility of the entire selection process.

The present situation provides an opportunity to revisit and revamp the selection process and methodology. The time is also opportune to move beyond a sectoral view and adopt a holistic approach.

## Changing the landscape

We need to look at the emerging role of PSBs in the context of rising aspirations in India. With the country aspiring to become a global economic superpower within the next decade or so, it is quite evident that the nature and characteristics of the banking would undergo sweeping changes. The question that arises is: What kind of banking do we visualise for the country, say by 2025? How different will it be from what we have had in the last few years? What kind of leadership would be suitable for piloting such banks? Assuming that some Indian banks — let's say three or four — emerge as global banks, what kind of leadership would be best suited to head them?

Along with India's aspiration to emerge as a global economic superpower, two distinct developments of the recent past can be factored in: 'Make in India' and 'Digital India'. These have implications not only for India's economy but equally for India's banking sector.

It is no exaggeration to say that for too long we have been obsessed with an identification and selection process rooted primarily in the belief that a good banker could also fit in as a transformational leader. While traditional domain knowledge and experience would have been good enough thus far, future leaders would need skills in strategic management and transformational leadership.

## Open market scouting

The setting has changed, the nature of banking is changing, customers are calling the shots and information technology is making heavy inroads into banking. Different sets of characteristics and attributes would be called for in leaders to head the rapidly transforming banking sector in India. How do we find such leaders? Is the present system for scouting and selecting within the banking sector good enough? What is the source from which we may identify and select such leaders? Should this source be confined to the 'available basket' from the banking sector? Or should it be thrown open to a wider market including the government, public and private sectors, apart from the banking sector? What methodology should be adopted to scout and select?

One can argue that for smaller sized banks with domestic banking as core business, domain experience may be both necessary and adequate, but for larger banks with global size and international banking as their core area, leaders could be drawn from any sector. The recent example of Coal India issuing an open advertisement for the post of CMD demonstrates the new approach of the Government.

## Selection process and panel

Any exercise to revamp the present system would need to include some major process reforms, as listed below:

(a) In order that the selection is insulated from political and bureaucratic interference (which has apparently led to the current impasse), it is desirable that the selection panel is headed by the Reserve Bank of India governor and he participates in the interview process. This will lend credibility to the process.

(b) The selection panel should comprise professionals such as social scientists, management experts and leading economists. It would also be necessary to clearly enunciate the essential attributes and characteristics required of the candidate. A template could be prepared and provided to the panel.

(c) The panel should have a common understanding of the skill sets required to be evaluated and the methodology for the same.

(d) Sufficient time should be allocated for the interview process.

(e) At least one year of completed service as ED and one cycle of appraisals should be made compulsory.

(f) A 360-degree appraisal can be made mandatory for GMs and this can give added inputs for ED selection. The selection process should aim at evaluating the candidates on factors such as commercial acumen, understanding of emerging trends in domestic and international banking, vision for the future, entrepreneurial and decision-making skills, risk management skills, communication skills, ability to leverage technology, creative problem-solving, and people skills.

The question, however, is whether interview is the only way to evaluate leadership competencies. Ideally, the identified pool for the position should be tested for a variety of leadership skills in an assessment centre, as is the practice in some PSUs.

Data from the centre should be used to make the decision along with performance appraisal reports, experience profile and other relevant information.

Each member on the panel should independently evaluate the suitability of the candidate and pass on the evaluation to the RBI governor.

The fundamental idea is to elevate the process of selection to improve the credibility of the process.

The Khandelwal Committee on HR issues of PSBs had made some recommendations regarding selection and the mechanism for creating future leaders for PSBs. It is time policymakers thought in terms of creating a pipeline of capable leaders to head PSBs in the future, with a long-term perspective of 5-10 years, rather than confining the selection to the 'available candidates'. The recommendation to set up a Bankers Leadership Development Institute (BLDI) is also worth considering.

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