

HR Strategy

By Peter Cappelli



Using employee empowerment to foster innovation helped the Bank of Baroda, one of the oldest banks in India, become competitive with organizations that had the advantage of being able to offer higher salaries and were not disadvantaged by government-worker rules. [MORE](#)

An HR Hero

Human resource people are often looking for heroes they can point to who have demonstrated the value of paying attention to HR issues and, even better, driven important business outcomes in the process.

So here is one such hero: Anil K. Khandelwal, CEO of the Bank of Baroda in India.

Yes, India. One of my great surprises has been to find that India is the country that is paying the most attention to HR issues and also where the most innovative practices are coming from.

Bank of Baroda is one of the oldest and had been among the most respected banks in India. It was also one of the government-dominated banks, strictly speaking, as the government holds 51 percent of the controlling shares.

The government began taking over banks a generation ago during its socialist period, but following reforms in the 1990s, began letting private sector banks flourish. As you might expect, these government banks were quickly eclipsed by faster, more nimble private-sector competitors.

Anil took over as CEO in 2005 and saw a stodgy bank with unionized, long-serving employees highly resistant to change.

His ability to use pay to change things was nonexistent: The public-sector banks pay well below their competitors and, in various ways, are restricted in raising wages or in using other means of compensation, such as stock options. The ability to fire and lay off employees is even more constrained.

As he described it to me, he began the process of changing the bank with his own version of a burning platform: meeting with bank managers and showing them the financial-analyst reports recommending that investors not buy Bank of Baroda stock.

The managers didn't have stock options, so this was an appeal to their pride in working for the bank.

The next thing he did was to change the brand of the bank with a new trademark and a new spokesperson. But, there had to be some steak with the sizzle, in particular some customer-centric innovations that would change their position in the marketplace and, in the process, transform the bank.

The first innovation was to open branches 12 hours a day, from 8 a.m. to 8 p.m., a process he opted to try out first in some local branches. (This would be a radical notion for most U.S. banks.)

He called all the employees of these pilot branches to headquarters for a meeting, "from manager to messenger," as he put it, and made a sales pitch about the need to change, and asking for the help of the employees to do it. They bought the pitch and agreed to staff their branches from 8 to 8 without any overtime pay or extra compensation.

The most important part of the process was to empower these local branches to design their own marketing events to announce the new schedule, leading to an explosion of creativity – parades, pageants, you name it.

The policy of 12-hour banking eventually rolled out across the country with each local branch taking responsibility for execution. Since then, the bank has introduced "24 hour human banking" in several locations, where regular employees, not a far-away call center, staff the branch around the clock. Branch employees took the lead in these roll-outs as well.

Once the bank started to get attention from the public for these innovations, employee pride rose. With that pride, he was able to get them to accept massive investments in new technology that cut and restructured jobs because the bank needed it to keep on top.

Most important to this process in his mind was communication: Writing the employees' letters every week, meeting with the local branches and making the case for change.

Along the way, Anil introduced such employee-relations innovations as a help-line directly to his office for employees facing crucial problems in their part of the organization and a talent-hunt program to find and develop high-performing employees anywhere in the organization. He personally directs these programs from central offices, saying that HR issues "cannot be delegated."

Anil turned a stodgy, government bank into one that is competitive with leading private banks without using big carrots and sticks or bribes and threats, depending on your perspective, as a U.S. company would be expected to use.

Instead he relied on engagement through empowerment, tools that are readily familiar to most HR leaders.

Maybe this is not such a surprise. His previous job before becoming CEO? Head of human resources.

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