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## transformation challenge, a personal odyssey

by Anil K Khandelwal

In 2005, analysts advised their clients to sell Bank of Baroda shares. The Sarkari bank was too stodgy and too slow to match the scorching pace set by competitors such as ICICI. Today a u-turn has taken place, with analysts pointing to a 80% growth in the credit business, 127% growth in international business, a brand relaunch and more. Anil Khandelwal describes the transformation process.

**W**hen I took charge, in March'05 I was quite concerned about banking analysts giving negative recommendations for Bank of Baroda and labelling us as an under performer. Here was a Bank 97 years old with unenviable legacy of profit-making every single year, although conservative but innovative in many areas. The Bank over the years has been a prime Bank in the country. The analysts mainly talked about poor credit growth, low on technology and image of a 'sarkari' Bank. As I started going through the reports, I began to get increasingly concerned.

I precisely picked these aspects for changes: we are a bank, we have to be responsive to our customers; for us growth means credit, we had to build the credit side of the business. And we had to rebuild the brand, remove complacency, force faster decision making, and make people happy and proud to work for the Bank of Baroda.

The first step I took was to share the areas of concern pointed out by the analysts with all

the General Managers. They did not have any problem accepting the truth. Rather the problem lay in the fact that there was no collective thinking at the top management level. And how can there be when the entire management team does not meet regularly? In the early months, we met daily. And we started thinking and understanding collectively.

fear is often the heart of the problem. Everyone agreed that credit was not growing. But why? I talked to at least ten groups of customers across the country and the common refrain was, "Your bank does not decide". Talking to Zonal Managers and Regional Managers revealed that Branch Managers are scared to take decisions for fear of Disciplinary Action, in case anything goes wrong. I assured the Managers that as long as prudent decisions are taken, I will stand by them. This message was circulated loud and clear.

Apart from this, one of the reasons for poor credit growth in the past has been our multi-tier structure of decision making which was the single most contributory factor for customer disenchantment. For example, a proposal for Rs250mn, although to be sanctioned at corporate level, would travel from branch to region to zone to corporate office. This could take several months

without accountability at any level for delay. In many cases, by raising a query, the concerned authority thought that he had done his job.

The other problem was of role overload. In credit function, where one general manager was expected to handle a credit volume of Rs400bn, we removed various layers and large proposals could directly be sent to the corporate office, where we created a centralized processing cell. We created an additional position of a general manager to handle the corporate credit.

Interaction with corporate customers was enhanced and we met leading corporate customers to discuss issues across and seek further business. Together, these steps gave us phenomenal credit growth and in both 2005-2006 and 2006-2007, the bank could almost double its credit growth in India from Rs350bn to over Rs670bn.

owning responsibility is not a truism just for managers, it's also for leaders. Processes can be frustrating is what we heard our customers say. Knowing the processes, both as a customer and as an insider, meant that I knew the games people play. When I used to

be in the field, I was often asked for details about a credit proposal, details which were already there in the documentation. After some time, maybe even several months, corporate office would say they are not interested in that particular line of business. But this could have been told to me in exactly three days.

Now as chairman and managing director of the bank, I began instigating branch managers, branch officials and customers, constantly asking, "Tell me how long has it taken for the sanction, what queries were raised?" We needed an audit of quality.

When you clean the system, you have to go deep into the system. Aside from diagnostic ability, there has to be willingness to accept responsibility. At some point or the other, most of us have been goaded into saying, "This is not my job! This is not my role!" But if I was angry about these processes, as chairman and managing director, I had to be accountable for them. In order to transform them, I made one very small change. I asked that every single piece of communication from a customer or the branch had to be replied.

Communication is a very real catalyst for change. I recently received a letter from a manager who wanted to know why he had not been promoted. He detailed his track record. I immediately communicated to him, saying that I also had faced occasions when I was not promoted, and that I understood his feelings. I also pointed out that he had data, but it was only his data. What about data from other people, I asked, which the interview

### quantitative key results

global business shot up from Rs1,240bn in March 2005 to over Rs.2,000bn in March 2007, a rise of over 60% in two years

business level of international operations shot up from Rs180bn in March 2005 to over Rs410bn in March 2007, a rise of over 127% in two years

contribution of international operations to the bank's global balance sheet shot up from 15% in March 2005 to 20% in March 2007

global customer base increased from +25mn in March 2005 to +29mn in March 2007.

credit portfolio of Indian operations grew by over 30% in two years

gross NPA brought down from 7.30% to under 2.50% over two years. Net NPA declined from 1.45% to 0.70% over the same period

analysts recommended "Buy" of Bank's share in 2006 against "Sell" in 2005

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committee had examined. He wrote back saying his entire grievance against his non-promotion had gone.

There cannot be a greater insult than the failure to reply. Communication cannot be discretionary in the public sector or in a service organization. There has to be communication accountability. The more letters you write, the more letters you will get. Yet if I can find time to reply to letters, others have to also. I would respond to the anonymous writers if only I had their addresses. But one day I will compile the anonymous letters that I have received and publish them with my replies because good communication required 'root canalling' and not half hearted communication.

Communication is also a value. We need to respect the right of employees at all levels to communicate and evolve a proper response mechanism.

Igniting the 'can do' spirit is so rewarding. Amongst the many things identified for change, a few quick wins were needed to ignite the 'can-do' spirit. At the Bank of Baroda we identified two projects: rebranding the bank through logo change and bringing in a brand ambassador; and launching a large network of ATMs in the shortest time possible.

The bank had already decided on the logo with the help of a leading brand consultant, but it was lying in the files.

We quickly launched our new logo in a bright vermilion color, popularly known as the "Baroda Sun", and also brought in cricket icon Rahul Dravid as the brand ambassador.

I set an impossible deadline to our marketing team to launch the logo and change the signage at over 2,700+ locations in a period of 50 days. I was amazed that in spite of all problems, from signages to stationery, our small team very successfully implemented the rebranding project in style. The marketing head's sugar level rose to 400, two people in the marketing team were hospitalized but they delivered exactly on time. All government rules like obtaining three quotations

and other limitations were met. In my life, I have not seen this level of commitment. The phenomenal accolades our new brand received from our customers, public and employees gave tremendous confidence to our people.

Do many things on a single day and the world will notice you. I kept telling people, "Please do not underestimate

yourselves, your strength, your skills. If you can open 200 ATMs on a single day, you can do so much more. You can build further on that achievement." Today our ambitions have gone up, and with it a certain amount of aggressiveness. Recently we opened a SME Loan Factory in Pune. The DGM (deputy general manager) in charge of the project promptly drew up plans to launch twelve of them in a month. And he did it. The different functional teams promptly started competing with each other for speed launches. This gave a great boost to our teams across the organization.

Incrementalism does not inspire. I don't buy the concept of doing things serially, I believe in doing many things simultaneously. And speed leading not only has the advantage of making up for lost time, it's also an opportunity to mitigate the frustration people have with the status quo. People were getting sensitized to achieve big targets in short time.

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*what's NEEDED is not just a strong will with a strong SENSE of COMMITMENT but also the willingness to personally take risk and SACRIFICE*

diagnosis is a powerful tool for leaders. It avoids sermonization. If you only sermonize using your authority, people don't buy the message. It evaporates like ether after a meeting is over. But if you present hard facts, people cannot deny them. At union meetings, I presented our performance: how the metros had not performed, nor Gujarat. I also presented the potential: that if we did well in Gujarat and the metros, we could climb to be next only to the State Bank of India.

That the bank is not under one roof but spread across 2,700 locations may have been a factor. Success also had a part to play. People grumble less about extra hours of work, staff shortages or the dignity of officers being under threat when an organization is doing well.

Today my emphasis is on reaching out to our people. I communicate with 40,000 employees every month. In these days of technology it is possible. Do they all read my letters? I don't know. Some people do. Even if only 1,000 read them, they at least know about events in the organization. How else will someone in Purnea District in Bihar come to know and understand what is multi-specialist banking and how it will impact them. Through the monthly letters, they can work out what is in the change programs for them. I myself was once a disillusioned junior officer. It's important to connect at the individual level.

walking the walk and talking the talk. One of the biggest issues in customer service was the bank's failure to upgrade technology or what is popularly known as Core Banking Solution (online banking), when several competitors had already launched it. The staff frustration was palpable, as the bank had

undergone various processes in deciding technology provider for four long years, years which were also marred by union troubles and decision making delays.

Immediately after taking over, we took decision to engage system integrator to launch Core Banking Solution. Today we have over 1000 branches online. The trauma of transition and technology adoption was overwhelming, yet I now see a sense of pride in our employees that our bank too is smart on technology. This also reinforced our capability in executing project of this size in the shortest time.

banking is not merely financial performance. Quarter-to-Quarter numbers are only one part of the work. The most important part is to create long term value and a strong brand. It is the brand that inspires confidence in all sections of society; that inspires faith in a bank and its ability to nurture and support even in times of crises; and that inspires belief that the bank is prepared to adopt the best global practices to maintain its financial soundness.

This is possible by continuously articulating the vision to people; unstoppably developing the competencies of its people in newly emerging areas, constantly challenging our way of doing things, and continuously reviewing our governance mechanisms.

Transformation in the public sector with its many legacy problems and a culture of accountability is not for the weak hearted, scared, self righteous or sentimental leaders. What's needed is not just a strong will with a strong sense of commitment but also the willingness to personally take risk and sacrifice. The chances are that you will succeed. But if you give up half way or too self conscious or get into the ego traps, you might lose the battle.

I am obsessed with the fact that the leaders of yesteryear have handed me over a hundred year old institution which I need to strengthen and catapult to a super brand in the Indian banking arena. By now, with constant interactions with management and staff, we have only one goal and one aim: to create the Bank of Baroda for the next hundred years. ■

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