

Interview with Dr Anil K. Khandelwal: Leading Transformation of a Public Sector Bank Through People Processes and Building Intangibles

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Abinash Panda¹ 

Abstract

Dr Anil K. Khandelwal, former Chairman and Managing Director of Bank of Baroda (BoB) is credited with transforming the bank, one of the largest public sector banks, from a declining brand into a prime brand in the banking sector of India within just 3 years. Such a rapid and radical transformation using people processes by a human resource (HR) professional catapulted to chief executive officer (CEO) position is a rare example in the corporate world. In this interview, he describes the transformation journey he led, including how he overcame the challenges arising from trade union resistance to technology-led change and institutionalised people-centric business process reengineering in the new age of agile, digital banking. He describes his leadership style as “tough love” and expands on the leadership ideas he canvassed in his two books on the subject.

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Interviewee Profile

Dr Khandelwal is the only banker in India to have been honoured with the Life-Time Achievement Award in Financial Services by the Asian Banker, Singapore. He is considered one of the top transformational leaders of India. His book, *Dare to Lead* (SAGE Publications, 2011) is a bestselling business autobiography about the transformation of Bank of Baroda. He has just authored another book entitled, *CEO: Chess Master or Gardener?* (Oxford University Press, 2018). This book is

¹ Associate Professor, Management Development Institute, Gurgaon, Haryana, India.

Corresponding author:

Abinash Panda, Associate Professor, Organizational Behaviour Area, Management Development Institute, Gurgaon, Haryana 122007, India.
E-mail: abinash.panda@mdi.ac.in

about his research in industrial relations (IR) and demonstrates how his research insights helped the author to construct a new paradigm in IR in the Bank.

He was the Chairman of a human resource (HR) Committee set up in 2009 by the Government of India (which is popularly known as Khandelwal Committee) to look at the HR issues of the Public Sector Banks. He was also a member of the first Banks Board Bureau, appointed by the Government of India to select full-time Board members of public sector banks and also undertake other reform measures. The committee made seminal recommendations to improve governance and quality of leadership in public sector banks. He has been a Board member, advisor and consultant to several companies.

Currently, he is a Senior Advisor to KPMG and Dubai-based Nimai Financial Services. He can be reached at akk1948@gmail.com

How would you describe the situation in Bank of Baroda (BoB) when you joined as Chairman and Managing Director (CMD) in 2005?

The situation was really grim as Bank's market share in both deposits and advances was in decline. The slippage had been dramatic across segments. The bank's overall growth was below average, be it total income growth or asset growth. The analyst recommended "Sell" for the Bank shares and rated the bank as an underperformer. The delay caused by trade unions' resistance to introduce technology had caused a severe blow to business, and the employees' morale was at the lowest. Many customers exited.

What caused the decline in the industrial relations (IR), causing such a serious problem? How was it handled?

I was a BoB officer since 1971 except two brief absences, first from 1976 to 1980 and for the second time in 2004. I have grown with the Bank and witnessed many phases of changes, pre-liberalisation and post-liberalisation. The Bank was led in the past by some of the most capable chief executive officer (CEOs) in the banking industry. However, trade unions intransigence in the bank was always soft pedalled in the hope of maintaining peace. In the past also, trade unions resisted any transformation, and the bank's policy of compromise and accommodation also weakened its capacity to change. The obsession with this approach tilted the power balance in favour of unions and diluted management control at the workplace.

Between 1980 and 1993, I worked as core faculty in HR at the bank's apex staff college. During this period, I completed my Doctoral Research (PhD) on managerial strategies of CEOs in IR (union-management relations). That was when I came in touch with thousands of operating managers who felt very frustrated on account of unions' militancy and failure of top management to support the operating management in their attempt to take any legitimate actions against errant employees. During my fieldwork for research, I observed unions' militancy from close quarters and its impact in the form of restrictive practices by the staff, workplace indiscipline and defiance to authority. The authority of the

branch managers was totally broken, and this was a major barrier in improving customer service and improving productivity.

When the bank introduced new technology in 2000, it was fiercely resisted by the unions, and it vitiated the environment so much so that business started declining. The Bank which always held prime position slid from number one position to number four position between 2000 and 2004, essentially on account of unions' resistance to technology-led business transformation. Therefore, resolving IR issues and regaining managerial control at the workplace was my major priority when I was appointed as executive director (ED) and a board member in the year 2000.

As ED between 2000 and 2003, I took several steps to streamline IR from an informal mode bordering on *laissez-faire* to more formalised mode clearly defining area of union's responsibilities and management control. This, of course, could be achieved with some determined efforts and personal humiliations inflicted on me. The good thing is that the management could rid itself from union's interference in the day-to-day administration. We lost some time in initiating new technology-led business transformation, but the gains of this change far outweighed the time lost. The bank regained full control in the workplaces, and it paved the way for a massive organisation-wide transformation effort.

By early 2005, when I took over as executive chairman, we had lost 3 years in managing the unions' resistance to technology. Our peer banks and emergence of some private banks with state-of-the-art technology posed major challenge to us. The bank was essentially strong financially. It needed quick and bold initiatives to come back into the competitive race. The situation was such that it called for organisation-wide changes on multiple fronts. There was no time for sequential and incremental changes. When the situation is grave and dangerous to the very survival of the institution as an organic entity, it needs to fire on all the cylinders. Tinkering with incremental changes would not serve the purpose. We need to create exponential vision and implement the same.

What were the goals you pursued and how did you prioritise them? What was your design for planning and implementing such a massive change?

I had twin challenges before me. The first was to initiate the process of implementation of technology (which was delayed), and the second was to resurrect the traditional business lines like improving the market share in deposits and credit and improving customer connectedness. We had to architect the Bank as a financial supermarket, offering all kinds of banking and financial services under one umbrella. In order to meet these challenges, it was my priority to focus on process improvement and process innovations. We engaged a global strategy consulting firm to help design and put in place our technology-led business transformation. With a strong focus on implementation, we followed the plan systematically, and during the process, we also added some new projects. We achieved all the goals set out in our Vision 2005–2010, set by the board of directors in the strategy meeting in early 2006.

How did you ensure the success of planned transformation?

Success does not happen automatically. You have to plan for success; otherwise, unconsciously, we plan for the failure. I had a very deep-rooted belief that it is the people and right people process that make success happen and vice versa.

My immediate task was to restore the morale of people, which was at the lowest ebb on account of failure of technology to take off. In my third week of taking over, I persuaded the Board of Directors to approve the plan and the budget for implementation of technology—the core banking solution across the bank to provide anywhere, anytime banking. With IR situation having been tackled, we geared the organisation on fast-track mode to commence the technology project across the Bank over the next 3 years. We developed a 100-day agenda listing many challenging tasks such as installing 500 ATMs, extending business hours of the Bank by introducing 8 am to 8 pm banking in over 500 branches, rebranding of the bank, launching information technology (IT)-enabled business transformation programme and restructuring credit function.

To achieve all this, we created a core alliance of senior executives for launching a major transformation programme. All the targets set in the 100-day agenda were achieved, which actually boosted everyone's confidence and resurrected employees' morale to a great extent. This initial success also encouraged us to launch more initiatives in the next few months. There was new energy and a sense of confidence among employees.

BoB transformation is a rare case of people processes-based transformation delivering extraordinary business results. Why were you so confident about this approach?

My background as an HR professional and research had convinced me that the only way such a massive transformation can be successful is by exciting everyone, more particularly the front-line organisational members, about our higher sense of purpose of continuing to serve the community and carry on the legacy of service that is in place for nearly a century. I strongly believe that transformation is not merely a technology play but equally if not more a people-driven project.

One of my biggest challenges was to reach out to a 40,000-strong workforce across 2,800 branches and over 100 global branches. I wanted to touch all of them, one to one as much as possible and certainly through my video messages, monthly communications, large group events and many others. I reached out to employees through an empowered communication strategy, which included town hall meetings (comprising managers to messengers) at about 20 centres and personally shaking hands with almost each attendee. Apart from sharing the need for organisation-wide transformation and seeking their cooperation, my intent was to listen to employees' concerns related to work, working environment and the constraint that they faced while delivering services to customers and improving the business. Through these direct interactions, I gained significant insights that helped us to redesign our policies, in many areas. Apart from this town hall, I addressed a monthly letter to all employees, sharing the various developments in the bank and seeking their response. Large group events were also organised at

various centres, and a video was developed on the new vision of the bank that reached all employees throughout the country.

To get employees emotionally involved, it was important that the organisation needed to be receptive to employees' personal concerns and aspirations, and their concerns were resolved as early as possible. This was necessary to build confidence across the Bank. The HR function was given the top priority so much so that that I posted a very talented HR officer in my secretariat to help us to launch many HR innovative programmes right under my supervision.

To respond to employees' personal problems and meet their career aspirations, we launched three programmes, namely "SAMPARK" (hotline from employees to chairman) for expeditious problem-solving; "PARAMARSH" (professional counselling services) at large centres and "KHOJ" (talent hunting exercise). Apart from these initiatives, we completely overhauled the HR function both structurally and its processes to make it employee friendly and accountable. All these initiatives helped the bank to restore the confidence of employees. It also greatly improved the credibility of leadership initiatives.

How did you confront the challenges you faced during the transformation process?

One of the biggest challenges during transformation was to develop an "execution discipline" and destruction of old legacy attitudes. Large organisations have their own hierarchy and internal bureaucracy, our Bank being no exception. This was the major factor, which stymied the decision-making and the process of implementation. Internal bureaucracy, silo thinking, myopic mindset and guarding one's own turf were part of organisational reality then. We wanted to change the culture into an adaptive one marked by speed in both thought and actions.

Everyone in the management, especially at the top, had to develop collaborative thinking to work as a team; shed controller's mindset; and develop the mindset of a leader. We had to do this quicker than ever before as we were running against time. Culture, however, does not change by sermons or good intentions alone.

With a view to deal with these issues and accelerate the process of decision-making, I set in motion a system of daily morning meetings with the top team, comprising two executive directors, all corporate office general managers, 20 of them, my executive secretary and two advisors. The morning meetings were conceptualised as a vehicle of constructively engaging the top management team and setting the tone for vigorously pursuing the mammoth transformation agenda we had on our plate. Daily meetings helped the group to confront each of the issues related to coordination and delays with specific examples. After some time, the group developed into a collaborative forum to sort out all the issues germane to transformation.

In these meetings, we developed a 100-day agenda, strategy for implementation of technology, issues of customer service, innovations in product range, international banking strategy, restructuring of credit function and virtually everything that helped create a responsive culture.

The focus was on collective problem-solving, building accountability, busting bureaucratic delays, promoting strategic thinking and reviewing implementation of various projects and their execution. We focused on building drivers of business.

For me, the morning meeting was a session of exploration, learning, discovery, coaching, guidance and persuading everyone to rise to a higher level. I truly believe that much of what we could achieve in the 3 years of my tenure can be attributed to our engaged sessions in the morning meetings. Truly morning meetings was my “Wisdom Circle”, and it provided me deep insights into operational and organisational issues.

With our new style of working, based on collaboration and responsiveness, the bank was able to demonstrate dramatic results in just 3 years, and the bank was back with a bang. In just 3 years, the bank doubled its performance on various business parameters like global business, the credit growth and the business per employee and profit. Further, the analysts recommended “Buy” rating on the Bank in the very first year and rated the Bank as a Prime Bank in the Indian banking industry. The bank received several awards for its branding, HR, retail banking, etc. When you see that your initiatives and efforts yield results and build the future of the company, all your agonies, frustration if any, are dissolved, and you feel a sense of satisfaction.

Many a times, leaders get sucked into the political black hole, in spite of having clear road map and vision in the beginning. How did you counter dysfunctionalities of organisational politics?

Yes, dealing with power centre and power politics, especially in public sector bank, is a real issue. In some cases, they could present the Achilles’ heel in the change process. I had my share of such problems. For example, when we undertook rebranding of the Bank, including logo change, some vested interest groups complained to government that the colour of our logo resembled the official colour of the opposition political party, and I was labelled as their sympathiser. I was asked to withdraw the logo, but I persisted and contended that the saffron colour that we adopted for our branding is part of our national flag and national identity, and it would be churlish to attribute it to any political formation or sympathy. The government understood my position, and the clandestine conspiracy to malign me died a well-deserved death. With our daily morning meetings, there was hardly any scope for internal politics. What works is the conviction of the leader and a viewpoint supported by data. Finally, it is the credibility of the leader that supports him/her in dealing with such situations. Leaders who are too eager to compromise, or to oblige the power that be, cannot inspire the process of transformation.

You had the choice of completing your tenure without initiating any change. Instead, you took up the challenge of transforming the bank within a short tenure of 3 years. Why?

Yes, I had only a short tenure of 3 years. Frankly, in a public sector, you could pass your tenure by focusing on “holding on operations”, but I thought differently. I

questioned myself “why I am here at the top”? I strongly felt that the main role of the CEO is to create a new future of their organisation and energise everyone towards this mission. I thought to myself that this is a rare opportunity for me to lift the Bank from its current state and restore it to its past glory. To be frank, I never thought in terms of short tenure or long tenure and immersed myself from first day. As an insider who had spent over 35 years in the bank, I felt a moral obligation to deploy myself fully in the service of the bank. Moreover, I felt charged and confident as I had clarity about the root causes of the problems and how to address them.

You demitted the office of CMD in 2008 after successfully revitalising BoB. It has been more than a decade since then. When you look back and reflect on the transformational journey, what comes to your mind?

Looking back, I feel gratified and have a sense of satisfaction that BoB has come a long way post transformation (2005–2008). It has remained a prime brand, and its reputation as a strong bank post transformation is intact, which is further vindicated by the fact that the Government of India recently decided to amalgamate two public sector banks with BoB.

I was privileged to head the Bank between 2005 and 2008 and initiate a major transformation programme encompassing introduction of technology, many customer-centric innovations, a number of steps to build a responsive culture and a total rehash of people processes. The success of any transformation can be assessed by two main achievements—whether the performance parameters were achieved (organisational performance) and preparing the organisation to sustain improvement over time.

We achieved every single performance parameter that the Board had set in the vision exercise.

By 2008, we had added 8 million customers in 3 years and implemented technology in over two-thirds of our branches. All these were achieved due to our unwavering focus on building the intangibles (human resources, leadership, rebranding, responsiveness and speed and governance), which strengthened the bank’s positioning.

To ensure sustainability of change, we mainly worked on the drivers of business, including responsive culture, customer connectedness, an engaged front line, leadership bench strength and an empowered operating business managers who were prepared to take legitimate business risks and, above all, a spirit of service for higher-order purpose to create a bank for the next century.

What has been your dominant leadership style that helped you to transform the Bank?

I would describe my leadership style as “tough love”. One that is tough on seeking performance and extremely compassionate in resolving people’s problems. I sought accountability and not alibis for results and provided support to let managers and employees do their jobs. I responded to employee’s problems,

communicated through direct helpline to me, with utmost speed. I would often go out of my way in helping people when confronted with personal problems. You cannot be only result oriented ignoring people issues, and, at the same time, you cannot be a mushy people person without concern for result. Practising compassion has been my major style, and all our achievements can be attributed to this orientation. To give an example, the issue of regularisation of about 1000 casual workers was hanging fire for more than a decade. The workers' unions were vigorously pursuing this issue, but no action was taken. I resolved this issue to the satisfaction of all with a human approach, which led to regularisation of these casual workers.

The trade unions who all along felt that I was quite tough in dealing with them appreciated these decisions and the recognised union in a circular to their members observed:

Dr Khandelwal has really proved to be a messiah for these 1000 of casuals whose hopes were often belied in the past by the empty assurance given by his predecessor—we are indebted to him for the courage of his actions which will bring light to hundreds of families who can now look forward to a secure future.

The title of your first book is “Dare to Lead”. Is leading a “daring” act fraught with dangers? Why do you think so?

Yes, leadership in some ways is a daring act. Ronald Heifetz and Marty Linsky, both distinguished faculty members of Kennedy School of Government, Harvard University in their book “Leadership on the Line: Staying Alive Through the Dangers of Leading”, published in 2002, have also observed that leading is a risky business, and exercising leadership can get you in a lot of trouble. However, it is an effort worth the trials and tribulations a leader goes through. Leaders who work merely for personal popularity are self-centred, and they tend to compromise with organisational goals.

When you exercise leadership, you disturb the comfort zone of many, who resist change. When I was addressing the IR situation, the unions targeted me through a number of circulars against me, even writing to the President, National Human Resource Development Network (NHRDN), to withdraw a national award conferred on me for my contribution in the field of HRD. As a leader, you need to face such situations or even graver, but a good leader who works for higher-order purpose is not deterred by such insinuations.

In your second book, “CEO: Chess Master or Gardener?”, you have argued that a CEO should be like a gardener instead of a chess master? Can you explain how?

All CEOs are concerned about achieving business results and rightly so. But the methods to achieve results determine the long-term sustainability of the organisation. If you are obsessed with quarterly results, you tend to take a short cut and ignore building the people and culture, who can be the harbinger for long-term sustainable results. Gardener leaders are clear about their priorities and transcend from a purely business mindset to people and organisation mindset. They elevate themselves to leadership- and culture-crafting work. They foster

learning by encouraging creativity, engagement and personal growth. They relentlessly work for team excellence to achieve business results. Like a gardener, they weed out the dysfunctional processes, overriding bureaucracy, move people out of their comfort zone and challenge status-quoist mindset. They plant the seedlings in the form of policy initiatives through meritocratic HR processes and finally nurture through constant motivation, encouragement and emotional support. I have experienced it first hand during the transformation programme. The passion of people at every level was absolutely at the peak.

Corporate India, today, needs many more leaders like you. How should we groom leaders who can undertake large-scale change?

First of all, leadership development should be a core function of a corporation and must be led by the Board and the CEO. The performance assessment of leadership should not be merely on business results but leader's behavioural competencies, change management skills and commitment to human processes.

I believe that potential leaders need to have high motivation to continuously learn and remain curious. Leaders can be groomed by assigning tough and challenging assignments requiring change management skills. Also, potential leaders can be assigned to work with some outstanding leaders and also with some rough and tough leaders to develop resilience and stamina. Great learning takes place by observing outstanding leaders. Formal training programmes help only marginally. Most business schools unfortunately focus on normative styles of teaching lacking research. They need to engage with more and more successful business executives in partnering leadership teaching strategy. Also, the research base needs to be expanded for improving teaching/training in leadership.

Based on your experience of transforming BoB, what advice would you give to current CEOs and HR leaders?

Well, leadership is not a position of power and perquisites but that of accountability and responsibility. Credibility is the number one requirement to foster confidence in the people who work with leaders. Leaders need to connect with the field and use field wisdom, which is available with employees and customers. They also need to focus on creating the future of the organisation by taking some foundational initiatives, especially building proactive culture for problem-solving. Finally, leaders require deep compassion in dealing with human problems.

HR functionaries also need field orientation and positive attitudes. They need to connect with the problems faced by the operating managers in the man-management area and help them. HR needs to continuously tweak positive employee relations policies and be accountable for employee productivity and engagement much like business managers who are responsible for business results.

ORCID iD

Abinash Panda  <https://orcid.org/0000-0002-2387-9826>