



Dare To Lead



'Dare to Lead' is the story of a dramatic transformation of a large public sector behemoth in just three years. Dr. Anil K. Khandelwal, a quintessential HRD professional in his role as CEO of Bank of Baroda successfully transformed a staid, legacy driven and government controlled bank into a financial powerhouse. For his contributions, he received the Asian Bankers Singapore's highest award "Lifetime Achievement Award"- the first Indian banker to receive this award. His upcoming book, Dare to Lead, has been praised by international management luminaries like Peter Cappelli, Tom Peters, Rosabeth Moss Kanter, Ram Charan, Dave Ulrich, Vijay Govindarajan and CEOs like Anand Mahindra and K V Kamath. Shortly before the release of his book, Dr. Khandelwal speaks to *People Matters* about Bank of Baroda's turnaround story

The story of your 34 years in Bank of Baroda (BOB) has become a case study of excellent transformation. Would you please share the major trigger for this transformation?

Bank of Baroda was an exceptional journey for me and I grew with the bank. The bank had an excellent professional culture and the top management looked into the professional growth of employees. In 2000, the bank was rated as No.1 bank in the nationalized sector and by March 2005, the bank had slid to No.4 position. The analysts were tearing the bank apart because the sluggish pace of credit growth, low retail growth, low technology and recommended "Sell" for the bank shares. I was quite concerned about the bank being labelled as underperformer. I was not entirely unaware of what was really going wrong. The bank had nothing to worry about its financial health but it was failing to respond to the competitive environment. The bank had not started the technology for core banking as was already done by the peer banks. The bank's market share on

both credit and deposit had come down. The morale of the staff was low and customers were angry as the bank was failing to respond to the new environment.

What were the initial steps taken in the journey of BOB's transformation?

My immediate task was to restore the confidence of customers and employees. My top priority was to kick start the core banking project which had run into rough weather. This had demoralized the staff and created scepticism about our services in the mind of customers. I quickly drew up an action plan for the first 100 days which included starting the technology project, rebranding the bank, structural changes to speed up decision-making in credit, customer-centric program like 8 am to 8 pm banking, 24 hour banking and opening of additional 330 ATMs. I am happy that we could achieve all this in the first 100 days. This was a great moral booster for all of us and we could revive the confidence of our customers. The speed had become our competitive advantage and the staff at all the levels passionately participated in all these changes.

What was key challenge you faced?

My key challenge was to improve the social architecture of the bank. I had always felt that our bureaucratic processes, response mechanisms and investment in building people, and leadership, required total rehash. I wanted our top management to be seen as problem solvers and facilitators instead of controllers and sermonizers. Through the mechanism of daily morning meetings we created an honest and authentic environment for inter-departmental collaborations. This helped in collective problem solving and collective ownership was the key outcome. Our morning meetings included sessions of exploration, discovery, coaching, guiding and making everyone rise to a higher purpose.

How did you mobilize people for this mammoth transformation?

As an insider, I had good knowledge about the people in the bank at different level. We initiated three powerful programs namely Sampark (direct access to Chairman), Samadhan (appointment of professional counsellors at large centres) and Khoj (talent search). These programs helped us to reach out to staff spread over about 3000 branches and they were passionate about the changes. Our rebranding exercise brought in new expectations from customers and a craving in our staff to excel. We brought in Mckinsey & Company for a transformation program. Our new tag line "India's International Bank" manifested our collective aspiration to improve international operations and we carved out an ambitious expansion strategy overseas. We opened 15 new foreign offices which was a record.

What inspired you to move on despite the challenges?

When I became CMD, I was inspired by the vision of the Great Maharaja of Baroda, who laid the foundation of the bank about a century back and my internal calling was to create the bank for the next century. I wanted the bank to be highly competitive, adaptable, technologically advanced, customer savvy and a financial powerhouse ready to meet aspirations of an empowered India. The greatest strength of the bank has been the collective passion of our management team and the vital foot soldiers. I started with a big handicap of not being a career banker. But I truly believed that numbers are created by taking the right initiative in many strategic areas. Our focus on intangibles like the branding, technology, leadership and the people processes eventually brought BOB back into the game. My academic interest and practical training in HR, with a strong orientation in process work, tried to always find a human connect to an organizational problem. In spite of great abhorrence for academics by many colleagues and even bosses, I continued to apply much academic learning to my practical work which helped me to solve many problems and develop an organic relationship with my colleagues for achieving better results.

What is the value of communication in leading and unleashing the potential scope of the bank?

The value of communication can never be underestimated. There are a many people in the organization who have ideas on new products, processes, and innovative solutions to problems. Being close to customers, people at lower rungs in the hierarchy have better interface with customers and can perhaps provide better insights about their needs. But rarely do they get a chance to interact with top management or get appropriate response to their ideas. The hiatus between the top and lower management often arises because ideas, innovations and imagination are considered the sole preserve of top management. Only if better ways to communicate and receive feedback from the foot soldiers are institutionalized, can organizations do better in their service orientation, thereby improving the bottom-line. Communication is like a satellite that helps you to navigate the organizational change.

How can you capitalize on the power of communication?

In my operational assignments in Meerut and Kolkata, I had greatly benefited from my direct interface with the staff through extensive branch visits, which provided me deep insights into things like customers interface with the bank, what drives them out, level of staff motivation, internal bottlenecks in guiding branches, state of our infrastructure for delivery of service, how competing banks are working and their strategies, and so on. If there was one thing that helped me achieve business objectives in both the places, it was my abiding faith in reaching out to people and seek their engagement. This has always been part of my value system. Change does not happen naturally. Change, particularly systemic change in an organization of our size requires communication across levels - one that is authentic, clear, persistent, consistent and ubiquitous. Immediately after taking over as CMD, I was very clear that we need to create energy and excitement in our

first line if we wanted to succeed on our transformation program. We needed everyone in the bank to understand about the decline that had set in, competitors' pace of development, analysts' reports about the bank, rising dissatisfaction of customers with our service and the consequences of not arresting the decline. Simultaneously, we wanted to remind them of the strong tradition of bonding with customers and our track record of performance. We wanted our frontline officers, tellers, cashiers and subordinate staff to know how they can make a difference to customer service, create goodwill and entice new customers. We wanted them to realize how even in routine jobs they can create moments of truth for themselves and for customers.

How often were you able to reach out to each of the 38000 employees? Why did you think it was important?

In all my monthly communication to staff, I shared with them the important initiatives of the bank, the context and rationale of such initiatives and the benefits that the bank aimed to derive from such initiatives. These letters were delivered individually to 38,000 staff members. The communications to staff were always drafted by me and I always shared with them the problem areas and the rationale of our initiatives. I reached out to the staff through my communications on all important occasions like launching of new logo, achievement of business targets, launch of public issue, centenary celebrations, customer-centric initiatives, and customer complaints, implementation of core banking, recovery drive, and special campaigns for savings deposits. It was amazing to see the tremendous impact that such communications had on our branch managers, frontline staff and others, as they often quoted my message during personal interactions. Even after retirement, many frontline employees told me that they always read the communications issued by me with great interest. During a recent personal visit to Mathura, I was amazed to meet one Mohammed Nazir, a sub-staff member working at our Mathura branch, who told me how he always read my letters. I feel good that all the efforts in connecting with the staff had made some impact.

In the scenario where emotional connect with the organization and its employees is a prerequisite for a successful CEO, what role does incentives and pay play?

My emotional connect is very natural because I am an insider. Having joined the bank as a junior officer and then becoming the CEO of the bank, my emotional connect was natural. For those posted in a different bank in a short time, it is very difficult to have an emotional connect - the kind that I was actually lucky to inherit. For one year, when I went to Dena Bank as Chairman, I could see that while I had the passion to develop the bank, the emotional connect with employees was not as much as I had in BOB. But I think passion compensates for most of the emotional connect but if you are not passionate, you are only a technician trying to do a job. I think that is the real disconnect.

Somebody once asked me this question in one of the Annual General Meeting of the bank – “Look here, private sector bank MDs get more than 10-20 times what you get so what is it that keeps you wanting to work in the public sector?” My instant reaction was that we work for passion and please do not auction our passion. There is no price, because when we work for India’s public sector in some ways we know that there is lesser compensation and we also know that we are working for super ordinate goals.

What were the business outcomes of this transformation program?

Although my main task was building on intangibles by taking some foundational steps, they produced dramatic business outcomes. The total business of the bank more than doubled in just three years from 1.25 lakh crores in March 2005, to 2.59 lakh crores in March 2008. Our overseas business trebled. The analysts uniformly recommended ‘Buy’ for bank shares. The bank received several awards for its performance.

In the public sector, people talk about constraints like short tenure of CEOs, government interferences, trade-unions role etc. How did you cope with such restriction?

Well, you must realize that you are accountable to all the stakeholders. If you are obsessed with constraints, you can never transform. When you are at the top, you have to realize that you have a special responsibility. Your own perception about your motives and questioning “Why Am I Here?” will resolve most of the dilemmas. Stakeholders want the good of the organization, so as long as your efforts communicate this, there will be no problems.

What according to you are the essential leadership qualities?

Credibility and courage are two important qualities. Leadership is not about power and perquisites; it is all about responsibility and accountability. It is a difficult role which requires a lot of discipline. The other quality that the leaders must demonstrate is the courage to change the status quo, put principles ahead of anything else, and disagree with those in authority when required.

Bank of Baroda’s Transformation: A Timeline

First FY: 1st April 2005 – 31st March 2006

- HP signed as System Integrator and Technology partner for implementation of Bank’s IT-enabled Business Transformation Programme
- Bank’s new logo unveiled – “The Baroda Sun”

- Rahul Dravid launched as “Bank’s Brand Ambassador”
- 12 Hours banking (8 a.m. to 8 p.m.) launched in over 500 branches
- 24 hours (human banking) and happy hours banking launched in key centres
- Happy hour banking launched
- 201 interconnected ATM operationalized in a single day
- Three employee engagement programs launched namely Paramarsh (centre for personal counselling), Sampark (SOS helpline for employees), Khoj (a talent identification program)
- Baroda MoneyPlex - retail loan boutique launched
- State-of-the-art Global Data Centre commissioned
- Rollout of first pilot branch under core banking
- MOU signed for co-financing of projects with EXIM Bank, IDFC and SIDBI
- Baroda Shakti – A social organization started by the wives of the executives
- Appointment of McKinsey & Co for business transformation program
- Project Parivartan launched
- Intensive sales training for branch staff for promoting performance and sales-oriented culture
- A new employee communication strategy initiated
- Recruitment of young officers, in specialized areas, from the market
- Opened representative offices in Bangkok, Thailand and a branch in Leicester, UK
- Spectacular credit growth at 41%

2nd FY: 1st April 2006 – 31st March 2007

- 1000 branches put on core banking

- Introduction of Employee Conclave-'Baroda Manthan'
- New retail model "retail loan factories" launched
- SME loan factories launched
- Repositioned Gujarat operations - Ten point action program put in place
- Merger of three zones of Gujarat into an integrated office at Ahmedabad
- Merger of two zones of UP and creation of integrated UP operations
- International operations repositioned – international division restructured
- Celebrated Golden Jubilee of banks operations in UK at London
- International money transfer service launched in association with Western Union
- Strategic tie-up with HDFC Life for marketing insurance policies
- Strategic and marketing tie-ups with reputed organizations like UTI MF, Birla Sun Life, Reliance Asset Management, Franklin Templeton Asset Management, Sundaram BNP Paribas Asset Management, National Insurance Co. Ltd., for distribution of their mutual fund/ general insurance products
- Online money transfer service - RapidFunds2India - from overseas centres: UK, USA, UAE, Oman, Mauritius and Seychelles, to India
- Over 300 major branches given a facelift and a modern ambience
- Concept of 'multi-specialist banking' introduced and general managers at the corporate centre designated as in-charge of different business segments
- Wealth management services introduced at select branches in the country
- Introduction of Performance-Linked Incentive Schemes
- Introduction of 'Fast Track Promotions' for young and deserving officers
- Extensive CBS training for end-users, front-office staff, managers and officers

- Engagement of “Grow Talent”, a HR consulting firm to groom 300 future leaders
- Opened a branch in Singapore and upgraded operations in Hong Kong

3rd FY: 1st April 2007 – 31st March 2008

- Bank flagged off centenary year's celebration
- Started 11 new SME loan factories
- Started 11 new foreign offices including operations in Australia, Trinidad and Tobago, and Bahrain
- New Performance Management System and New Performance Appraisal System introduced for 3,000 business leaders on a pilot basis
- Implementation of a single web-enabled HRMS solution named 'HRnes & Employee Payroll System' for global operations
- Bank hosted BANCON 2007 (Banker's Conclave) with organizational support of IBA
- Bank's flagship office, Mumbai main office repositioned as Bank's first financial supermarket along with state-of-the-art business centre for the convenience of our customers in India and abroad
- MOU and definitive agreement signed with Legal and General of UK and Andhra Bank for joint venture partnership for life insurance
- Total ATMs network crosses the figure of 1100
- CBS rollout in all foreign branches
- First biometric ATM commissioned
- Internet banking launched
- Launching of “Centenary Year Gramotsava of Bank of Baroda” at Raebarielly
- Adoption of Dungarpur district of Rajasthan for total integrated development and complete financial inclusion
- “Baroda Grameen Paramarsh Kendras” (village knowledge and counselling centres) launched at 21 centres

- First Gen-Next branch for youth launched
- Opened 15 new branches/offices abroad including starting operations in new territories like Singapore, Ghana, Trinidad and Tobago, Bahrain and Australia.
- More than 1700 hundred branches operationalized on core banking
- MOU signed with Pioneer group of Italy for joint venture partnership for Asset Management Business