"DARE TO LEAD" – The story of transformation of Bank of Baroda

At the AMSEC hosted Round Table Conference "Dare To Lead", Dr Anil Khandelwal, former chairman and managing director of Bank of Baroda (BoB) gave valuable insights about transformation of the bank and key issues faced by public sector banks (PSB) today. Excerpts are as below.

In 2000, BoB was ranked number one across the public sector banks (PSB's). However, towards 2004 it was dislodged to the number four position with its credit growth dwindling to 0.72% in FY04 compared to the industry growth of 15.4%.

During his ~3-year tenure as the chairman and managing director of BoB through 2005-08, Dr Khandelwal chalked out an action plan to get the bank back on growth path. His belief - ***Anger is the prelude to transformation, peace leads to status quo.***

Leadership: According to Dr Khandelwal, leadership is a tough job needing lots of courage. People who aspire to bring change and can take bold decisions without fear can only take up the leadership role. The role becomes all the more difficult when it comes to heading a PSB thanks to lots of pulls and pressures.

Transformation plan: Dr Khandelwal maintains that Banks are highly fragile institutions and shocks can come in a major way and unexpectedly like a hurricane or Tsunami. Hence, the banks have to build solid pillars to withstand the shocks. Keeping this in mind, **BoB chalked out an exhaustive plan:** the key guiding principles included: **visible branding, technology enablement, customer centric initiatives, strategic business initiatives, organisation restructuring and employee engagement.** Consulting firm Mckinsey was hired to devise the business plan, while HP was roped in to put in place the IT system.

Will to change: Being a veteran and well-seized of the issues and problems faced by BoB, Dr Khandelwal decided to look afresh at key aspects like branding, IT, employee engagement, consumer focus, product innovation and high standards of service. The mantra was ASPIRE, ASSESS, ARCHITECT and ACT. The efforts yielded strong results making the bank grow by leaps and bounds.

Under the leadership of Dr Khandelwal, BoB's loan book grew at 35% CAGR, deposit grew at 23% CAGR and PAT grew by 29% CAGR. C/D ratio improved from 49% in FY04 to 70% in FY08 while GNPA came down from 7.6% as on March 2005 to 1.86% as on March 2008. The Bank has sustained the high growth even then with Mr Mallya at the helm.

Business- wise, the customer centric approach worked well. Focus was laid on hassle-free service, 24 hours banking, strengthening branch and ATM network, and expanding overseas operations. Product innovations like Retail and SME loans factories, employee and customer feedback, connecting to the customers through aggressive branding and marketing etc. helped the bank to gain market share.

Team work: Dr Khandelwal believed in team work, though he knew it was no mean task to transform a PSB like BoB with the involvement of over 38.000 employees. The Will to perform, passion to achieve and painstaking efforts of a core team of eight key personnel helped the bank achieve its goal. A sense of ownership (achieving a larger purpose) and urgency amongst the employees were the driving force behind the mission.

Challenges galore: The transformation process was not a smooth one. Lot many challenges and hurdles came en route in the form of political pressure, bureaucratic culture, laid back attitude, trade union resistance, limited time horizon, budgeting constraints etc.

Task-wise, brand building, technology upgradation and changing employee mindset (effecting best HR practices) were the key challenges the bank successfully overcame.

Khandelwal committee report: The report is ready and implementation should start anytime. However, the report has found strong resistance across the trade unions. Some of the contentious issues include bank wise recruitment and salary negotiation, professional HR, IT managers, etc. In this context, some radical proposals may get watered down at the time of implementation.

Outlook for the banking sector: Despite dogged by numerous problems and challenges, the PSB's as a whole are doing well. The gap between the PSB's and private banks in terms of IT, competitiveness and customer service is narrowing down. Leading PSB's viz., SBI, BoB, BoI, PNB and Canara Bank (*refer recently released AMSEC report, PSB's – Revving up*) are doing well and will give tough competition to private banks and may even wrest market share.

The private banks began well and have grown quite fast to attain scale. As a result, incremental growth may not be very strong. Besides, these banks have been losing customer focus and there is a growing perception of them preferring high net-worth clients while PSBs maintain their image of banks for the masses.

Challenges and risks

- Failure in the banking sector in future may be caused by lack of human capital (skills, talent) rather than financial capital. The PSB's in particular are mired by non-professional HR functions, and shortage of leadership quality.

- Besides, a uniform salary structure across the PSB's (irrespective of size and profitability), lack of continuity in management style due to the short tenure of the chairman and abrupt appointments at top posts are some of the key challenges that the PSB's will need to circumvent.

According to Dr Khandelwal, **Bottlenecks are at the neck (higher management). Therefore, evaluating the top management's strategy, vision and growth plans are critical. While analyzing banks, evaluating intangibles and qualitative aspects are more important tools than numbers, which may seem glamorized as banks are a deep ocean that can hide lot of numbers if they want.** Even on a broader spectrum, the same holds true for any organization. If systems and process are in place with a strong team to execute the same persistently, numbers are bound to follow.

******