

BOOK REVIEWS**Grit, Guts and Gumption - Driving Change in a State Owned Giant****R. Radha**

Rajesh Chakrabarthy (2010). Grit, Guts and Gumption: Driving change in a state owned Giant (New Delhi: Penguin Books India), pp. 256, Rs. 499. ISBN 9780670085002.

The book under review covers the transformation process undertaken by State Bank of India (SBI), the banking behemoth with 200 years of existence in India. The central theme dealt with in this book is the interventions by an energetic leader to transform SBI from a laidback, complacent bank to an emergent aggressive front-runner.

The book chronicles the transformation process over a period of three years, covering important aspects of the transformation process. The content of the Book is set in 12 Chapters. Chapter 1 begins with the appointment of Mr. O.P. Bhatt as the leader of the Bank. The subsequent chapters narrate the entire gamut of planning and implementation of change management. Chapter 12 aptly titled as "stock taking" highlights the post-transformation position of SBI in 2010.

Chapter one briefly captures the competitive landscape in the post-deregulation period and the apathy of Public Sector Banks (PSBs). SBI like any other Public Sector Undertaking (PSU) was steadily losing its turf as a market leader to ICICI, a vibrant, aggressive, techno-savvy new private sector bank. Mr. O.P. Bhatt was appointed as the CMD of SBI in 2006. Before joining as the CMD of SBI, he had almost three decades of experience working with SBI. Mr. Bhatt was determined to redeem the lost glory and pre-eminent position of SBI as a bank. He strongly believed in the capability of SBI and decided to play a decisive role as a leader in transforming SBI.

Chapter 2 details the brainstorming, introspection, stock taking, planning for transformation, and priority setting activities which were undertaken within the first six months of the leadership of Mr. Bhatt. The author highlights the importance of communication and subsequent buy-in of various cadres for setting the transformation process on move. Walking the talk was palpable from the rapid organizational changes that were happening in SBI. The bank decided to revamp business process, upgrade infrastructure on an urgent basis. Segments related to rural, wholesale banking and treasury were put on high priority in the business agenda. This was followed by activities in global operations and focus on the middle class segment in India.

Three new business groups were formed. A Corporate communication and change department reporting directly to CMD was setup. Priorities were reset, sector-wise business goals were decided and articulated.

Being in Financial Services Industry where customer service quality is the decisive differentiator, SBI had to change the existing (public sector) culture of bureaucracy, and insensitivity to customer needs and business expectations. The frontline employees such as the junior executives, clerical cadre and sub-staff create "the moment truth" when a customer deals with the bank. They are the face of SBI to the customers. As part of the transformation process, SBI planned to bring about attitudinal

changes among these frontline staffs which gradually led to culture change. A herculean task of addressing, sensitizing, creating awareness of external environment and projecting the importance of customer service, to nearly 1,38,000 staff members within 100 days was taken up on a war footing basis. Chapter 3 of the book provides a detailed documentation on the efforts that lead to cultural changes in SBI.

Chapter 4 describes the initiatives taken (by the bank) to bring about changes in human resources to support the transformation process induced business growth. Need to recruit fresh talent in a limited time period necessitated the recruitment drive to become online. Backlogs in staff promotions were cleared. Introducing the system of promotion and transfer among business circles helped the bank to rationalize manpower across the country. In spite of the constraints of a PSU such as the non-existence of Employee Staff Option (ESOP) SBI managed rights issue to Government of India at concessional price and offered employee stock purchase scheme to each member of "SBI Family" at the same concessional rate. Other staff benefits, offered with minor variations to suit employee needs, served as a big motivator. A well thought out HR policy of grooming future leaders, empowering sub-staff etc. was the content of organization-wide change.

Technology adoption is the key to accomplish competitive advantage in banking sector. Chapter 5 on strengthening ICT gives a description of advantages of technology in rolling out new products, and in speeding up the service delivery. Core banking which is the backbone of modern banking was progressing slowly at SBI. The challenges pertaining to inadequate infrastructure, limited skill set of employees, non-alignment of processes with business goals, non-cooperative union and the various hurdles faced by SBI are discussed.

By aggressively pursuing CORE banking platform how SBI could add new products to its basket, exploit benefits of alternate channels like ATM, Internet banking, and mobile banking are documented in Chapters 6 and 7.

To outsmart competition and entice customers, SBI had to revamp its business processes and emerge as an efficient, customer oriented bank. Technology based Business Process Reengineering (BPR) initiatives such as centralization of back office processes, released many branch officials from routine work and allowed them to connect to their customers. Customer banking experience at branches were enhanced by redesigning branches for ambience, providing state of the art facilities, and customer friendly staff. Relationship banking concept was adopted by employing relationship managers to understand and build long-term business relationship with customers. Marketing of bank products were promoted right from the grass-root level staff. De-layering of hierarchy and centralization of loan application processing enabled rapid decision making related to credit and personal loan.

With changed mindset and state of art technology support, SBI set out to reclaim its lost turf and expand into new markets. It was fully prepared to explore new segments and diversify into new businesses. Three Chapters (Chapter 8 to chapter 10) describe the efforts made by SBI to get back corporate clients, expand treasury operations, spreading its wings in international operations, increasing rural penetration and tapping (retail) business potential through the Super Circle of Excellence (SCE) branches.

SBI set up wholesale banking, realizing the need to have a holistic view of the entire financial need of corporate clients. A cross-functional team - client service team approached other corporate to take stock of their entire financial needs and offered solutions to corporate account group (750 Crores) and mid-corporate group (50-500 Crores). Assistant General Manager (AGM) level relationship manager was allotted to each corporate account with a supporting staff of service officers and management trainees. Cross selling and fee based income was actively promoted.

In Global Markets segment Deputy Managing Directors (DMDs) headed the treasury department. Currency trading, forward rates and derivative products like currency options, future and swaps were handled at the international treasury front. Domestic treasury handled money market, government bonds and interest rate future. Treasury products were aggressively marketed to corporate clients by a special marketing team, educating them to de-risk their portfolio by hedging, SBI increased its volume in proprietary trading.

International branches and offices of SBI were hitherto catering to Indian diaspora. Liberalization and globalization threw open greater business opportunity for Indian corporate to go global. SBI decided to follow its clients by offering them trade finance, and providing financial support to their takeover bids and diversification ambitions.

Public sector banks always considered banking in rural areas as a social objective. It was decided to go rural in a big way to exploit the huge potential, trickling down from liberalization moves in the economy. The author describes this move as a proactive one much before the recommendation of financial inclusion. SBI brought about structural changes with a separate vertical for rural banking under a Deputy Managing Director (DMD), adopted multi-channel delivery models, tied up with private corporate to use their outlets, business correspondents and facilitators, technology based smart cards, customized ATMs to suit rural infrastructure facilities as an all out effort to grab rural market opportunity.

Customer and employee perception of PSBs as inferior service providers persisted in spite of the level playing field achieved by PSBs in technology, products, and efficiency, at par with competitors - mainly new private sector banks. SBI harped on a noble idea to imitate private sector banks in all aspects of banking experience to customers in selected branches. Selected branches from metropolitan and large cities were remodeled similar to the competitors, staffed with the best of the talent available to attract high value customers in retail banking. The success of these branches emboldened SBI that they have the capability as a new age universal banker.

Size (of a bank) matters in a globalized environment to wrench big-ticket deals at the global level. SBI started consolidating by merging its subsidiaries one by one enabling it to have a unified big balance sheet size. The synergy, economies of scale and scope, exploited by SBI are also detailed in Chapter 10.

With High Net worth Individual (HNI) customers in its fold the bank wanted to position itself as a financial service provider catering to all segments - rural, poor, small business, rich elite and big corporate. SBI unleashed a huge corporate campaign; "Banker to every Indian" followed by "Banker to this Indian" (who is who of India) and "Banker to These Indians". Communication lines were opened up with media empowering top management team to disseminate information to media about SBI products and future plans.

In Chapter 11, the author discusses the diversification moves undertaken by SBI. New business department created for this purpose focused on new business offerings, in the financial services arena where SBI is yet to venture into, competitors (new private banks) have well established their positions. Financial planning and advisory services (customized to customer profile and risk appetite), online trading, bancassurance, custodial services, merchant acquisitions are the products added to the financial basket making SBI truly a universal Bank.

The author enlists the improvements in the performance of SBI on several fronts, such as deposit, credit, treasury, third party product, fee based income. The impressive performance improvement highlights and justifies the transformation process, without which the book would not have been a complete reading on change management.

The author takes us into a journey of the transformation process at SBI through the twelve chapters. Each chapter gives the background of the issue discussed making the journey of reading very informative. The book is a wakeup call to other sleeping giants (PSBs) who have better reach than new entrants but lagged behind in exploiting their strengths. It describes the nitty-gritty of a major transformation process.

This book is a classic example of change management covering the whole gamut of activities from planning, strategizing, resource allocation to meticulous execution in the context of size, spread, PSU constraints, union resistance and traditional and old-fashioned attitudes and culture. It is different from other turn around stories in the sense that selling "Change Management Project" when SBI is still holding the number 1 position, a proactive move to leapfrog to greater heights.

This book is an excellent example of portrayal of the transformation process by a PSU struggling under the heavy weight of social objectives, bureaucratic and political constraints, yet forced to face the onslaught of fierce competition. Size of SBI in terms of spread, branches and employees posed several challenges. How SBI managed the transformation process extending to nearly three years is well described in a sequential manner- right from the initial conclave to final roll out of core banking, new products and diversification.

This book can be a guide and reference source for executives of organizations, management consultants, academicians, and (management) students on turn around and transformation process. Other PSU change leaders can take a cue from SBI's experience of tight rope walking - be it buy-in of top management team, soliciting union representatives co-operation, motivating rank and file of the organization without any real monetary incentive and on out of turn promotion. For management students, the book can be a case study on change management of an important organization.

Author's Profile

Ms. R. Radha is a Faculty (on leave) in K.S. School of Management, Ahmedabad. Her teaching interest includes Accounting, Marketing and Strategy.