

Reflections on Building Institutions¹

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"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair..."

– Charles Dickens (1859)

While this may describe our sentiments today, it is actually a quotation from the book "A Tale of Two Cities" written by Charles Dickens in 1859 describing events and times in England and France in 1775. So, we are not uniquely damned by the actions and inaction of the current rulers. All I want to say is not to let current externalities rule us and our actions, but to prepare ourselves to take charge of our lives and to lead our lives in the best possible manner. Best, not just for ourselves, but for the society at large, because our good can only come from the good of the society and its members. The aristocrats in France found that out the hard way - on the guillotine.

I am an extremely lucky person to have had the opportunity, three times, to create something from nothing. I failed badly the first time when I was twenty-two years old. That company does not exist today. The next one was a bit more successful, but it is only 36 years old. I am referring to HDFC, India's first private sector and currently the largest housing finance provider. The third is still work in progress, 13 years old, but is showing good signs of replicating its parent. I am talking about HDFC Standard Life Insurance Co. Ltd. HDFC created a new sector, while HDFC Life Insurance was the first private sector life insurance company to be registered 44 years after the creation of LIC through the nationalization of the then existing private life insurers.

I am an example of what an average person who is committed to his principles, and can get others to believe in them, can achieve in his life. This is not to brag about myself, but to emphasize that you can do it. Many

youngsters think that if you go down the path of values and principles, it is a lonely path and a dead end street. You are wrong. There are enough good people in this world in search of a leader who will show them the right way of doing things, not the expedient way of achieving short term results. There are institutions and companies in India which stand testimony to this belief.

So how do you go about building an institution? You don't. You cannot. That cannot be the objective. It can be the result of your actions. An institution is after all only a legal manifestation of the people in it.

Let me give you a little background in order to put things in perspective. What was being established thirty six years ago was a financial institution that was i) intending to raise long-term resources, which was generally very difficult to do at that time, ii) finance households directly for housing, which no bank or institution in India had dared to do iii) service loans efficiently even though there existed no legal mechanism of foreclosing on mortgages and iv) still remain commercially viable and enhance shareholder value consistently.

To make commercial sense of this venture, we had to be different and the difference we decided on was "customer service". At that time, quality customer service, especially in the sphere of retail finance, was somewhat of an oxymoron.

Right from its inception, HDFC has maintained a strong service philosophy - service became the business and service became the product. For HDFC, service defined the organisation's products, delivery processes, internal systems and how people interact with each other. So right from the very first day we opened our door for business, we at HDFC installed our home-built model

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for customer service. And the reason why we had to develop our own service delivery model was simple - there was just no other domestic model to emulate. Quality service became an inherent feature of our operations. Quality became the distinguishing attribute in our operations. Striving for excellence became a personal mission for each one of us.

The way HDFC looks at customer relationship management has not changed, what has changed are the ever rising customer expectations. Customers have increasingly become more demanding, less loyal, seek convenience, demand the best service in the shortest possible time and at the lowest cost. And if the customer doesn't find a satisfactory solution with your organisation, he simply takes his business elsewhere. The comfort that some financial organisations used to have -- the feeling of 'owning the customer' for life is today just not there. So getting a customer is only one part of the job, retaining the customer requires a different strategy altogether.

Customers will automatically gravitate towards organisations where they feel they will get superior service, where they feel they will be treated fairly, be adequately informed about the costs of the transactions and where they generally feel a sense of comfort. Most such impressions or perceptions are created by word of mouth through experiences of other customers.

As a practitioner, I believe that for a financial product, the only differentiator is service. The uniqueness of a financial product will last at the most a week or a month- anyone can copy it and the only patent protection one can have is quality of service.

Employee and customer satisfaction are inextricably linked. An organisational structure more often than not determines the efficacy of relationship management within an organisation. How the staff is treated will invariably reflect how a customer is treated. It is unlikely that a disgruntled employee will be able to provide customer satisfaction, but a committed and empowered employee is more likely to help acquire and retain a customer.

I'd like to quote the closing line of the stage musical,

My Fair Lady : "the difference between a flower girl and a lady is not what she is, but the way she is treated". What it means is managers who believe in their employees and have high expectations of them can get phenomenal results. Remember, you can never, ever, do enough for your people.

At HDFC, we had always believed that empowering frontline staff is a necessary condition for delivering exceptional service. It is the frontline staff that really understands the customer's psyche because any interface is with the frontline staff. It is therefore necessary to keep frontline staff motivated and enthusiastic. Empowerment is the process of creating an enabling environment in which individuals take responsibility for making significant shifts in the value creation process for customers and contribute to the organisational goals. It requires the creation of a culture where people across levels feel they can make a difference and this in turn assists them in acquiring the confidence and skills to do so.

Empowerment is often mistaken as increasing the power of the employees. On the contrary, it is more about releasing the knowledge and motivation which employees already have. People must directly experience being in charge of themselves and their destiny to develop an empowered state of mind and thereby exhibit empowered behaviour.

More important than the introduction of new organization structures is the need to have in place a value system, the organizational culture, which weaves through the entire fabric of the organization and becomes the cohesive force that holds and drives it forward. It will therefore be necessary for the senior management to crusade for and get the message of the organizational values down to the last employee, on a regular basis. A healthy culture is simply a function of several factors, namely, honesty, trust, dignity and respect. They all go together; they reinforce one another.

You may have noticed that in my talk I have made no reference to any financial ratios or parameters- not because they are not important to building institutions, but because people are more important. And this is true even for you, individually, at the personal level. **Howard**

Stevenson, Professor at Harvard Business School, based on extensive research, has articulated the findings very well "the four things that make us feel successful in life: achievement, significance, legacy and happiness". You will note that money, status in society don't figure in that list.

What is true for institution building is equally true for building your career. So let me just leave some thoughts behind for your consideration. These have been the driving force in my life, and I have benefited a lot from them.

- Take jobs and internships that pay less money or no money, but give you the opportunity to learn, experiment and grow. After completing my graduation in IIT, I took a job at an unknown small company at Rs 600 pm instead of a job at L&T paying 25 percent more. I have no regrets at all.
- Do what you love, and not what is "expected of you" or what is seen to be the right thing. If you enjoy what you are doing, you will bring passion, energy and an ability to work without stress. As Thomas Edison, who held 1093 patents, said, " I never did a day's work in my life: it was all fun".
- Be passionate about whatever you do. Give it your 100 percent. As Ralph Waldo Emerson said, " Nothing great was ever achieved without enthusiasm"
- it is important for us to have an aspirational statement for ourselves. To see ourselves in a grander manner than just as a cog in some wheel. We must have a goal, an end cause, a higher aspiration for our endeavours, and we must work with passion and be loyal to the end cause. We crave so much more in our work, and not just money. We want fulfillment, creative challenge, growth, joy and a sense that we are living for something more than ourselves. There was an anecdote that I used to repeat very often, because I thought it was very apt. So let me repeat it one more time.
- When St. Paul's Cathedral was being built in the late 17th century in London, Sir Christopher Wren, an eminent architect, asked a mason what he was doing and he said I am carrying a brick from here to there. He asked another mason what he was doing and he said I work from 10 o'clock to 5 o'clock, I get ten shillings a day and this is my means of livelihood. He then asked a third mason what he was doing and he said: I am participating in the building of this magnificent cathedral.
- One of the biggest mistakes you can make in life is to accept the known and resist the unknown. You should, in fact, do exactly the opposite put a challenge the known and embrace the unknown. Six weeks after joining Citibank, fresh from my MBA, I quit, only to join a company that had started operations a month earlier - that was HDFC. No one had heard of it. I realized that for me working in a big company, with its rules and regulations and processes would have been stifling. I wanted to write the rules. Let me be honest. Did I know all this when I did what I did? Absolutely not. I just went with what my heart told me, and it has not let me down.
- Learning is a process not an event. I thought learning would be over when I got my degree. It's not true. I haven't stopped learning, and my teachers have been everyone from the junior most in the company to senior colleagues in industry. Indeed, it gets easier to learn once you're out of the educational system because it's easier to see the relevance of why you need to learn.
- Be true to yourself.
- Set the highest standards for yourself.
- Live up to your own expectations. Its tougher than meeting your bosses expectations.
- It is important to stick to commitments made by you, so don't promise anything that you cannot deliver.
- Keep things simple. Don't introduce complications if they are not necessary, even if they make you look intelligent.
- Don't seek greatness in other people's eyes.
- Cherish your convictions and stand by them. You can fake principles for an audience. You can't fake it in your own eyes. Your conscience is the strictest judge.
- Do what has to be done. Fame, admiration and rewards will follow. Don't work for the rewards. Don't make money your sole aim in life.

- Money is only a means to some end.
- Build intrinsic strength so that you truly become great and are not just thought of as being great.
- Customers are all you have. Care for them.
- Planning and strategy formulation is important, but execution is critical.
- To become truly great, you must add more value to the world. And the best way to begin doing that is to become a more valuable person. Acquire skills no one else has. Read books, no one else is reading.

As someone said, and I don't recall who:

What will matter is not what you bought, but what you built.

Not what you got, but what you gave.

What will matter is not your success, but your significance

What will matter is not what you learned, but what you taught.

What will matter is every act of integrity, compassion, courage or sacrifice that enriched, empowered or encouraged others to emulate your example.

What will matter is not your competence, but your character.

What will matter is not how many people you knew, but how many will feel a lasting loss when you're gone.

What will matter is how long you will be remembered, by whom and for what.

Living a life that matters doesn't happen by accident, but by choice.

Concluding Remarks

In a fast changing and increasingly more competitive world where the biggest trend in business is the rise of infotech, corporate leaders are searching for achieving sustainable competitive advantages. However increasingly they will find that this search will lead them not towards increasingly hi-tech solutions, but instead towards the soft side of business - values and culture.

In this world, corporations and institutions have an enormous responsibility to support the reinstatement of a business ethic that shuns short cuts and unethical practices; that builds a management style to reflect this

ethic; that is quick to promote an active public service strategy and is in tune with the environment in which it operates. In the long run, this approach makes business sense as customers are likely to be much more discriminating in a world of information and transparency and are likely to gravitate to those institutions that have impeccable standing, enlightened leadership and a strong element of social responsiveness.

Deepak M Satwalekar retired as the Managing Director and Chief Executive Officer (MD & CEO) of HDFC Standard Life Insurance Company Ltd. in November 2008. Before taking on the responsibility of setting up and running the new Insurance company in the year 2000, he was the Managing Director of HDFC, the country's largest mortgage lender. He received a B.Tech. in Mechanical Engineering from IIT, Bombay, and a M.B.A. from The American University, Washington D.C. He has consulted for the World Bank, the Asian Development Bank, and other bilateral and multilateral agencies in several countries. Besides being a recipient of the "Distinguished Alumnus Award" from IIT, Bombay, he is on the Advisory Council of the IIT, Bombay. He has been a member of/chaired several industry, Reserve Bank of India and government expert groups. Inter alia, he has been/is a member of the Technical Advisory Committee of the RBI, the Committee for Policyholder Protection/Intermediaries, etc of the Insurance Regulatory and Development Authority, Committee for Restructuring the NPS set up by the PFRDA. He also serves as an independent director on the boards of some large companies in India. He serves on the India Advisory Board of a large European Bank and is currently active on the Board of Trustees of IshaEducation (ishavidhya.org), Gyan Prakash Foundation and Teach to Lead (teachforindia.org), which are engaged in the field of primary education for the low income and socially disadvantaged members of society in rural and urban India respectively. In the field of higher education, he is on the board of the Indian Institute for Human Settlements (iihs.co.in). He is an adviser to Private Equity and Venture Capital firms as also on the Board of Society for Innovation and Entrepreneurship, an early funding vehicle set up at IIT, Bombay. He is also advising a company which is establishing a network of BPO centers in rural areas across the country. Board memberships include: Infosys, Asian Paints Ltd., Piramal Enterprises Ltd., The National Stock Exchange of India Ltd., The Tata Power Co. Ltd., IL&FS Transportation Networks Ltd., India Mortgage Guarantee Corporation P Ltd., Franklin Templeton Asset Management India P Ltd.