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State Bank of India: Transforming a State Owned Giant

SBI is India's biggest bank, possibly the bank which touches the most amount of emotional chord in the people, but maybe which is no longer considered the best bank. …Somehow we seem to be losing out on our leadership position.

—O. P. Bhatt, January 2006

We have regained our thought leadership. This required a positive attitude born out of conviction and faith in our people. Now we should aim to be in at least the top twenty, if not the top ten banks in the world.

—O. P. Bhatt, February 2011

February 2011: O. P. Bhatt reflected contentedly on his five-year term as Chairman of State Bank of India (SBI), India's largest commercial bank. He had led SBI on a journey of transformation from an old, hierarchical, transaction oriented, government bank to a modern, customer focused, and technologically advanced universal bank. In 2006, when Bhatt assumed leadership, SBI had been losing market share for over two decades to private and foreign banks. Analysts and industry observers had predicted that at the prevailing growth rates ICICI Bank, a private bank launched in 1994, would overtake SBI in terms of deposits in four years. However, by 2010, SBI had more than doubled its profits, deposits and advances; regained market share and won the Asian Banker Achievement award for the strongest bank in the Asia Pacific region.

However, Bhatt had a lot to think about on this flight to Delhi. He was on his way to attend a meeting at the Ministry of Finance to provide inputs to the bank's succession plans as he was due to retire on March 31, 2011. Bhatt had been asked to advise on the qualities that would be required in his successor to lead SBI into the next era. He also had to think about the steps he needed to take to ensure a smooth transition and SBI's continued success. SBI's transformation journey had just begun; it had to evolve to meet the changing requirements of the growing retail segment and the aggressive international aspirations of Indian companies. Bhatt had huge aspirations for SBI's future; he wanted the bank to play a leading role in the growth of the Indian economy. Bhatt's successor would have to carry the mantle of sustaining and building on Bhatt's legacy.

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History of SBI

SBI, a bank with 60% government stake, was India's largest commercial bank and the 43rd largest bank in the world with a market capitalization of over $36.5 billion in 2011.[a] It along with its five associate banks and 22 subsidiaries, which constituted the State Bank Group, had more than 267,000 employees; a pan India network of over 18,000 branches, and 25,000 ATMs; and delivered profits of $2.6 billion.

SBI traced its lineage to the Bank of Calcutta, established in the eastern part of India in 1806. Bank of Calcutta, later rechristened as the Bank of Bengal was the first joint stock or limited liability bank of British India[b]; it was part owned by the government and part by private individuals. The government of India granted the Bank of Bengal the right to issue currency and thus conferred on it the status of a presidency bank. Soon, two more presidency banks were established, the Bank of Bombay and the Bank of Madras. Though these were commercial banks, their main function was to help the government of India raise loans and provide stability to government security prices. In 1861, the government took over the right to issue currency from the three presidency banks and in turn entrusted them with the responsibility of managing the circulation of new currency notes. In 1921, the government formed the Imperial Bank of India (IBI) by merging the three presidency banks. IBI functioned as a commercial bank, a banker's bank and a banker to the government. With the establishment of the Reserve Bank of India (RBI) as the country's central bank in 1935, IBI ceased to be the banker to the government. By 1947, IBI had a capital base of $2.5 million and a network of 172 branches.

Post independence, the government wanted to focus on the development of rural India and create an institution that would help in the planned economic development of the country. Since most commercial banks, including IBI had confined their operations to urban India, the government decided to create a state owned bank by taking over IBI and integrating with it the former state owned banks. In 1955, it constituted the State Bank of India. SBI emerged as a virtual powerhouse since it controlled more than a quarter of the country's banking industry. Four years later, the government passed the State Bank of India (Subsidiary Banks) Act enabling SBI to take over eight former State-associated banks as its subsidiaries and extend its reach in the western, southern and central parts of India.

SBI embarked on an expansion spree, growing its network from around 500 branches in the 1960s to over 8,000 by the 1990s. It played an important role in developing India's rural regions, providing financing for modernizing the country's agricultural industry. It also helped in infrastructure development by providing credit and development assistance to villages. Simultaneously, it ventured into the areas of merchant banking, housing finance, and institutional investor services through various newly formed subsidiaries. In effect, SBI was the "Big Daddy" or the "King" of the Indian Banking sector. Dr. M.K. Sinha, former SBI Chairman recalled, "Even though our rate of interest was about half a percent lower than other banks, we still got bulk of the deposits. People banked with us because of our sheer money power." SBI was the market leader in both deposits and advances; this coupled with its reach meant that it was the bank of choice for most Indians. Ashok Chawla, former Finance Secretary, Government of India, described SBI as the "one of the brightest stars in the Indian banking firmament." SBI was also a preferred employer, some of the best people in the country joined it and outsiders looked up to SBI employees with awe. Sunil Pant, Chief General Manager at SBI's Delhi Circle (administrative area) recalled, "People used to treat SBI like a temple and used to

[a] An exchange rate of 1USD=45.5 has been used for all conversions from USD to INR.

[b] India was under British colonial rule from 1858 to 1947.

touch their foreheads against its steps before entering the premises." However, this rapid expansion took its toll on the bank. Former SBI Chairman, Dipankar Baku observed in the early 1990s, "In the aftermath of bank nationalization everyone lost sight of the fact that banks had to be profitable. Banking was more to do with social policy and perhaps that was relevant at the time. For the last two decades the emphasis was on physical expansion."[1] Despite tremendous growth in the branch network, not much had changed in the branches. Seventy five percent of the area at branches was reserved for employees. A chest-high unbroken counter cordoned the customers off from the staff. Customers had to stand in multiple queues behind iron-grilled counters for completing their transactions. For depositing a check, customers would stand in queue to wait for a clerk to receive and stamp it. Since roles were narrowly defined, multiple people were involved in processing a transaction. The staff thus spent most of their time doing manual, paper intensive, tasks instead of focusing on customer sales and service. In 2005, when a bank MD asked a cashier at one of the semi-urban branches if many farmers visited the branch, the cashier responded, "Lots of people come in. Some of them must be farmers."[2]

In the 1990s, SBI transitioned from a manual ledger system to computerized back office operations and branches. However, these branches operated on their own independent servers and it was only in 2003 that the bank started implementing a Centralized Online Real Time Environment Banking Solution (CBS) linking all its branches. SBI realized that business process reorganization had to accompany the technology transformation exercise and therefore simultaneously embarked on a path of transforming its processes. By 2006, 52% of SBI's branches were on CBS.

However, by 2006 SBI's market share had fallen to 15%. Its ratings as per Banker magazine had fallen from 82 in 2004 to 107 in 2006 (see **Exhibits 1a and 1b** for trends on some performance parameters for SBI).

Organizational Structure

SBI employees were organized into three hierarchical levels—officers (35%), clerical (44%) and subordinate staff[c] (21%). The bank selected executive and clerical staff through countrywide examinations. It often promoted the clerical staff to the executive cadre. The bank recruited executives as probationary officers and after successful completion of training promoted them as assistant managers. There were nine levels between an assistant manager and the Chairman.

SBI was divided into fourteen administrative circles each headed by a Chief General Manager. Most circles consisted of two networks of branches, each headed by a General Manager. The bank assigned each employee to a circle and then either promoted him within that circle or posted him on assignments outside his circle on deputation. It however did not transfer non-executives from their respective circles. In order to provide executives a diverse experience across functions, SBI promoted or transferred them every three to five years.

At the senior level, decision-making was mostly collective. The Central Management Committee, the bank's apex committee comprising of the Chairman, Managing Directors and Deputy Managing Directors typically met twice a month to monitor progress and take major business decisions. This committee reported to the Board of Directors.

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[c] The subordinate staff comprised of security personnel, messengers and general attendants.

The Changing Banking Environment

To facilitate economic development, the Indian government nationalized 14 commercial banks in 1969 and six in 1980. Ninety-one percent of the banking business ended up in the government's control.[3] Although private sector banks and foreign banks co-existed with the nationalized banks, their activities were highly restricted through entry restrictions and strict branch licensing policies. The government also introduced the concept of lending to priority sectors, wherein banks had to provide 40% of their net credit to sectors such as agriculture, small-scale industries and retail trade. The nationalized banks embarked on an aggressive growth strategy. Consequently, the banking network grew from 8,300 bank branches in 1969 to 60,000 in 1991 and the number of persons served per bank branch reduced from 64,000 to 14,000. During these two decades the demands on the banking industry grew significantly with India's gross domestic savings increasing from 15.7% to 24.2% and bank deposits growing at a compounded annual rate of 19%.[4] However, bankers had little discretion around decision-making, RBI decided whom they could lend to, how much, and at what rate.[5] The result was a predominantly nationalized bank network overburdened with large non-performing assets because of their "social obligations", directed lending practices and outdated risk management techniques, and customers at the mercy of the whims of a banker.

In 1990, a large current account deficit and currency overvaluation led to a balance of payments crisis, and brought the government on the brink of default, thereby forcing it to embark on a path of economic reforms. These included financial sector reforms such as dilution of government ownership in nationalized banks and requirements for improved financial disclosure. RBI deregulated interest rates allowing banks to set their own lending and deposit rates. Earlier over 50% of a bank's savings had to be either deposited with RBI or invested in government securities. RBI progressively reduced this limit thus allowing banks to increase their lending volumes. It also lowered entry restrictions for new banks thus encouraging competition.[6] For instance, it abolished its 1:4 branch license policy that required banks to open four branches in rural unbanked locations for every branch opened in an already banked location.

Over the next several years, new private banks such as ICICI Bank and HDFC Bank entered the field. Foreign banks such as Standard Chartered Bank, Citibank and HSBC expanded their India footprint. These new players or "entrants" posed a significant threat to the incumbents, the public sector and old private banks (see **Exhibits 2a to 2f** for details on the competitive landscape). [7]

The entrants ushered in a new era in Indian banking through their large investments in technology and customer service. They introduced the concept of remote banking through phone and internet banking. This coupled with their ATM network, networked branches and centralized processing helped them to overcome the natural advantage of the large physical branch network of the existing banks by offering "Anywhere, Anytime Banking". They also made investments in expanding their branch network. The incumbents' physical reach was their biggest strength especially in the retail-banking arena and SBI was the leader here. Often newer players were compelled to use SBI's services in places where they did not have a branch network. The incumbents had decentralized computerized systems; customers belonged to branches rather than the bank and could not access their accounts from non-home branches. Though the nationalized banks were trying to move to a central networked system, changing their legacy systems was proving to be a challenge. An analyst commented, "More than a lack of regulatory framework, it is lack of zeal and a mindset attuned towards resisting any new technology that is holding back the nationalized banks. On top of this, the highly politicized unions are also an impediment as they feel that Internet banking would expose the low productive levels of the workforce."[8]

The new entrants also offered a novel branch experience. They had modern, plush branches in shining glass buildings with beautifully designed customer waiting areas—a stark contrast to a public sector bank where customers stood in multiple queues behind iron-grilled counters for completing transactions. These banks hired the best talent, often from the public sector, by offering irresistibly attractive salary packages that public sector banks could not match due to government-imposed restrictions. Access to this talent allowed the entrants to build a highly empowered workforce with a strong service culture.

The entrants thus elevated customer experience to a new level. They introduced the concept of relationship banking, where each customer relationship had an owner and thus lured the younger, affluent, brand conscious and technology adept customers. The incumbents continued with their traditional way of banking, wherein customers had to come to the branches for a transaction. They were therefore left with the older clientele who were averse to change and adopting new technology.

The Indian economy grew along with the banking sector. In 2006, it grew at 7.8% and the country emerged as the fourth largest economy in terms of purchasing power parity.[9] Economists expected the number of middle and high-income households to treble in the next decade. [10] These rising income levels coupled with higher credit appetite had contributed to a growth in consumer finance, and these revenues were expected to grow at over 20% a year over the next several years with mortgages and personal loans being the key drivers (see **Exhibit 3** for overall banking sector revenue pools).[11] Indian companies were aggressively looking for global acquisitions and small and medium enterprises were growing at a significant pace.[12] Among emerging markets, the Indian equity market was the third best performer in Asia and eighth best in the world.[13]

2006: O.P. Bhatt becomes the SBI Chairman

In July 2006, the Government of India appointed Bhatt as the SBI Chairman. In a departure from traditional practice wherein the government appointed the senior-most person in the bank as its Chairman, it decided to have eligibility criteria for selection. Five people were shortlisted and of them, the government chose Bhatt, who was the junior most and youngest candidate.

Bhatt described SBI's status at that point in time:

> The bank had been losing market share steadily for more than two decades. In the early 1970s, we had about a 35 percent market share, but that had fallen to about 15 percent. During the early years of this century, the decline was getting worse. Also, when I joined 37 years ago, the bank had an influential voice in India—in the economic sphere, in the industry, in government circles. It was an opinion leader. [14]

He continued, "Then, in the districts in India, there used to be three important officials, the District Magistrate, the District Superintendent of Police and the Agent (Branch Manager) of the State Bank of India. I was very proud to be working for such an organization." He added, "But by 2006, the bank had become just another bank. Maybe it was the largest bank in India in terms of assets, branch network, customers, but so what? It had lost its voice and its influence significantly."[15] He summarized, "Somehow in the race to attain numbers, quality has been unwitting compromised."[16] K.V. Kamath, ex-CEO of ICICI Bank described, "SBI was a classical old type banking institution. It was not seen as a leader in product innovation, marketing or distribution."

SBI was also losing customers to its competitors. Bhatt explained the reasons, "Customer were neither respected nor treated well." G. D. Nadaf, General Secretary, All India State Bank Officer's Federation, added:

> Even family members of staff would think twice before coming to SBI, instead they went to the glass banks. They perceived SBI to be a government bank whose main purpose was to pay government officials salaries and dispense pension. They believed that SBI was a bank for, of and by the senior citizens.

SBI had become "an inward looking bank" with "no sales focus." Chandrashekhar, Chief General Manager at SBI described:

> Managers never stepped out of the branches to meet customers; instead, customers came to the branches. Branches were used only for doing transactions. Our budgeting system set targets, which were incremental over the previous year. There was no focus on market share or customer segmentation. We never focused on the young customer.

However, an even more serious issue was that the bank's employees were not aware of the problems facing the bank since they had limited contact with seniors and communication was one way, from top to bottom. Nadaf summarized, "We felt that no one cares about us and we are just working for a salary. There is no recognition of our hard work. There is no appreciation of the circumstances under which we are working." Some of the bank's HR policies on promotions, transfers were outdated.

Bhatt described the impact of this:

> The bank's employees were not energized anymore. They had lost their pride and sense of belonging. From the very top down through the branches, everybody was pulling in different directions. The people weren't performing poorly as individuals; they just weren't aligned along a common set of objectives—no goals, no vision, no commitment.[17]

Moreover, the senior management had adopted a defeatist attitude, they believed that "private is better" and were resigned to the fact that SBI would soon surrender its leadership position.[18]

SBI's weak technology backbone compounded its problems. Hemant Contractor, Deputy Managing Director and Chief Financial Officer, SBI explained, "We simply didn't have the technology platform to offer the products and services that competition was offering." Though the bank was transitioning to a centralized computerization setup from a decentralized one, this was proving to be quite difficult and people "shuddered" at the thought of moving their branch to the CBS environment. Bhatt added, "Problems with the system—poor connectivity and its complexity—meant that it was actually damaging our ability to serve customers. It could take two hours to open an account. We were losing business."[19]

On the evening of 30th June, Bhatt received the news that he had become SBI's Chairman. Next morning when he came to office, he found the press waiting for him. Impromptu he outlined his aspirations for the bank, "SBI will stop losing market share and start gaining it by improving customer service and improving its technology. We will also raise the bank in international rankings."

Bhatt and his Vision for SBI

An English language graduate and a gold medalist from his university, Bhatt joined SBI in 1972 as a probationary officer. Early on in his career, he did stints at the Bank's London and Washington offices. Bhatt rose through the ranks with timely promotions and was transferred to the northeastern circle on being promoted to the rank of Chief General Manager. Bhatt recalled:

> At that time I was not the management's blue eyed boy and North East was considered to be a punishment posting. People did not like its laid-back culture and tried to avoid being posted there and if posted would try to come back or go on a prolonged sick leave. The performance of the circle was not good. I got the people on board, turned it around in a year and elevated the circle from rank 14th in performance across the bank's 14 circles to the first rank.

Soon thereafter, as Managing Director of State Bank of Travancore (SBT), an associate bank of SBI, he changed the bank's profile from a traditional traders' bank into an aggressive retail bank that sold mutual funds and insurance products and implemented a core banking solution connecting all its branches. In April 2006, the Indian government appointed him as SBI's Managing Director. Bhatt reflected on these successes, "I have all along been hard-working, innovative and a team person. I can relate to people well."[20]

Bhatt, Nadaf observed, was a man with a "human touch who touched everybody from a messenger in the bank to a colleague." People praised his open and non-hierarchical approach and his ability to communicate effectively with everybody in the organization. Pant added, "Typically the SBI Chairman used to sit in an ivory tower like Zeus in Olympus. With Mr. Bhatt, SBI had a hands-on chairman for the first time who was willing to come to the branches."

Bhatt's subordinates lauded his ability to "encourage reverse feedback and ideas from bottom up." Pant elaborated, "He encourages people to think for themselves. He can smell out a good solution. He lets people make mistakes and stands by them in times of crisis. That is quite reassuring and gives people strength." He added, "He provides direction where necessary, but relies on consensus when possible."

Bhatt had been deeply concerned about the status of SBI even before becoming the Chairman. While heading SBT he had voiced his feelings in an internal interview. Bhatt felt personally let down that SBI had lost its leadership position. He was concerned about the bank's inferior technology, lack of customer focus and employee apathy. He felt that a bureaucratic culture and faulty HR policies had sapped employee potential. He also believed that SBI's products offerings were inferior and that the bank was a laggard in both retail and corporate banking. Once he became the Chairman, he realized, "Now there is nobody to blame for what has happened or what will happen in the bank, it is my responsibility."

Bhatt's belief, "SBI is the bank of every Indian; whether or not he banks with us and we have a responsibility towards every Indian," shaped his vision for the bank.[21] First, he wanted SBI to be the best customer-oriented and the most tech-savvy bank in the country and then the best global bank.[22] He stated, "We are a big bank and I want it to be a great bank with improvement in efficiency and quality of service to customers. Over the next couple of years, we want to increase our market share consistently by around 0.25% every quarter from the current 15%." He reminisced, "It was thought natural that with the entry of private sector banks the largest bank in the country will lose market share. This did not make any sense to me. I thought we deserved to get our thought leadership back." Bhatt was convinced that change was possible. He had faith in his people. He believed that if he could connect with them as a team member, not only would they respond, they would also be willing to stretch themselves and in the process, they would improve. He was very clear about his focus areas, but he realized that his path would evolve with time and that he would have to do a fine balancing act between taking decisions through consensus and taking decisions unilaterally.

Bhatt had time on his side to realize his ambition. A manager explained, "We have had chairmen for very short periods, sometimes for as short a period as 30 days. When a chairman has five years he can convert his vision, ideas and plans into action."

The Transformation Journey

The First Few Months – Establishing Leadership

Bhatt spent the first few months assessing SBI's status and charting out his transformation strategy. Bhatt described his approach, "I did not have an action plan cast in stone. I took help from every direction. I took inputs from our consultants, spoke to eminent professors and spoke to people within the bank as well as those who had retired." Simultaneously, he was trying to get the bank employees "both worried and excited: worried about what had happened to the bank and excited about how we could undo the damage."[23] He commissioned a bank wide survey of employees that revealed that the bank had superior capabilities, but needed improvement in direction; motivation and innovation (see **Exhibit 4** for organization performance profile**)**. Bhatt explained the enormity of his challenge:

> My leadership was not established. My peers, whom I had superseded, were still around and feeling let down. In some ways, people did not care about the new Chairman. I realized that it was important not to show off my authority. However, wherever I sensed that there were non-negotiable issues, I did exactly what was right for the organization, even though there was skepticism and opposition.

He continued, "In my first week, I shuffled the entire top deck of cards. I could have done this slowly, but there was no point in aggravating people one by one." Bhatt created four new strategic business groups headed by Deputy Managing Directors (DMD) (see **Exhibit 5** for partial organization chart). The rural and agricultural banking group aimed to tap into the enormous potential in rural India. The idea was is to create a bank within the bank, which will become as big as the National Banking Group in two to three years. The creation of the mid-corporate group catering to the needs of second tier corporate borrowers and the global markets group housing SBI's consolidated treasury operations were the cornerstone of Bhatt's strategy to recapture the large and midsized corporations. The corporate strategy and new businesses group was tasked with rolling out new businesses such as private equity, wealth management, general insurance, payments and pension funds, a mainstay of most private and foreign banks in the country. A senior executive added, "Competition was gaining space in some of these markets. Therefore, we needed to increase focus on these markets."

Bhatt also created a new department, 'Corporate Communication & Change'. David Azariah, a General Manager headed this department and reported directly to Bhatt. This was a deviation from SBI's hierarchical reporting relationships, wherein each person reported to the next immediate level in the hierarchy.

Another area demanding Bhatt's immediate attention was to address the fallout from the inefficient and not so successful rollout of CBS. Bhatt described, "This bank was bleeding in terms of customers, businesses and staff. Employee morale was terrible. The staff was frustrated with all the bugs in the system." Unilaterally he stopped the technology rollout for 90 days and attended to the 700 odd bugs. He explained:

> In a technology rollout, micro issues need to be attended to in terms of training people, connectivity, etc. The pressure to complete roll out was causing people across levels to make compromises. I had seen similar problems during the technology rollout at SBT. I believed that the more we rollout, the more we destroy the bank.

Pant described this as a "courageous" decision. He added, "It is easy to keep things rolling rather than stop and take stock. He faced a lot of criticism for this. People thought it was too radical." Through a video conference, Bhatt explained to all SBI employees what he had done and requested them to give feedback so that they could solve all the issues. He focused on audits and trainings. Bhatt told them, "The decision to resume rollout will be yours and not that of the corporate center. You decide the speed and the sequence. I will provide you with whatever support you want." Bhatt also told the vendors to fix the glitches and monitored them closely. The vendors pulled in experts from around the world. SBI was an important enough client that the vendors pulled out all stops to rescue their reputations.

The Cascading Conclaves – Communicating the Vision for the Future

Bhatt realized that for his transformational effort to succeed he would need to communicate his vision to the bank's 200,000 employees and change their mindset from one of indifference and resignation to one of confidence and dedication.[24] He explained, "The secret is how you do it, how you build a team, and how you build consensus around what you're doing. Only then are you able to execute your plan."[25] He organized a series of conclaves to get employee buy in.

Aamby Valley The first of these was the Aamby Valley conclave in September 2006, for the top management, consisting of the two Managing Directors (MD) and the 22 Deputy Managing Directors (DMD). Through this conclave, Bhatt wanted to explain his views and strategy to the top management, convince them about the inevitability of change and make them his ambassadors for change within SBI. Bhatt ran this conclave differently from previous retreats at SBI, for instance he invited families for the first time. He described, "I wrote a personal letter inviting my colleagues' spouses and then I gave them the run of the place. There were people to chaperone them. I wanted to show my colleagues' spouses the respect they deserved. We had a half day session for them so that they felt a part of the conclave."

On the first day of the conclave, an external speaker explained the essence of transformation through the metaphor of a caterpillar changing into a butterfly. The interim stage was a gooey substance. The 'imaginal cells' that had the image of the butterfly within them had to develop a critical mass to overcome rejection by the caterpillar mechanism to start the process of metamorphosing into a butterfly. Similarly, in an organization, transformation was a disruptive process and required a large number of change agents to work together. Bhatt then described his own view for the "butterfly of the future" for SBI and created a context for the transformation journey by showing a movie, The Legend of the Bagger Vance, which portrayed how a golfer who had lost his swing rediscovered it. Bhatt explained:

> A golfer's swing is not an intellectual exercise. It demands harmony of your entire being: heart, mind, and body. If you lose your swing, it's a challenge to find it again, but if you do, you can be as good or better than you were before. … I tried to draw parallels between the movie, the Gita[d], the condition of State Bank of India, and the mind-set of its officers. Just showing the movie was so unusual that it created a different kind of psychology.[26]

He continued, "The first day became the reference point for the rest of the conclave. The phrase, 'SBI has lost its swing and we have to regain it' became a common refrain. I managed to create a receptive and co-operative mood through the movie."

The next day, Bhatt discussed the bank's status through a presentation later dubbed "State of the Nation." He pointed out that at a time when the world economy, the Indian economy and the banking sector were booming, growth was bypassing SBI. SBI was unable to serve the needs of large

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[d] The Gita or "Song of God" was a Hindu scripture.

companies, it did not attract the urban middle class, it did not have a viable model for rural banking, it lacked skills in specialist areas and its training system was outdated. He recalled:

> Before, we were always told that everything was hunky-dory, but I wanted to be brutally honest. When a company tries to hoodwink itself, everybody becomes a partner to institutionalized hypocrisy, which is what had happened here. Feedback and dissent were suppressed, or at least not encouraged. … The idea was to create an environment where people were free to voice their ideas, to criticize and to accept criticism, and in the end to build consensus and alignment.[27]

He continued:

> After my presentation I said, "There are at least 10 people in this room who could have become the chairman, it just so happened that I have become the chairman but had anybody else become the chairman I am presuming that you would have the same concerns that I have. In some way, we are responsible for having made the bank what it is today and we need to take it to where it should be. If we can't do this, nobody else can."

A participant provided his perspective, "Although business targets of the Bank were discussed in earlier conferences, the declining market share never came into focus. Aamby Valley Conclave was the first at which the concerns of the Bank were expressed and debated passionately, in an informal climate where people were encouraged to express their views—it was thus participative." Another commented, "We benchmarked ourselves with the outside world for the first time at Aamby."[28] Some people offered platitudes, but most agreed with Bhatt's view. There were no immediate solutions but Bhatt had succeeded in convincing his team about the inevitability of change.

The conclave's agenda was quite fluid. Every morning and evening, Bhatt analyzed the previous session's progress with his team who had helped him design the conclave in detail, in terms of who was participating and who was not; the high and the low points of the day and accordingly modified the structure for the next session. Bhatt described:

> It was a lot of hard work. We would work throughout the day; I would discuss progress with my consultants and in my spare time would catch up on my reading. At night, we would drink and party with our spouses. This type of engagement was novel for us and created immense energy.

By the fourth day, Bhatt managed to get his team's complete buy in. Bhatt described:

> I had reiterated often that like a caterpillar metamorphosing into a butterfly, SBI is still in a gooey state and it will require a lot of effort to emerge from it. Some people were angry, some shell-shocked, while others were either critical or restrained, but nobody was obstructing anything.

The brainstorming sessions on the last two days resulted in a 14-point transformation agenda for the bank along three broad parameters—business initiatives, enabling initiatives for facilitating business and people initiatives. Bhatt remarked, "Normally an organization focuses only on business. However, we focused on enablers such as technology and processes as well as people who are the link between business and enablers. Without people nothing will work and we put them at the centre." On the people front, employee morale was a big concern; however, the redeeming fact was that people's pride in SBI was still intact. All participants voted to decide the level of difficulty for implementing each of the initiatives (see **Exhibit 6** for priorities for the transformation process). Bhatt observed, "This agenda was the result of a process of intense soul searching thereby creating a sense of ownership. It gave a different color to people's responsibility." However, getting top management alignment had been tougher than Bhatt had anticipated. He explained, "I had thought it should not be too difficult to get my peers on the same page, since we are at the same level in terms of concerns, understanding of problems and can discuss things candidly. Surprisingly this was not the case; it could be because of different mindsets, attitudes, and perhaps even ego." A senior executive added, "It was difficult to get everybody's 100% commitment to the change agenda."

The Next Wave of Conclaves The Chairman and MDs held conclaves for the Chief General Managers (CGM) and General Managers (GM) in quick succession. The format stayed the same but at each conclave the objective was to build out the plan in a greater level of detail. Bhatt described the mechanism:

> We would take them through the "State of the Nation" presentation and make them do some structured group exercises. The groups would debate on some topics concerning the bank and through a poll arrive at a 4-5 point action plan for fixing the issue. Wherever there was feedback for doing something different, we accepted it and incorporated it in our future action plan.

Contractor recalled, "The mood was somber at these conclaves, because most people were unaware that competition was catching up with us and that we were lagging behind. We all went back feeling that we really needed to do something to get the bank back on track." At the GM conclave, Bhatt dared the GMs present to dream and this led to the creation of four benchmarks—to become the best bank in customer service in 2006-2007, the best public sector bank in growth parameters in 2007-2008, the best Indian bank in 2008-2009 and eventually the best global bank. Next, Bhatt wanted to send the DMDs as his emissaries to meet the 10,000 Branch Managers (BM). Bhatt and his team spent hours together tweaking the presentation which used the analogy of a tiger to communicate the challenge, "Like the tiger is facing a crisis of survival, is SBI facing a mid-life crisis?" Every DMD who was supposed to present was involved in the two month long editing process and they discussed every detail in the presentation. They also did mock demonstrations trying to anticipate and prepare for any issues that could arise. Bhatt recalled:

> Initially our fourteen deputy managing directors had volunteered to travel around the country explaining the document. However, when the time came, they were reluctant; they kept coming up with excuses, which I could not fault. However, I kept pushing them and they finally went. Strangely, after the first couple of presentations, they were eager to go because they started deriving energy, and fulfillment from the process. They would come back to me and share their experiences. I realized that these people who were not comfortable in crowds and dealing with unstructured things, when compelled to do something different and motivational had managed to hone their art of making presentations and connect with their audience.

He continued:

> The feedback we got was surprising. The branch managers asked why we didn't tell them all this before. They said they weren't aware that the bank was in such a shape. In addition, this was the first time the chief general managers had met with all the branch managers under them. … For branch managers it signalled an entirely new approach, underlining the importance of individuals in the transformation process. It was also a great opportunity for the chief general managers to hear the issues from the front lines, establish rapport, and understand the pulse of the bank better.[29]

The message was further cascaded down to the Deputy General Manager (DGM) level through a series of five conclaves. At one of the DGM conclaves Bhatt walked barefoot over a bed of blazing coals. When people found Bhatt unscathed, they too attempted and accomplished the feat. Bhatt recounted, "It is all in the mind and the mind can conquer anything. After that, some of those people have told me, "When confronting a problem, I think to myself, if I can walk on fire, why can't I do this?"

However, Bhatt was keen to meet the next level in the chain, the Assistant General Managers (AGM) himself since most AGMs did not get a chance to meet the bank's Chairman. He described, "In groups of 50 to 100, I met with all the assistant general managers in closed-door, no-holds-barred conversations, where my primary role was to listen to their perceptions of the bank, its issues, and what they thought we should be doing."[30] Most participants responded favourably to the conclaves. A manager observed:

> In the past, participation was a one-way traffic. The leader used to set the trend in terms of what to do without a consultative process. At the conclaves, an attempt was made to analyze the position of the Bank. It was not a performance-oriented assessment per se; the purpose was to find out our place, where we stood and what we need to do to stay afloat. The crying need was to prevent ourselves from drowning.[31]

Pratip Chaudhuri, Deputy Managing Director, SBI and former head of International Banking Group explained, "When there is an external threat people close ranks and come together."

The Union Conclave Bhatt's biggest challenge was winning over the trade unions. Contractor explained, "We have a highly unionized work force, especially in the non-officers category; the unions therefore are very influential. If you can't get them on board, then it's an uphill task." Bhatt commented, "Conventional wisdom was that trade unions are on one side and management on the other. This had been further reinforced by my peers and colleagues." However, in the past whenever confronted with a problem with the unions, Bhatt had "faced the issue head on". He recalled:

> As a branch manager, whenever there was any problem, I would summon them after the day's work was over because I would not accept any interference in work. I would tell them upfront, "This meeting will not end till we agree." Finally we would arrive at something which both of us were convinced was right. At that point, I would tell them, "You came in as the representative of those who are outside, but you are leaving as my representative."

The union leaders were keen that Bhatt hold a conclave for them, they too wanted to be a part of the change agenda. Bhatt's colleagues advised him to meet the unions for an hour or so or at best hold a 2-3 day conclave, which he could inaugurate and then address at the end. However, Bhatt was adamant to conduct it like the other conclaves and be present throughout. He, recalled, "I did what I wanted. However, I established two conditions. I told the union leaders, 'You will leave your labels/titles behind and come as friends of the bank. You will also not make any demands but instead offer what you can do for the bank.'"

In December 2006, Bhatt organized the Union conclave at Jodhpur in Western India where 30 senior union leaders were present. Bhatt recalled, "We showed them the Bagger Vance movie but it fell on deaf ears. They did not connect with that movie at all and I thought I have lost even before we started." Bhatt and his team spent the next two days explaining the enormity of the situation through facts. Contractor added, "They were very clearly told that if the bank continues to work in the way it did, then it would not be very long before every employee would have to make a lot of huge sacrifices and forego a lot of the privileges and the perks that they enjoy." The union leaders also made presentations and some of the suggestions that emerged were quite "constructive". The management's decision to involve the unions in the transformation process moved them and helped win them over. A participant aptly described the impact, "Jodhpur conclave was unique – beyond my dream. The Chairman is a gem of a man. Management and unions were not moving on the same wavelength earlier—Jodhpur put them on the same track."[32] Azariah explained, "The unions trusted him because they believed, 'He is a genuine person who will take care of our interests.'"

Enabling Initiatives

Winning IT Platform SBI's ability to revamp its product and service offering hinged on the proper implementation of its technology platform. When Bhatt halted the roll out of CBS in September 2006, only 3000 branches had migrated to the new platform. In December 2006, after resolving all the technological glitches, SBI resumed CBS rollout and by July 2008, all of SBI's branches were on CBS, ahead of schedule. As a manager described, the impact was enormous, "The customer is no longer a branch customer, he is a bank customer. We have moved from branch banking to anytime, anywhere banking." However some concerns remained. Chandrashekhar remarked, "We still have a long way to go. Volumes have expanded at a pace that technology cannot keep up with." Bhatt added, "As chairman, I have to think about the next decade, when the competition will get tougher, and we will have to work harder." His main concern was that SBI was still dependent on vendors for technology.[33]

Efficient Operating Process and Branch Network Business Process Reengineering It was essential for SBI to align its processes with the CBS. Pant explained, "Our processes were outdated since they had been tailored to the days of manual work. It was like marrying an 18th century idea to a 21st century technology." In three years, Bhatt completed the reengineering exercise. SBI shifted all non customer-facing branch activities to centralized, back office processing cells so that the branches could focus exclusively on sales and service. The processing cells, staffed by trained professionals ensured faster turnaround time, and better processing quality. SBI also redesigned its branches. Glass and fiber modular workstations took the place of high teakwood counters and wire meshed cash cabins. A branch manager described the change:

> Earlier, there was a big wall separating the customers and the staff. Now the staff is closer to the customer and all barriers, physical and mental have disappeared. Earlier the branch head always used to be sitting in a branch, today I have ample time to do my marketing work.

However, there were some critics of this change. A senior executive remarked, "The branches seem to have lost focus, because a lot of work that they were doing earlier has been taken away from them and has not been creatively replaced with anything that is of value to them. The Branch Managers feel a little powerless." Bhatt had tried to address these concerns by instructing his regional managers to tell the branch managers:

> We have not disempowered you. We have taken away the clutter from the branches, such that the branches are only sales and service machines thus enabling and empowering you to serve the customer better. Moreover, over 90% of our customers are middle class and lower middle class depositors. The loan orientation of the branches has led to you prioritizing a $20,000 borrower over a homemaker who has parked her life's savings with SBI. This is unfair and you need to change this.

To expedite decision-making, SBI dismantled its modular structure wherein each circle had modules or zonal offices responsible for about three hundred branches each and removed the position of the deputy general managers responsible for the modules. The general managers were now directly responsible for the regional general managers who in turn supervised the branch managers. Bhatt met with a lot of opposition in the process since this implied dismantling their administrative structure. He gave them adequate time and help to resolve the issue but told them that the decision was irreversible. Eventually the unions yielded.

Develop Consistent Customer Service Bhatt's objective was to elevate SBI's ranking in customer service to the first position. One of the first steps that Bhatt took towards this was redefining the Bank's vision. The existing vision statement of the bank was so long that no one really remembered it. Bhatt recalled, "It was a standard question in all promotion interviews and I used to find almost everyone fumbling to come up with the correct long winded answer." SBI started a campaign of "triggering posters" each one posing a simple question (see **Exhibit 7** for the campaign of triggering posters). At the end of this six-week campaign SBI sent a questionnaire to all its employees for getting their views on the bank's vision. SBI received over 141,000 responses and the bank adopted, "My customer, my SBI, My SBI first in customer satisfaction" as its new vision statement. A manager explained the impact, "The people understood that the customer is the most important person and if we serve the customer, then the bank will benefit."

SBI also leveraged technology to improve customer service. A branch manager remarked:

> Earlier, if customers asked us about something we were at a loss. We have 196 bank products, it is impossible for my staff to remember all their features. Now all the details are available at a mouse click. The "service desk" internal website helps resolve all our queries. Our staff is more confident.

SBI introduced a service called "sms unhappy."Anybody who was unhappy could sms to SBI and have his grievance resolved within 24 hours. Chaudhuri described the customer response to these measures:

> The customers told us, "We went away because you were bad, we didn't want to leave but you made it impossible for us to continue. Now that you are offering even 75% of what competition is offering, we would rather come back." I think Indian people are somewhat emotional. For instance, they do not want to sell their original homes and move to a new neighborhood.

Bhatt described the impact on employees, "Everybody has begun to walk a little taller, and they can sense the change in the customer's attitude and their relationship with the bank."

Other Initiatives SBI strengthened and integrated its risk management systems and created the position of a new Managing Director who also functioned as the bank's Chief Credit and Risk Officer. It designed and implemented a new system for measuring business performance. It also focused on exploiting synergies with its existing non-banking subsidiaries in the areas of capital markets, credit cards, mutual funds, life insurance by using the bank distribution channel. It embarked on a group level consolidation exercise by merging State Bank of Saurashtra and State Bank of Indore with itself. This helped eliminate duplication of front-end branches, bank end operations and even administration. In 2008, it raised $3.67 billion of equity from the market through a rights issue thus improving its capital adequacy ratio.

People Initiatives

Focus on people was one of the cornerstones of Bhatt's transformation agenda. The people at SBI had to be equipped to herald SBI into the new era. Bhatt elucidated his objectives, "What can you do to bring about a more open, friendly, and caring culture in the Bank, more conducive to bonding, to team work and, incidentally, more conducive to business?"

Broad Based Communication and Storytelling Bhatt's immediate challenge was to communicate his message of change to the rest of the bank's 138,000 officers and clerical staff not yet covered by the conclaves. Bhatt explained, "The conclaves were motivating people and helping them understand the bank a bit more, but my challenge was to reach everybody in the bank. How will a clerk in the north-east know that the bank is losing out in Mumbai?" "The problem," Chandrashekhar added, "was with the management. The clerical staff was never considered a part of the team. Targets were never shared with them." The answer was an in-house mass internal communication program called *Parivartan* or transformation led by Deepak Chawla, DMD Corporate Strategy and New Business and Azariah. They developed the program over a period of 6-7 months, with deep involvement of Mr. Bhatt. Bhatt described the process, "It started with us modifying the State of the Nation Presentation. We added some motivational features and some movies including one titled, 'The Power of One'. We tried to create a homogeneous two-day program which also allowed people to talk and have group discussions."

Planning the logistics was a mammoth task, because Bhatt had tasked them with completing the rollout in 100 days. They mapped every city in the country and identified over 100 venues for conducting over 3800 2-day workshops. Next, they trained 16 master trainers who in turn, trained over 380 trainers including some retired employees. On 16 July 2007, SBI formally launched *Parivartan*. Bhatt recalled, "I stopped all other training. Typically, what happened earlier was that three people in a branch of 30 were sent for training. They came back wanting to do new things, but their colleagues didn't allow them to. So this time what we did was, if a branch had 30 people, we sent all of them together for training. It was carpet bombing." [34] The roll out was monitored on a daily basis, in fact on any given day, Bhatt was aware of the number of people called and the number of people who attended the program at each venue in the country. Information on progress was shared with the CGMs twice a week.

The workshop aimed to sensitize the staff about the transformation efforts, energize them to become change agents, help them become more customer-friendly and foster a sense of inclusiveness. Pant remarked:

> *Parivartan* endeavored to shock people out of complacency and make them face reality. They were worried that the pride of being the largest bank of India will go away. People asked, "Why are you telling me about my business, I am achieving my targets." However, the question was, were we setting the right kind of targets?

Nadaf observed:

> *Parivartan* raised the question that though SBI received the best talent among public sector banks, in performance it was the last. The messenger staff was told, "It is not sufficient if you just do your duty. What is your contribution to customer service and marketing? Are your family members banking with SBI?"

Azariah added, "Every transformation is a painful process. You have to walk on fire, there is no other choice." At the workshops Bhatt addressed the employees through a video clipping:

> What is being big? Is it having the biggest market share? Is it having the biggest network of branches? Or, as I would like to believe, is it our capacity to serve? How big is our capacity to serve? Why are we here as human beings? As the Gita says, we are here on a journey of self-development, and in this journey, we in State Bank are fortunate enough to have this tool—the bank—which gives us the opportunity to serve. Day in and day out, from the moment our branches open to the moment they are closed, we have immense opportunity to serve

> thousands, lakhs[e], millions of people. And through this act of service we serve the God in man. We serve the community in which we are located. We serve our country. To me, as the Chairman of this bank, I would like to define that the core competency of this organization is its capacity to serve.[35]

Some described the program as a tsunami that had taken the bank by storm; others praised it as an eye-opener and the best program they had attended in their entire career in the Bank. Bhatt described the impact, "What happened next was simply magical. They don't ask for overtime. They sit in office late. They may not be able to help customers all the time. But at least they try."[36] There were several reasons for *Parivartan's* success. A junior clerk observed, "When the invitation to attend the workshop at the same venue on a particular day was received by both my Branch head and me, I realized that *Parivartan* had indeed started in the bank." Pant explained:

> It is a transformation of people. He is an SBI man and understands people and their latent pride in SBI. People remembered the past when they were recognized for belonging to SBI. Their pride was hurt since they were no longer getting any salutations. People talked about the issues with SBI, but nobody knew what to do. Mr. Bhatt said, "You have the power within you to do it. You could start with smiling at a customer."

Nevertheless, the program did face some criticism; union members used the forum to raise their issues.[37] A study done by the Xavier Institute of Management to gauge the impact of *Parivartan* on customer service in the eastern Indian state of Orissa reported that the overall satisfaction level of SBI customers rose from 46% to 56%. Employees had made significant attitudinal shifts with respect to updating the customers on new products and services (customer satisfaction on this attribute changed by 48%), employees providing their services within the time limits promised (36%) and employees explaining any process willingly and succinctly to first time customers (31%). Another nationwide study conducted by SBI to measure compliance levels in customer service standards demonstrated a significant improvement in the number of branches achieving satisfactory scores in the period from September to December 2007 (see **Exhibit 8** for detailed results).

The "Citizen SBI" campaign followed close on the heels of *Parivartan* and aimed to affect the employees' core value system. It was based on Bhatt's belief that a 'Citizen state of mind' could be achieved by practicing enlightened self-interest (expansion of self) and consciously seeking deeper fulfillment through one's duties and responsibilities. Bhatt explained:

> I felt we are a public sector organization and we cannot incentivize materially. This program helps people distinguish between inner fruits (patience, wisdom and perseverance) and outer fruits (prestige, status, money). It endeavors to help people explore who they are, not what their role is. The focus of this project is to transform the Bank into a platform that provides inner fulfillment to its employees and tries to transform the community around us by going beyond institutional and personal success.

SBI ran the campaign in a series of three waves. The first phase explored what it meant to be a citizen in SBI. Participants had to envision the ideal employee (the SBI citizen) and his behavior in certain situations. The second phase provided people with some tools to practice citizenship in the work place. The final phase focused on practicing citizenship in the community. Pant elucidated, "We have to work like a citizen, not like a person who looks for directions and waits for instructions." Bhatt described the response, "It's the first time that the company has done something that is not just about business."[38]

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[e] 1 lakh was equal to 100,000

The common thread running through these programs was their heterogeneity in backgrounds. Bhatt explained, "Each program had people across the hierarchy from a clerk to somebody from the head office. I believed that since we were not teaching skills but just creating awareness about the bank, people should experience it together. This creates better bonding and breaks down barriers. I also insisted that the senior most person in the bank at a particular center should spend time with people during the program."

In addition to these formal programs, Bhatt used every available opportunity to communicate his message to people. He explained, "I felt that I needed to talk and I spent hours talking to my people, bonding with them, giving them a sense of belonging and a feeling that if they wanted to, they could do it". He continued:

> The trade unions invited me to their various meetings, ranging from conferences to retirement functions. It was a matter of pride for them that I attended those functions. I used those forums to convey my message. These people then went back, spoke about the event, and even embellished the tale a bit, thus adding to the persuasiveness of my argument.

Changing Training and Capability Building System Under Bhatt, SBI embarked on an expansion plan, adding 1000 odd branches every year. The immediate challenge was staffing them adequately, especially since the existing staff was overworked and often stayed back late to complete the administrative work that was quite paper intensive. A branch manager explained, "People were unhappy about the back office work which consumed a lot of time and hampered them from growing their business." However, recruitment hitherto had been "taboo" in the bank. Bharati Rao, SBI's Chief Development Officer explained:

> There was a problem of too many people. We were also faring poorly on parameters such as profit per employee and business per employee. Moreover, we expected that the ongoing business process reengineering exercise that centralized operations would release a large number of people who we could deploy elsewhere.

Chandrashekhar added, "For 15 years SBI had not done any recruitment. We felt that we had to reduce staff costs. In the 1990s, we introduced a voluntary retirement scheme (VRS). The most experienced people left us. People who could not get employment elsewhere stayed with SBI. In hindsight the VRS was a mistake." Bhatt immediately stopped the VRS and focused on recruitment. He recalled:

> I used to tell people, "Next year I want you to open so many branches, and then I want you to increase business by x percent. How you do it is your problem, but you tell me how many people you need." Whatever number they quoted, I would agree to it, add another 20% for attrition, and ask if that was sufficient.

The tally of people to be recruited added up to 20,000 clerical staff and 3500 officers. SBI received 2.4 million applications across the country leading to about 60,000 interviews. SBI implemented an online process to handle these volumes. Rao explained the advantages, "The online process shifted the responsibility of feeding information to the candidates, so we did not have to do anything with it. The application money was processed through CBS and everything was streamlined." The bank also recruited lateral hires for the specialist positions. Bhatt remarked, "We have the freedom to recruit people at market-related salaries on contract basis and we do it. We got our CIO for Technology which was at a market based salary and our Chief Economic Advisor again at the market-rated salary."[39] As a result in 2008, SBI's employee strength increased by 15%.

With a view to create a leadership pipeline for the future, SBI also focused on training. It tied up with top business schools to regularly train AGMs and above on business and leadership skills.

Changing Individual Performance Management System Motivating people in a public sector organization presented a huge challenge; the government dictated salaries and these were not at par with the private sector. Nadaf cited an example, "People used to avoid becoming the branch manager, since a branch manager had the most responsibility but the same perks as others." The solution was to revamp the performance management system.

Delays in promotions in an environment where they were the principal form of reward for good performance were another reason for the low employee morale. "The reason," Rao explained:

> was a delay in writing reports. We had to write lengthy reports on people we wanted to promote and give reasons for rating them as outstanding or excellent. This used to take time and people used to postpone it. I reduced the report writing to a multiple-choice format. The other bottleneck was that we needed numerous committees for interviewing the candidates. I increased the number of committees and provided senior people for heading them. Once the circles got this support, we cleared the entire promotion backlog.

Bhatt also empowered people across the organization, right from window assistants at the branches to credit committees at the corporate office. The bank gave subordinate staff more meaningful responsibilities, for instance at the branches they were made responsible for guiding and assisting customers in simple tasks such as dropping off checks and forms, delivering drafts and documents to customers and even in simple marketing efforts. A manager observed, "There are so many new things to learn. People are enjoying doing different kind of work."

Bhatt introduced numerous employee recognition measures ranging from introducing a practice of sending simple appreciation letters to conferring awards for "Best Employee of the Month" to sending some best performers on overseas trips with their families. Bhatt also modified the Chairman's Club scheme, which selected the 50 top performers from different fields. Earlier, the Chairman invited the winners to his office and gave them certificates of merit over tea. Instead, Bhatt invited the winners and their spouses for dinner at his residence. Bhatt explained, "This is one incentive they will cherish for long."[40] Bhatt also made the Employee Suggestion Scheme online and announced a token gift of Rs.500 to every employee who made a suggestion irrespective of its feasibility. SBI actually implemented many of these suggestions. Bhatt believed, "I have 200,000 consultants in the bank."[41] Bhatt outlined the underlying theme behind all the incentives, "I am for those kind of incentives that help them [people] inculcate value and not encourage greed."[42] As a part of its rights issue, SBI also introduced an Employee Share Purchase Scheme to which everybody from the messenger to the Chairman could subscribe.

Business Initiatives

Win back the Indian Middle Class Consumer SBI had to change its image to be relevant to the youth and the Indian middle class and for this, it had to change its image. Bhatt embarked on an ambitious branding campaign in 2007 (see **Exhibit 9** for SBI's advertisement campaign). He explained:

> I did not advertise our products. I wanted all my advertising to be true, but how do you tell the truth in a way that you make a virtue out of it? Therefore, we did a series of campaigns with a theme "Pure Banking Nothing Else." Eventually we moved on to "Banker to every Indian." The current campaign is, "Proud to be an Indian". This is quite symbolic since it is an

advertisement by an institution that people identify with India and it has come at a time when there is a fair amount of despair in India on account of the corruption scandals.

Another reason for SBI losing its market share was its absence in strategic locations. Bhatt remarked:

> Over the last 10 years, we have been saying SBI has 9,000-plus branches. Yet, there are 2,000 semi-urban centers, where the SBI group does not have a single branch. So, now we plan to open 1,000 branches every year and take the network to 20,000 and almost triple the number of ATMs from 8,500 to 50,000. Why should the ATMs be only cash dispensers? We want to use these machines for many other business transactions such as issuing chequebooks, bill payments, and so on.

Rao continued, "When core banking came, everything got centralized, it became easier to open branches. We also realized that if we do not have branches in new areas, we would not be able to serve the customers who have settled in the suburbs."

SBI also made a conscious effort to attract younger customers. The first step towards this was to reduce the average age of its employees, most of who were over 45. The bank therefore started recruiting employees directly from campus. Pant explained, "People want to join SBI now because it contributes to their brand appreciation." The bank also made a conscious effort to understand their needs. Bhatt remarked:

> We have analyzed what the young people want. For instance, what are IT professionals looking for in a corporate salary account? We made a list of the required products and functionalities and asked our IT vendor to develop the solution. The test of the product's acceptability was that our vendor had to move their salary account to SBI. We kept iterating on the product's features until our vendor's entire corporate salary account moved to us.

Own Rural India Bhatt was keen to expand SBI's reach in rural India; he set a target of reaching out to 100,000 unbanked villages. Bhatt's aim was to take the "benefits of banking to the Indian masses" and build "a more inclusive society thereby carrying forward State Bank's vision of being the Banker to every Indian."[43] He believed, "Most of the future growth of India will come from prosperity in rural areas. We need to capture this space and position the bank for the future."[44] However, rural banking required a different approach. Bhatt elucidated, "Rural areas require a different focus, product range, and strategy as well as an outsourced model led by technology and the lowest costs possible."[45] (See Exhibit 10 for State Bank Group rural and urban productivity in 2009.) Bhatt therefore created the Rural Banking and Agricultural Group (RBAG). Though the circle heads reported to the National Banking Group (NBG), they had a dotted line responsibility to DMD, RBAG. NBG guided the metro and urban branches and RBAG the semi-urban and rural branches. To reach out to the large rural population, SBI adopted an outsourcing model and used banking correspondents or agents who did banking business on behalf of SBI by partnering with FMCG companies such as India Tobacco Company, Hindustan Unilever Limited; telecom providers, NGOs and even the Indian Post Office. The bank also leveraged technology such as point of sale terminals that relied on fingerprint recognition, mobile banking and internet kiosks. By 2011, SBI had reached 125,000 villages and planned to cover 200,000 un-banked villages by 2012.

Rebuild Profitable Wholesale Bank Bhatt created a new strategic business group named Wholesale Banking Group. He explained his rationale:

> We had always been the king of this business because there was a time when the main thing a corporation needed from a bank was a large chunk of money, and we were uniquely