

Regaining its Lost Glory -State Bank of India (SBI)

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Challenge

State Bank of India (SBI), with roots tracing back to 1806, was an opinion and market leader in the economic sphere especially in the rural heartlands. In the 2000s, with the advent of private and foreign banks even in the rural sector of India, the country's oldest bank with over 200,000 employees and 16,000 branches started losing its supremacy and customers.

The SBI branch in the Bihar University in Muzaffarpur felt its unquestioned supremacy threatened. It was due to lack of customer orientation, outdated technology and inefficient business processes. These problems were compounded with the employee pool that had become an ageing group and lacked customer focus. In the early 2000s, the private sector banks endowed with younger workforce, laced with superior technological capabilities provided higher quality of customer service which surpassed the public sector banks. Suddenly, SBI figured low on the list of the rising segment of young salaried or self-employed folks in the town. The frontline staff's motivation suffered as the number of customers dwindled every passing month. SBI carried the legacy of being state owned along with outdated technology and low customer responsiveness.

Overall SBI, once a force to reckon with, was languishing in inertia especially in the rural sector. The branch manager, Mr. Diwakar Singh at the small bank inside the Bihar university campus was perplexed with the declining number of customers.

Response

O.P. Bhatt, a lifetime SBI-insider, embarked on a countrywide transformation journey after his appointment as the Chairman in 2006. He was alarmed by the shrinking market share. The people weren't performing poorly as individuals; they just weren't energized and aligned with a common goal. He felt that the entrenched mindset of employees, where customers were supposed to approach the bank as opposed to the bank being proactive in attracting customers, also inhibited the growth. Bhatt delivered his famous 'state of the nation' speech at the conclave to create awareness about change. The conclave concluded with a 14-point agenda that fell into three broad groups – i) issues related to business, ii) how to facilitate these businesses; and iii) focus on people to create alignment and enthusiasm and was disseminated to all the branches in urban as well as rural India.

The branch manager, Mr. Singh at the university campus had found his elixir to revive and excite its handful of workforce.

Action Taken

When the edited 'state of the nation' address was made into a presentation that the deputy managing directors presented to 10,000 branch managers countrywide, Singh saw a ray of hope with change being driven from top. In addition, this was the first time the CGMs (Chief General Managers) had met with all the branch managers under them. For every branch manager including him, it signaled the importance of individuals in the transformation process.

The branch manager of University campus in Muzaffarpur realized that altering the mindset of employees who had worked for decades in a non-competitive, almost monopolistic, closed economy was an imperative. His officers were comfortable sitting from 9-5 in the office and catering to the needs of the pre-existing customers. They never bothered to venture out or made any attempts to connect with the customers. When Singh shared the presentation with his branch employees, employees were astonished and touched by the management openly disclosing what happened at the leadership conclave. This kind of openness was unheard of in the long

illustrious history of SBI¹⁴.

13 Malone, R. (2009). Remaking a government-owned giant: An interview with the chairman of the State Bank of India .

A change program named 'Parivartan' (meaning 'transformation') was launched countrywide by Bhatt in 2007 touching each and every SBI employee. The Chairman set a target of 100 days to reach out to 200,000 employees of the bank, right from clerks (junior level) to Scale-IV officers (senior level). The program, aimed to bring about mindset change and customer responsiveness through massive internal communication.

This program assisted the branch manager in energizing his team members and emphasizing the need for change. He appointed '*Grahak Mitra*' (customer friend) whose job was to reach out to customers and understand their pain points. Subsequently, key employees were entrusted with the task of approaching prospective customers by seeking reference from existing customers. It was unlikely for these public-sector employees to pay a visit to the Professors and other customers on the university campus. This move showcased their proactive nature and reposed the trust of young faculty member who had initially opted for private banks like HDFC and ICICI as their salary accounts.

By July 2007, over 3,800 two-day *Parivartan* workshops were held at more than 100 locations throughout the country in 100 days to cover all employees. And to everyone's surprise and joy, the seemingly impossible target was met and the employees were united by a collective enthusiasm to win customers.

As the small university branch managed to gain a few new customers by shedding off its accumulated lethargy; at the country level, Chairman had embarked on the path to co-create a new vision of SBI. The vision of SBI was a complex, verbose statement, indistinct from several other organizations. Interestingly, it made no reference to 'customers'. Unlike the common practice of confining the task to the top management, SBI undertook the herculean task of engaging 200,000 employees in redefining its vision.

A series of five posters were created and sent to 16,000 offices, for five consecutive weeks. The posters consisted of statements like: "Today we are India's largest bank. How do we become India's best?"; "State Bank of India has got 140 million customers. How do you make each customer feel that s/he is the most important?" The rural branches that often felt sidelined in decisions related to bank at large, felt intrigued by the posters. It had triggered informal conversations amongst employees led by the designated change agent. Gradually, the demographically and geographically diverse workforce was thinking about the bank and its customers.

In the sixth week of Parivartan, every employee received a letter from the Chairman with a questionnaire. The questionnaire had 10 multiple choice questions, each with three choices to select from. They were given 10 days to fill the questionnaire and send it back. The questions included: "What is SBI's biggest challenge?" "What can give SBI the winning edge?", "What should SBI be famous for?", and so on. As for the vision statement, three choices were offered:

- I My SBI – Improving Life for All;
- II My SBI – The Bank of First Choice; And
- III A statement that focused more narrowly on the customers.

This last option won decisively with over 54% of the votes. The whole process garnered phenomenal response from 141,000 employees. The emergence of 'customer satisfaction' as the key idea was aligned with the winning option. As a result, the new vision "My SBI, My customer first, My SBI: First in customer satisfaction" was articulated where 90 percent of the employees were able to see their contribution¹⁵.

The new vision statement, achieved through employee support including the oft-ignored rural branches helped the branch manager in driving change. In 2008, the bank employees hand delivered the SBI diary and the SBI calendar to each and every customer in the university. Firmly ensconced as India's flagship bank, SBI's rural employees weren't threatened by competition anymore.

Retrieved September 27, 2011, from McKinsey Quarterly

Delhi: Penguin Publishers.

Learning

1. A customer responsive culture is essential to thrive in today's competitive landscape even in the rural markets.
2. Communication, employee engagement, and a strong leadership are three two key pillars of driving a successful organizational change.
3. The success of SBI's cultural transformation is not only an inspiration for ageing businesses but a recipe to excel in the face of change and competition.

Questions

1. What are the ways in which organization can engage the employees as advocates of change?
2. Why and how should organizations adopt a customer responsive culture?
3. What is the role of leadership in implementing a successful organizational change?

Course Positioning

The caselet is suitable for a course in Organization Behavior, Leadership, and Organization culture. As the caselet deals with the issues and dilemmas faced by an organization in the face of competition, it will be helpful in introducing topics like creating a Customer responsive culture, role of a leader, executing organizational change and importance of employee engagement.

