

Managing Change : A Case of National Bank

* *Girish Mainrai*

Abstract

National Bank, a public sector bank which is in its 65th year of existence, got its first MD & CEO from the private sector in the form of Mr. Bandyopadhyay as a part of policy changes introduced by the regulator. The new MD undertook a slew of measures under Project 'Transformation,' which included improving customer service, introduction of marketing, and revamping human resource policies. These measures intended for improving the position of the bank led to widespread dissatisfaction among the staff. The top management is now contemplating ways to reduce this dissatisfaction and make the project successful.

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Mr. Rakesh Mehra, General Manager - HR, while listening to the address of new MD & CEO of National Bank went into deep thought that things are going to change very fast. Mr. Bandyopadhyay, the new MD & CEO, recently joined National Bank from Sterling Bank, where he was serving as Executive Director of the bank. Mr. Bandyopadhyay was the first MD from the private sector bank to head a public sector bank, which was possible on account of a new policy change introduced by the regulator for the revival of public sector banks, prior to which, only a person from a public sector bank could head a public sector bank. Mr. Bandyopadhyay's address indicated the change the bank, which was in its 65th year of existence, was about to witness in the days to come.

He started by saying :

Banking has changed and gone are the days when we had to wait for customers. If we passively wait for business, it will be snatched away by the competitors. Not only we have to actively market our products, we have to deliver it fast. Being in a service sector, both quality and service matter a lot, for which we have to clearly define TAT (turn around time) for service delivery. We have to deliver the services faster than our competitors in order to increase our market share. Darwin's theory of survival is universal, and organizations which can adapt to the environment can only survive or else will perish. National Bank has a legacy of over 60 years, which has to be leveraged to attract and retain customers. Coming from outside, I have gauged the perception about this bank - the market views this bank as lethargic in terms of service delivery. This has to be changed, and I know that every change brings discomfort, but in order to survive, we have to adapt according to the changes in the environment.

* *Chief Manager*, Bank of India, Area Manager Office, Nikhil Kunj, In front of Forest Nursery Near Menaxi Square, Hoshangabad - 461 001, Madhya Pradesh. (Email : mainraigary@gmail.com) ; ORCID Id : 0000-0002-8427-8426

After this, he highlighted the importance of customer service and said :

The importance of customer service cannot be undermined as it is vital for customer retention and wooing new customers. It is only good customer service that will bring customers to our fold, and if we fail to deliver, we are bound to fail as most of the customers leave without even complaining. For improving, we have to work on many fronts, first being feedback.

He elaborated further :

We have to listen to customers in order to improve our customer service as it will enable us to identify the grey areas. The other being customer complaints, and from my experience, I can say that complaints not only help in identifying lacunae, but improving service also. One thing that I want to make clear is that there will be no tolerance for staff misbehavior towards customers as they are the source of our income.

Stating this, he smiled for the first time and said :

I am not threatening you, but it is a reality that you have to accept and work on the philosophy of 'customer first' in this competitive environment for protecting and augmenting the market share. The other front we have to work is on share of wallet of the customers. In case of our bank, share of wallet, gauged by average number of products used by a customer works out to be only 1.25 ; whereas, in Sterling Bank, it is more than three. For increasing our profitability, we have to increase our share of wallet as it is cheaper to market a product to an existing than to a new customer. Share of wallet can be increased through cross-selling, particularly third party products like mutual funds and insurance, which will help in augmenting our non-interest income. Our performance in this business is dismal, which needs to be improved drastically. I have a road map for all the three aspects regarding what I have spoken just now, and the same will be rolled out in the form of project transformation, the details of which will be shared with you in the days to come.

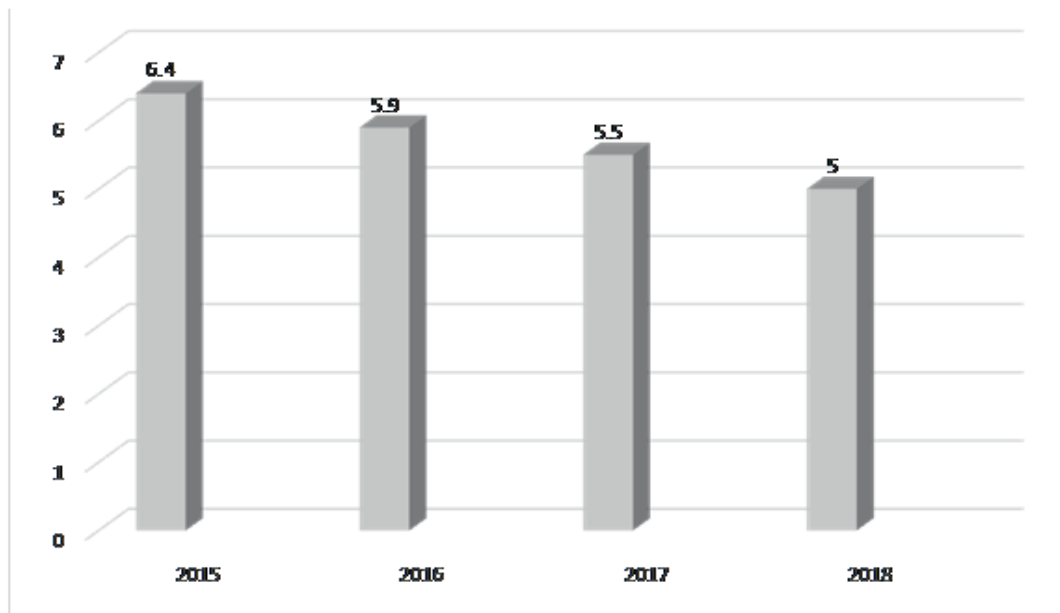
After this, he concluded his address, which was webcasted in entire offices and branches of the bank. Mr. Mehra was thoroughly engrossed in envisaging the changes the staff was about to witness in the days to come.

The very next day of his address, Mr. Bandyopadhyay called the meeting of all GMs and enumerated the details of Project 'Transformation' about which he hinted in his maiden address at National Bank. He elaborated about the project and said :

This project rests on three pillars - marketing, customer service, and human resource. The first, that is, marketing entails setting up of a dedicated sales force for marketing the bank's products. Presently, we depend solely on walk-in customers for business, which has resulted in diminishing of market share of our bank over the years.

The market share of National Bank was decreasing over the years, as depicted in the Figure 1.

Figure 1. Market Share of National Bank (%)



Mr. Bandyopadhyay continued further :

If we passively wait for customers, we will continue to lose business at the hands of competitors, particularly private sector banks, as they are actively engaged in marketing their products. We have to not only set up the marketing department, but develop performance culture also. This would entail target setting, close monitoring, and follow up for desired outcomes. Apart from the existing work force, we have to infuse fresh blood for this set up.

He enumerated on the second pillar of the project and said :

The importance of customer service cannot be undermined in case of the service sector like ours. The role of each employee is important, particularly frontline staff, who deal directly with the customers. We have to work upon the knowledge, skills, and attitude of the staff. We have to develop customer centric attitude in employees for improving the services. They need to be trained for improving product knowledge and soft skills, for which we need to conduct locational workshops. The other aspect of improving service is through effective customer complaint redressal mechanism. The resolution of complaints has to be time bound with proper matrix for escalation. The customer can register the complaint through our website or manually at the branch, which would also be entered online by the branch. After a pre-defined interval, the complaint will automatically get transferred to the next level as per the escalation matrix.

The redressal mechanism which Mr. Bandyopadhyay described was exact replica of what was followed in Sterling Bank.

Mr. Bandyopadhyay continued to outline the project and said :

The third pillar of this project is human resource, where changes encompass developing a performance culture in the bank. This could be accomplished by establishing an objective performance appraisal system, for which I have already instructed the HR department for revamping the existing appraisal systems.

After delineating the broad framework of the project, Mr. Bandyopadhyay elicited feedback from all GMs on the same.

Implementation

The Project 'Transformation' was rolled out with much fan fare on the foundation day of the bank on 13th of November, wherein steps for implementation of all the three pillars were undertaken across the bank. For establishing the marketing set up, fresh MBAs were recruited directly from the campus who reported directly to the marketing chiefs at regional offices of the bank. Other measures included introduction of relationship banking, where dedicated staff members were designated as relationship executives, whose primary role was to render service to high valued customers of the branch. For customer complaint handling, an online platform christened as 'Samadhan' was launched, enabling customers to register their complaints. The other major change was introduced in HR policies like performance appraisal and transfer. The appraisal of employees was made budget centric directly linked to targets in their area of functioning. The transfer policy was also amended to give management authority to transfer employees not only within their region, but to any region of the bank. The administrative set-up of the bank consisted of 35 regional offices spread across the length and breadth of the bank.

A number of measures and checks were undertaken to assess the implementation at the ground level. To assess customer service, ghost shopping was done, in which officials from the head office paid incognito visits disguising as customers to the branches across the country. The purpose of which was to gauge service rendered by staff, product knowledge, query handling, complaint redressal, etc. The reports were, in turn, submitted to the operations department at the head office. Another measure adopted was close monitoring, which included daily submission of performance report by the branches to the marketing chief at the regional office. Apart from this, there was constant follow up from the nodal officers, who were responsible for monitoring a cluster of three to four branches. The branches and marketing staff were given stiff targets, which were bifurcated into weekly, fortnightly, monthly, and quarterly basis. The consolidated performance of the bank as a whole under the project was monitored on a weekly basis by Mr. Bandyopadhyay.

As envisaged by Mr. Mehra, while listening to the address of the new CEO, the staff began to feel the heat of the changes introduced in the bank under the project. The number of transfers started rising as staff was transferred on petty issues. To quote one such incidence, Mr. Deepak Sharma, who was on a ghost shopping assignment to the T.T. Nagar Branch, Bhopal enquired about home loan from Mr. Harsh Gupta, who politely told Mr. Sharma to contact the advance department for the same. When Mr. Sharma insisted further for providing the information, Mr. Gupta expressed his inability to provide the information, as he was handling the deposits section. Mr. Gupta was transferred to a rural branch in the West Bengal region. In similar instances, the transfer orders were issued instantly as per the instructions from the top management of the bank. Customer complaints were not only the basis for staff transfers, but were basis for disciplinary action also. As hinted in the introductory speech of Mr. Bandyopadhyay, there was no tolerance for staff misbehavior. Departmental enquiries were initiated on the basis

of customer complaints leading to disciplinary actions in many a case. The purpose of such action was to give demonstrative effect in order to sensitize employees to customer related issues, particularly complaints. The employees were not comfortable with the recently introduced stiff monitoring imposed by the bank. One of the branch managers, Mr. Gautam Mukherjee of CP Tank Branch in Mumbai, said that, “Daily I receive calls from the marketing chief, nodal officer, and project leader apart from different departmental heads from the regional office.”

Project Transformation entailed designating one officer from the senior management as a project leader who was entrusted with the task of implementation and monitoring the project. There were high expectations from the marketing staff who were specially recruited for the project. With no exposure in operations, they faced difficulties in the field. To prove a point, Mr. Anand Gupta, a marketing officer at Valsad branch mentioned at one of the review meetings that, “I can answer the queries relating to the schemes, but when the customer goes into the nitty-gritty of the products, I have to cut a sorry figure.” He quoted one particular incidence where a customer enquired about principal and interest component in EMI and how interest is charged in the system, which he could not answer on account of his lack of exposure in operations. The other thing that the staff faced was ever changing priorities as particular business days were celebrated during the week, which kept on changing like insurance day, gold loan day, recovery day, home loan day, CASA (current account savings account) day, to name a few.

Nearly five months after the implementation of the project, when Mr. Mehra was heading to his office, he saw union representatives and employees demonstrating at the entrance of the head office holding placards in their hands. They were protesting against disciplinary action imposed against the staff, frequent transfers, policy changes, and growing stress amongst the employees. Mr. Mehra in back of his mind thought that some corrective actions/ measures have to be taken to prevent growing dissatisfaction among the employees of the bank.

Questions/ Issues

- (1) Identify the main issues in the case.
- (2) Prioritize the problems faced by the National Bank.
- (3) What corrective measures should the bank undertake to make the Project 'Transformation' successful ?

Managerial Implications

It is rightly said that in this constantly changing world, one thing is permanent, which is 'change.' Organizations constantly change according to the environment in which they operate. Management induces change in strategies and policies not only for growth, but even for survival also. Change can be triggered by a number of factors like declining market share, increasing competition, changing customer preferences, decline in profits, to name a few. Many a time, the change causes discomfort as it challenges the status quo. Any change must be implemented with proper ground work as implementation without meticulous planning may lead to disaster, and the very purpose for which it is introduced may backfire.

Teaching Notes

(1) Synopsis : National Bank, a public sector bank, which is in its 65th year of existence, got its first MD & CEO from a private sector in the form of Mr. Bandyopadhyay as a part of policy changes introduced by the regulator. Mr. Bandyopadhyay, coming from a private sector bank, introduced a number of changes for increasing the market share of National Bank. The new MD undertook a slew of measures under project 'Transformation,' which

included improving customer service, introduction of marketing, and revamping human resource policies. These measures intended for improving the position of the bank led to widespread dissatisfaction among the staff. Mr. Bandyopadhyay coming from a different organizational culture intended to instill the same in the new organization, which did not go well with the staff of National Bank. The top management is now contemplating ways to reduce this dissatisfaction and make the project successful.

(2) Learning Objectives : This case study may seem to focus on a particular problem of change management, however, it includes all aspects of management. At the end of this exercise, participants should have an understanding of the following issues :

- ✧ Importance of spade work in strategy formulation and implementation.
- ✧ Importance of customer service.
- ✧ Sources of conflict and its resolution.
- ✧ Project implementation and control.
- ✧ Managing human assets.
- ✧ Importance of involving all stakeholders in strategy implementation.

(3) Potential Audience : The potential audience for this case study could be mid-level to senior level management executives.

✧ **Relevant Programs :** Strategic management, change management, human resource management.

✧ **Courses :** Organizational change management, strategic planning and implementation, managing human assets.

(4) Teaching Plan : The following are the questions or issues which can be used for discussion of the case along with a tentative slot time for each :

(i) Identify the main issues in the case (20 minutes).

The main issue of this case is change management, ineffective handling of change leads to discomfort and stress, causing widespread dissatisfaction. The other minor issues of this case are policy formulation and its implementation, customer service, grievance handling, and effective marketing.

(ii) Prioritize the problems faced by the National Bank (20 Minutes).

The first and foremost problem is growing staff dissatisfaction as personnel play a pivotal role in banking, which is a service industry. Only when the staff are satisfied can they satisfy the customers and deliver good services to them.

The other major problem is declining market share as it has a bearing on the profitability and survival of the organization. National Bank has to adopt ways and means for protecting as well as augmenting its market share.

The other problem is related to human resource, which includes identifying the right person for the right job, transfer and promotion policies, which are fair and flexible according to the need and changes in the environment.

(iii) What corrective measures should the bank undertake to make Project 'Transformation' successful ? (35 minutes)

To make the project successful, the bank has to involve all stakeholders in the change process right from the inception to its implementation. It is necessary to involve all those who are affected by the change in the process for its smooth and effective implementation.

The other aspect on which the bank has to work is communication, by which the causes and benefits of change can be better understood by all stakeholders. Effective communication which may be in the form of meetings, seminars, and consultations would lead to better acceptance by all of those involved in change. Seeking regular feedback is an important aspect of communication for better implementation of the project. Based on the feedback, changes, if required in project implementation, could be initiated. Another related measure would be effective monitoring of the project for identification of divergence, loopholes, and initiating remedial measures.

(5) Suggested Readings

Luthans, F., Luthans, B. C., & Luthans, K. W. (2015). *Organizational behaviour : An evidence based approach* (13th ed.). USA : IAP Information Age Publishing.

Vohra, N., Robbins, S. P., & Judge, T. A. (2014). *Organizational behaviour* (15th ed.). USA : Pearson Education.

Disclaimer

This case was prepared by the author for the sole purpose of aiding classroom discussion. Cases are not intended to serve as endorsements, or sources of data, or illustrations of effective or ineffective management. This case is based on a hypothetical strategic problem facing a bank, which is very relevant as banks adopt various strategies for achievement of their objects leading to ramifications, which may or may not be envisaged by the management. Names are changed to maintain confidentiality.

About the Author

Girish Mainrai is working as a Chief Manager with Bank of India. He is B. Pharm. and MBA from Dr. H. S. Gour University, Sagar, Madhya Pradesh. He holds a Diploma in International Banking and Finance and Diploma in Treasury Investment & Risk Management from IIBF. His areas of interest include marketing, retail banking, and digital banking.