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BHARAT CHANDA

# The Break Out

# Formula



Rana Kapoor at Indiabulls Centre, Lower Parel branch

Vinod Mahanta

## Rana Kapoor has a Big Hairy Audacious Goal. Will Yes Bank's feisty founder pass the execution test?

It was October 2010 and the overhang of financial meltdown still pervaded CEO gatherings. At an Economic Times event in a South Mumbai hotel, a spirited panel discussion was on with local business barons, like Kumar Mangalam Birla, and global heavyweights like Blackstone's Steve Schwarzman, CEO Coach Ram Charan, and Unilever's Harish Manwani discussing 'Regulation after the Great Recession: Excessive or Appropriate'. When the floor was opened for questions, Yes Bank's Rana Kapoor asked of Ram Charan: "We Indians are very good at making plans but that's what they remain — plans. We falter at execution. How do we make sure that plans get converted into action?"

The author of the bestseller *Execution: The Discipline of Getting Things Done* smiled and replied that B-Schools don't give their students a grounding in execution and so companies need to teach that art. Secondly, most people don't focus enough on groups but individuals and that's where execution suffers. Thirdly, the main reason for people failing was a lack of follow through.

Execution weighed heavy on Kapoor at that time. Six months ago, the founder, managing director and CEO of India's youngest greenfield bank, had articulated a vision called Yes Bank Version 2.0. When Rana Kapoor announced the plan, Yes Bank had 150 branches, 94 offsite ATMs and 3,030 employees. Its balance sheet stood at ₹36,382 crore, loan book at ₹22,189 crore and deposit base at ₹26,798 crore. Yes Bank Version 2.0 set a goal of creating 900 branches, 2,000 ATMs, and 12,750 employees with

a deposit base of ₹125,000 crore, a ₹100,000 crore loan book and a ₹150,000 crore balance sheet size by 2015. These figures jump at you at every branch, every bank leaflet and most screen savers of Yesbankers. And this was what management guru Jim Collins would call a Big Hairy Audacious Goal (BHAG).

Though Yes Bank had grown at a steady pace, even during the tough FY09 and FY10, to achieve Kapoor's BHAG would mean balance sheet growth at a compounded annual growth rate of 33%, loans at 35%, deposits at 36%. And there was another goal that bankers vie to achieve—a high current and saving account (CASA) base of 30%.

What could have been an internal program was turned into a well articulated statement targeted at all stakeholders because in Rana's style of management, putting the plan out makes management responsible for deliverables. "This was typical Rana Kapoor style of thinking—have a headline that keeps people focused," says Rajat Monga, Senior Group President, Financial Markets and CFO, Yes Bank.

### THE STRETCH TARGET

Team Kapoor set such a steep target on the back of Yes Bank's performance during the global financial cri-

sis. While the global credit crisis tested all Indian banks, Yes Bank didn't waste the slowdown. In a slew of HR, cost rationalization and portfolio rebalancing initiatives, it tightened its belt internally. At the same time, the bank supported stressed clients and kept rolling out the carpet for new ones. That positive approach reflected in the results with FY09 net profits going up by 36.9% and FY10 profits shooting up by 57.2% over the corresponding years. With BHAG in its fourth year, where does Kapoor stand? Kapoor believes the journey

has to be measured quantitatively and qualitatively. Yesbankers will tell you that a constant narrative from their CEO has been to build the 'Best Quality Bank of the World' in India. "It's not an illusion of grandeur. We at the bank take it very seriously," says Kapoor.

The stage was now set for the next leg of growth after the first seven years of gut-led entrepreneurship that start-ups witness. Yes Bank now wanted to spread its wings. Having established a solid corporate and commercial banking business (more than 90% of revenues FY10) the bank now wanted to build a branch banking franchise. "We wanted to achieve scale and diversity in our customer base by adding SME & retail. We wanted to

venture into new geographies and build further granularity into our banking approach," says Kapoor.

In its initial days, the bank had targeted the National Capital Region (NCR). Now the focus was to grow and consolidate North and West and then spread outwards into East and South, targeting the top six cities that held 60% of the Indian deposits. Studying the economic viability of each region and area, the bank divided each region into clusters; some large ones like NCR, and some smaller clusters, like Chandigarh, Mohali, Panchkula and Baddi. Following a hub and spoke model, every cluster had one or two main branches, the rest were spoke branches. Not all clusters were spoke out and some clusters just have one branch. "Even as we speak, we are working at opening 60-70 branches. We have licenses in place to go to 700-plus branches in the next year-and-a-half," says Pralay Mondal, Sr. Group President-Retail & Business Banking, Yes Bank. By 2015, Mondal says, the Bank aims to have a branch in every Indian state.

Any banker worth his salt will tell you that an aggressive branch rollout is tough. "The branches need to scale up in a way that the breakeven is low enough, happens fast and it does not hit profitability," says Saurabh Tripathi, Partner & Director, BCG. So how is Yes Bank managing profitability and aggressive branch expansion? "Our cost to income has actually come down. As our brand network grows, our wholesale business is growing robustly too. The initial branches have started breaking even, and on a larger base, the percentage of new branches is smaller," says Mondal.

Bank the... Continued on page 2...



# Bank The Change



BHARAT CHANDIA

## THE DELIBERATE DAVID

Newcomers like Yes Bank have to fight hard to win business in banking because of trust and perception issues. To win business, Yes Bank has used David-like strategies against the Goliaths of banking: wait for the chance, make opportunistic strikes. When RBI announced the deregulation of savings rate, Yes Bank announced a 6-7% interest rate (6% below one lakh balance, 7% above) on savings accounts knowing fully well that large banks with their substantial savings deposits couldn't raise the rate without taking a margin hit. It was a golden chance to change its liability profile by bringing in the low-cost saving deposits.

It was the booster the branch network needed. In 18 months the savings account monies went up from ₹ 800 crore to ₹ 6,000 crore. The account opening rate jumped more than 5 times to more than 120,000 customers per quarter and the salary accounts now constitute 60-65% of the new accounts. "It's a market equalization strategy. We want to get our fair marketshare. It is not a permanent strategy," explains Monga. The cost of funds for Yes Bank has now gone down and the bank has also been able to draw the sticky, high transacting, self-service customers who are the most profitable for any bank.

While RBI's move helped Yes Bank on the savings side, on the current account front, with its B2B2C (business-to-business-to-customer) strategy, Yes Bank is mining its corporate customers better. The strategy entails not only offering customised products to corporates that it has been doing all along but also cross selling retail offerings to the workforce, especially getting them interested in the salary accounts. "We are leveraging corporate relations to get the retail customers. Business Banking can work through branch network. Branch is the hub where everybody will get leverage and everybody will leverage the branch," says Mondal.

And in sync with its "granular" approach - which is all about breaking the whole into parts in order to pay attention to detail - the bank is selecting customer segments carefully. For example, 15% per cent of savings deposits are held by senior citizens and 35% of the new accounts are of young working adults new to banking. To lure the young, the bank has come up with products



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like auto credit wherein the salary may be credited to some other bank but if you sign an automatic transfer service with the bank, the depositor still gets 7%. "We want to be the young at heart bank to the younger generation," says Mondal. To drive its retail franchisee, Yes Bank is beefing up its product offering with auto loans, commercial vehicle financing and gold loans. In areas where the bank doesn't have expertise, it does tie-ups. In mortgage, it has tied up with Dewan Housing Finance.

## KNOWLEDGE EDGE

The RBI deregulation provided wind to its sail but what has worked for Yes bank is its "knowledge banking", approach with a focus on sectors like Food and Agribusiness, Engineering, Infrastructure & Logistics, TMT (Technology, Media & Telecom) and Healthcare. This well researched approach to sunrise sectors has helped Yes Bank obtain domain expertise, and hence, through knowledge arbitrage, the bank has customised solutions as per the client

needs. "It has also helped in managing risk in a better way, which consequently led to creating a niche for itself through knowledge banking. This has also helped the bank in advisory and investment banking-linked fee income," says Sameer Lumba, Managing Director, JM Financial Institutional Securities. A direct result is that Yes Bank's loan book, with exposure to stressed sectors (power, real estate etc.), is well below the industry average resulting in lower delinquencies compared to peers.

Have Kapoor and team delivered on the execution front? Here's the report card as on March 31, 2013: 430 branches, 951 ATMs, 7,024 employees, and on the business side, ₹ 99,104.1 crore worth of total deposits and ₹ 60,356 crore loans and credit substitutes. And due to the troika of robust branch network, aggressive interest rate in savings accounts and efforts to build a retail liability franchisee, the much valued CASA deposits have shot up.

Savings account proportion have improved significantly to 9% in FY13 compared to 1.5% in FY10, and consequently, the bank witnessed substantial improvement in CASA to 19% for FY13 compared to 11% in FY10. "It's a humongous task to move CASA upwards by 1.5% every quarter, and that too on a growing base and at a time when the GDP has dipped from 9% to 5%. We have managed to pull it off," says Mondal.

A bank with no legacy issues can grab opportunities that change throws up and manage toeholds in newer businesses,

something that's not lost on Team Kapoor. "We are a product of change and we look forward to change," says Kapoor proudly. So when an opportunity presents itself where knowledge, understanding of technology and having a solutions approach is critical, the bank jumps at it. When Real Time Gross Settlement was launched, a whole host of Co-operative banks were looking at electrification of their own payments and collections but couldn't afford the technology and were faced with management bandwidth issues. RBI allowed the corporate banks to become sub-members of RTGS and Yes Bank created a payment solution that today has more than 100 co-operative banks under this arrangement. That's not all, with a toehold in the banks, the bank further created new opportunities by carding the customers of Co-operatives. Similarly, when LIC decided to electrify its policy servicing, it inducted eight new banks and Yes Bank was first to go live. "We have to bank on the change. Period," says Monga.

## LEVERAGING TECH

As a new age enterprise, Yes Bank has remained on top of technology trends. Right from the start, it has had a comprehensive IT strategy to back its growing business and give it competitive strength. In its salad days, Yes Bank entered into an agreement with Murex, a leading vendor of treasury products and risk management solutions provider, for its Mx G2000 product, giving it the ability to compete with superior products being proffered then by multinational banks. Version 2.0 required scaling up the IT infrastructure to accommodate growth and all banking applications, like Retail i-Flex, Finnone and Cash-in, added features.

Recently, the bank came out with a mobile point of sales machine, wherein a salesman fixes a dongle on his mobile phone and taps his app for the order, swipes the customer's card for payment at his home. Today, though the market is still fledgling, Yes Bank claims that it generates 80% of payments in the Indian mobile payments space.

So the big question remains: will Team Kapoor meet the target? The physical branch network targets seem to be on course, deposits too, but due to a sluggish economy, the loan target is currently off the mark. On the other hand, newer opportunities such as debt capital markets, is where the bank is doing very well. Is Kapoor himself satisfied with execution effort? "Yes. The ability to visualize, strategise and actualize has become the cornerstone of Version 2.0," he says.

## Making of the Movement

### How Yes Bank managed its workforce scale-up

Handling the people part is the most difficult in any scale-up exercise. For Yes Bank, communicating the why, how and what of its Yes Version 2.0 was key to linking people to the new goals. The rollout saw Rana Kapoor and his senior team fan out across India to relay the message across branches. The idea was to convey to the branch banking teams that they were central to Yes 2.0 so that there could be buy-in. Every communication, branding material, internal document carried out the message. Every employee had to take a quiz after the presentation. Yes TV, an internal channel that plays after 6.30 pm, broadcast the message repeatedly and then the business heads would explain to the bankers the new goals. "If you wake up a Yesbanker from his sleep and ask the seven strategic objectives of Yes Bank, he will reply correctly," says Deodutta Kurane, Group President, Human Capital Management.

After the messaging blitzkrieg, the Yes 2.0 goals structure were converted into goals for every employee, even for things like risk management. Even the HR team had revenue generation on their goals. The internal HR IT system that connects every employee, was used as a lead generation tool, generating ₹ 3 crore of deposits in 15 days through referrals.

Such a scaling up exercise required a big talent acquisition effort. Most of the promotions to brand heads were done using a system called 'Yes Talent' that held half-yearly leadership identification programs where people could nominate themselves for higher positions. These candidates were moved to bigger branches to learn on-the-job and get certified in processes and RBI guidelines. "Creating opportunities was not a challenge in a growing bank but it was about managing the movement in a seamless way," says Kurane.

For the wholesale bank, there was 'Y PEP', a professional entrepreneurship program. The bank approached campuses not to recruit management trainees but to fill actual vacancies. With a rapid scale up, the engagement levels had to be high. Every brand had a 'Yes Mentor' who drove the goals and culture. A robust HR IT system ensured that new employees got their ID on mobiles the first day and went live the same day. Programs like 'Yes Connect', a ₹ 50 allowance to be spent in a branch every month, helped increase bonding. Since banking is about personalized service, a Yes Bank personality guideline was drawn to ensure consistency in the way bankers presented themselves. And in the end, a Yes Bank governance framework is being rolled out to create a proper compliance culture.