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ICICI Bank- Responding to Changing Requirements of Human Resources Climate, Digitisation and Technology Transfer

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Abstract**—** With the objective of understanding how ICICI Bank Ltd is responding to the wave of changes in technology, competitive digital environment, HR climate and customer behaviours as well as Governance issues arising after regulatory strictures for end of the tenure of its long standing CEO & MD, the author has examined various actions taken by bank's change leaders for managing the change. The author has concluded that there are many successful change management initiatives regarding digitisation and technology transfer as well as use of artificial intelligence, big data and cyber security etc, done by the bank. These can be considered as learning experiences for other banks and have been quite as can be seen from the financial parameters and KPIs which have been consistently and substantially increasing as compared to many other banks.

There is feeling of positivity, or even change, echoes across the organisation. There were some concerns that although policies have changed, but processes on the ground that impact staff were lagging, and whether team members would differentiate, justly and adequately, between performers and non-performers.

Earlier, several employees worked beyond the brief, and put in a lot of hard work to meet deadlines and drive sales and the high incentive led system motivated many, but it was also characteristics of ICICI staff to grow that way. There were signs that the bank pulled off the balancing act, without impacting aggression and ability to be agile in the marketplace. After years of aggressively chasing new customers, asking their managers to focus on retaining them (as opposed to finding new ones) was not easy. ICICI had to do a lot of handholding to accomplish the change.

ICICI is trying to temper the old philosophy of using money to make people perform better. It is, instead, pulling new levers to improve productivity like better planning, efficient processes and more mentoring. It was made clear that at least on 80% of the days, an employee cannot stay beyond stipulated hours, otherwise must explain. The message of customer acquisition and retention has been driven well. S bank's growth is consistently high. As per HR department head Ramkumar the bank has accomplished only 40% of what we have set out to by 2013. Changes are engineered by an HR council that meets at least once a month and whose members are business/functional heads from nine divisions involving retail banking, corporate banking, treasury, operations, risk management, compliance, finance, customer service and human resources. ICICI Bank Ltd. has set itself on the path to integrate values that conflict with its past and coming years would determine how it fares.

The study explores and establishes how the bank has responded to the changes in the last few years, through several strategic changes initiated in the bank having significant impacts on the performance of the bank and creating convenience and efficiency of customer journeys. The case provides interesting insights into the various forces that trigger changes in an organization, resistance to these changes and interventions adopted to manage the change illustrating either effective or ineffective handling of an administrative or business situations.

The study has amply established that pursuing and monitoring change management is an enabler for survival and retention of marketshare as well as growth of marketshare for the bank in competitive environment. The study has helped in depicting the impact of change triggers and how the bank has been responding by appropriate action has by the change leaders. The change management strategies regarding technology transformation and developing leadership talent pool have made great difference in banks performance proving the hypothesis that it is the implementation of robust change management strategies which helps banks to survive through troubled financial position and corrective growth path.

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I. Introduction

The Bank has over 5000 branches in India spread over all states/ union territories including specialized branches. These branches are controlled through 55 Zonal Offices and 8 NBG Offices. There are 60 branches/ offices and 5 Subsidiaries and 1 joint venture abroad.

The Bank has been in the forefront of introducing various innovative services and systems. Business has been conducted with the successful blend of traditional values and ethics and the most modern infrastructure. The Bank has been the first among the nationalised banks to establish a fully computerised branch and ATM facility at the Mahalaxmi Branch at Mumbai way back in 1989. The Bank is also a Founder Member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982, for evaluating/ rating its credit portfolio. Presently Bank has overseas presence in 18 foreign countries spread over 5 continents – with 52 offices including 4 Subsidiaries, 1 Representative Office and 1 Joint Venture, at key banking and financial centres viz., Tokyo, Singapore, Hong Kong, London, Paris and New York.

The bank has managed to exit from RBI's prompt corrective action (PCA) framework due its credit positive, net non-performing loan (NPL) ratios and capital which are two of the four parameters that the Reserve Bank of India (RBI) tracks as part of the PCA framework. The bank has improved significantly in the quarter ended December 2018 and on January 31, the Reserve Bank of India announced it had removed Bank of India (BoI) from its PCA plan after the bank improved its asset quality and capital, a credit positive. The government's capital injections into the banks' Rs 10,100 crore in December 2018 was a key driver in the banks' improvement.

II: **Objective of research:** Objective of research is to trace the multiple change management programs undertaken by the banks, assess the changes done in response to internal and external triggers and their success in terms of retaining and growing its market share and improving customer journeys. It's also aimed to assess the performance of the bank under successive Chairman and MD who have been the change leaders in the bank and to examine whether the change management practices are helping in creating the new merged entity and introduce the required culture synchronisation.

Hypothesis: Change management is an enabler for survival and retention of marketshare as well as growth of marketshare for banks. Understanding the impact of change triggers and responding by appropriate action has to be main task of the change leaders.

Methodology: The research is based on published research papers, books, newspaper articles and annual reports of the bank. Being a central banker himself, authors interaction with senior officials of the bank has helped in gaining understanding of the various changes introduced by the bank.

Introduction: ICICI Bank is a leading private sector bank in India. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. It is India's second largest by assets in just 19 years. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its group companies and is now India's second-largest bank. The Bank's consolidated total assets stood at Rs.12.50 trillion at June 30, 2019. ICICI Bank currently has a network of 5,275 branches and 15,589 ATMs across India. ICICI Bank's Board members include eminent individuals with a wealth of experience in international business, management consulting, banking and financial services. All the latest, in-depth information about ICICI Bank's financial performance and business initiatives. The bank explores diverse openings with and time and again, bank's innovative banking services have been recognized and rewarded world over. ICICI Bank is also deeply engaged in human and economic development at the national level. The Bank works closely with ICICI Foundation across diverse sectors and programs. ICICI Bank's acquired Bank of Madura Limited in an all-stock amalgamation in fiscal 2001.

II Financials and Key Performance Indicators (KPIs): The branches have increased to 5228, ATMs 15159, CRAR almost 17%, ROA 0.54% and NIM of 3.63%. Net NPAs are down to 1.60%. Various KPIs are shown diagrammatically as under;

Extensive franchise

Branches	At Mar 31, 2017	At Mar 31, 2018	At Mar 31, 2019	At Jun 30, 2019	At Sep 30, 2019	% share at Sep 30, 2019
Metro	1,440	1,443	1,438	1,444	1,563	30%
Urban	990	991	991	992	1,064	20%
Semi urban	1,444	1,449	1,453	1,453	1,527	29%
Rural	976	984	992	993	1,074	21%
Total branches	4,850	4,867	4,874	4,882	5,228	100%
Total ATMs	13,882	14,367	14,987	15,101	15,159	-

Key highlights for Q2-2020

Profitability

- 23.6% y-o-y growth in core operating profit
- NII grew by 25.5% y-o-y
- Consolidated return on equity of 3.9%[1]

Healthy loan growth

- Domestic loan growth was 16.4% y-o-y
- Retail loan growth was 22.2% y-o-y

Stable funding profile

- 24.6% y-o-y growth in total deposits at Sep 30, 2019
- 42.2% average CASA ratio in Q2-2020

Improving asset quality

- Net NPA ratio at 1.60% at Sep 30, 2019 compared to 3.65% at Sep 30, 2018
- Provision coverage ratio[2] of 76.1% at Sep 30, 2019

Distribution network

- 346 new branches opened in Q2-2020
- Extensive footprint of 5,228 branches and 15,159 ATMs at Sep 30, 2019
- ~ 50% of branches in semi-urban and rural areas

Healthy capital position

- CET1[3] ratio of 13.24% and Tier I ratio of 14.62% at Sep 30, 2019

1. Annualized
2. Excluding technical write-offs
3. Common Equity Tier 1

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Key ratios

Percent	FY2019	Q2-2019	H1-2019	Q1-2020	Q2-2020	H1-2020
Net interest margin[1]	3.42	3.33	3.26	3.61	3.64	3.63
Cost to income	44.8[2]	45.2	46.0[2]	43.7	43.9	43.8
Provisions/core operating profit	89.1	75.6	96.5	57.2	38.4	47.5
Provisions/average advances[3]	3.67	3.05	3.89	2.40	1.67	2.03
Core operating profit/average assets	2.56	2.50	2.46	2.60	2.71	2.65
Return on average assets[3]	0.39	0.43	0.19	0.81	0.27	0.54
Standalone return on equity[3]	3.2	3.4	1.5	7.0	2.4	4.7
Consolidated return on equity[3]	3.8	4.3	2.2	8.7	3.9	6.3
Weighted average EPS (₹)[3]	5.2	5.6	2.5	11.9	4.0	7.9
Book value (₹)	168.1	163.7	163.7	171.1	171.4	171.4

Yield, cost and margin: slide 37 Consolidated ratios: slide 41

1. Includes interest on income tax refund of ₹ 0.42 bn in Q2-2020 and ₹ 2.26 bn in H1-2020 (FY2019: ₹ 4.48 bn, Q2-2019: ₹ 0.05 bn, H1-2019: ₹ 0.13 bn, Q1-2020: ₹ 1.84 bn)
2. Excludes gain on sale of stake in subsidiaries
3. Annualised for all interim periods

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Strong capital position

	June 30, 2019[1]		Sep 30, 2019[2,3]	
	(₹ billion)	%	(₹ billion)	%
Total capital	1,170.75	16.19%	1,172.53	16.14%
- Tier I	1,055.75	14.60%	1,061.80	14.62%
- of which: CET1	*955.08*	*13.21%*	*961.82*	*13.24%*
- Tier II	115.00	1.59%	110.73	1.52%
Risk weighted assets	7,229.24		7,263.56	
- On balance sheet	*6,320.70*		*6,375.49*	
- Off balance sheet	*908.54*		*888.07*	

- Capital adequacy ratios well above the minimum regulatory requirement of Tier I ratio of 9.08% and total capital adequacy ratio of 11.08%

Consolidated capital adequacy: slide 50

1. As per Basel III guidelines, includes profit for Q1-2020
2. As per Basel III guidelines, includes profit for H1-2020
3. Impact of ~25 bps due to reduction in risk-weight on consumer loans, excluding credit card receivables

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Stable funding profile

(₹ billion)	Sep 30, 2018	Jun 30, 2019	Sep 30, 2019	Y-o-Y growth	% share at Sep 30, 2019
CASA	2,835.48	2,988.77	3,250.00	14.6%	46.7%
- Current	*760.72*	*804.01*	*944.31*	*24.1%*	*13.6%*
- Savings	*2,074.76*	*2,184.76*	*2,305.69*	*11.1%*	*33.1%*
Term	2,751.21	3,618.55	3,712.73	34.9%	53.3%
Total deposits	**5,586.69**	**6,607.32**	**6,962.73**	**24.6%**	
	Q2-2019	Q1-2020	Q2-2020		
Average CASA ratio	47.1%	43.4%	42.2%	-	-

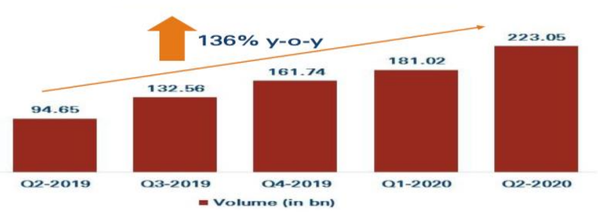
- 10.9% y-o-y growth in average CASA deposits in Q2-2020

Healthy growth across loan portfolio

(₹ billion)	Sep 30, 2018	Jun 30, 2019	Sep 30, 2019	Y-o-Y growth	% share at Sep 30, 2019
Advances	5,444.87	5,924.15	6,133.59	12.6%	100.0%
- Domestic book	4,754.36	5,327.75	5,533.24	16.4%	90.2%
- Retail	*3,118.13*	*3,635.96*	*3,809.66*	*22.2%*	*62.1%*
- SME[1]	*146.73*	*176.98*	*190.64*	*29.9%*	*3.1%*
- Corporate and others[2]	*1,489.50*	*1,514.81*	*1,532.94*	*2.9%*	*25.0%*
- Overseas book[3]	690.51	596.40	600.35	(13.1)%	9.8%

- Excluding NPLs and restructured loans growth in the domestic corporate portfolio was 7.3% y-o-y at Sep 30, 2019
- Including non-fund based outstanding, the share of retail portfolio was 49.9% of the total portfolio at Sep 30, 2019 (Jun 30, 2019: 48.5%)

Digital transactions



- Over 87% of savings account transactions[1] in H1-2020 through digital channels

Yield, cost and margin

Movement in yield, costs & margins (Percent)[1]	FY2019	Q2-2019	H1-2019	Q1-2020	Q2-2020	H1-2020
Yield on total interest-earning assets	8.03	7.85	7.77	8.40	8.39	8.40
- Yield on advances	*8.96*	*8.79*	*8.75*	*9.36*	*9.52*	*9.44*
Cost of funds	5.10	5.00	4.99	5.23	5.19	5.21
- Cost of deposits	*4.87*	*4.76*	*4.79*	*5.08*	*5.06*	*5.07*
Net interest margin	3.42	3.33	3.26	3.61	3.64	3.63
- Domestic	*3.77*	*3.71*	*3.63*	*3.93*	*3.92*	*3.92*
- Overseas	*0.30*	*0.05*	*0.18*	*0.33*	*0.41*	*0.37*

- Includes interest on income tax refund of ₹ 0.42 bn in Q2-2020 and ₹ 2.26 bn in H1-2020 (FY2019: ₹ 4.48 bn, Q2-2019: ₹ 0.05 bn, H1-2019: ₹ 0.13 bn, Q1-2020: ₹ 1.84 bn)

Balance sheet: assets

(₹ billion)	Sep 30, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019
Cash & bank balances	576.12	802.96	657.48	716.39
Investments	1,875.00	2,077.33	2,199.96	2,233.76
- SLR investments	*1,364.28*	*1,479.10*	*1,533.75*	*1,661.44*
- Equity investment in subsidiaries	*98.03*	*98.03*	*98.03*	*98.03*
Advances	5,444.87	5,866.47	5,924.15	6,133.59
Fixed & other assets[1]	847.41	897.83	855.94	886.37
- RIDF [2] and related	*272.00*	*292.55*	*291.41*	*284.21*
Total assets	**8,743.40**	**9,644.59**	**9,637.53**	**9,970.11**

Diagrammatic Chart 1: Key Performance Indicators

Balance Sheet figures for past 5 years: Balance sheets of past five years show consistent growth of loans (16%) and deposits (24%) and profitability (23%) year on year.

BALANCE SHEET OF ICICI BANK (in Rs. Cr.)	MAR '19	MAR '18	MAR '17	MAR '16	MAR '15
CAPITAL AND LIABILITIES:					
NET WORTH	**105,323.54**	**102,155.75**	**96,908.94**	**86,918.11**	**80,429.36**
Deposits	652,919.67	560,975.21	490,039.06	421,425.71	361,562.73
Borrowings	165,319.97	182,858.62	147,556.15	174,807.38	172,417.35
TOTAL DEBT	**818,239.64**	**743,833.83**	**637,595.21**	**596,233.09**	**533,980.08**
Other Liabilities & Provisions	37,851.46	30,196.40	34,245.16	34,726.44	31,719.86
TOTAL LIABILITIES	**961,414.64**	**876,185.98**	**768,749.31**	**717,877.64**	**646,129.30**
ASSETS					
ADVANCES	**586,646.58**	**512,395.29**	**464,232.08**	**435,263.94**	**387,522.07**
INVESTMENTS	**207,732.68**	**202,994.18**	**161,506.55**	**160,411.80**	**186,580.03**
TOTAL ASSETS	**961,414.63**	**876,185.97**	**768,749.32**	**717,877.63**	**646,129.29**
Contingent Liabilities	1,971,430.27	865,409.07	606,063.80	922,453.51	868,190.58

Table 1: Balance Sheet for 2015-19

Change Management Issues handled by the bank:

i) Formation of ICICI bank from financial services company Industrial Credit and Investment Corporation of India (ICICI)-Employee resistance management: In 1996, ICICI bank was formed under the leadership of K.V. Kamath who replaced Narayan Vaghul (Vaghul), CEO of India's leading financial services company Industrial Credit and Investment Corporation of India (ICICI). Immediately after taking charge, Kamath introduced massive changes in the organizational structure and the work emphasis of the organization was changed from a development bank mode to that of a market-driven financial conglomerate. Kamath's moves were prompted by his decision to create new divisions to tap new markets and to introduce flexibility in the organization to increase its ability to respond to market changes. Necessitated because of the organization's new-found aim of becoming a financial powerhouse, the large-scale changes caused enormous tension within the organization. The systems within the company soon were in a state of stress. Employees were finding the changes unacceptable as learning new skills and adapting to the process orientation was proving difficult. The changes also brought in a lot of confusion among the employees, with media reports frequently carrying quotes from disgruntled ICICI employees. According to analysts, a large section of employees began feeling alienated. The discontentment among employees further increased, when Kamath formed specialist groups within ICICI like the 'structured projects' and 'infrastructure' group. Doubts were soon raised regarding whether Kamath had gone 'too fast too soon,' and more importantly, whether he would be able to steer the employees and the organization through the changes he had initiated.

How the challenge of employee resistance management was handled through major change management initiatives by ICICI bank: Though the customers seemed to be happy about this new arrangement, people within the organization found it unacceptable. In the major client group, a staff of about 30-40 people handled the needs of the top 100 customers of ICICI. On the other hand, about 60 people manned the growth client group, which looked after the needs of mid-size companies. Obviously, the bigger clients required more diverse kinds of services. So, working in MCG offered better exposure and bigger orders. The net effect was that the MCG executive ended up doing more business than the GCG executive. A middle-level manager at ICICI commented that the bosses may call it handling growth clients but the GCG manager is chasing non-performing assets (NPA) and Board of Industrial and Financial Restructuring (BIFR) cases. Kamath was quick to deny this allegation as well and emphasised that just because somebody is within the MCG does not guarantee him success. And these assignments are not permanent. Today's MCG man could easily by tomorrow's GCG person and vice-versa. Complaints against these changes put in continued and ICICI was blamed for not putting in adequate systems in place to develop the right people. The manner, which ICICI recognized an individual's efforts - the feedback process - was also questioned. A manager remarked that last year the bonuses varied from Rs 30,000 to Rs 250,000 depending on the performance. In many cases the appraisal scores were same, but the bonus amount was no, and we were not told why. With Kamath's stated objective to make ICICI provide almost every financial service, separating the customer service people from the product development groups was another problem area. In the current scheme of things, an MCG or GCG person acted as a clients' representative inside ICICI.

The MCG or GCG person understood the client's need and got the relevant internal skill department to develop a solution. Unlike foreign banks, there were no demarcations between these internal skill groups and client service person. (Demarcation helped in preventing an internal skills person from cannibalizing business being developed by the client service group.) With no such systems in place at ICICI, this distorted the compensation packages between the competing divisions.

While Kamath's comments in the media seemed to dismiss many of the employee complaints, ICICI was in fact, putting in place a host of measures to check this unrest. One of the first initiatives was regarding imparting new skills to existing employees. Training programmes and seminars were conducted for around 257 officers by external agencies, covering different areas. The MCG or GCG person understood the client's need.

In addition, in-house training programmes were conducted in Pune and Mumbai. During 1995-96, around 35 officers were nominated for overseas training programmes organized by universities in the US and Europe. ICICI also introduced a two-year Graduates' Management Training Programme (GMTP) for officers in the Junior Management grades. Along with the training to the employees, management also took steps to set right the reward system. To avoid the negative impact of profit center approach, wherein pressure to show profits might affect standards of integrity within an organization, management ensured that rewards were related to group performance and not individual performances. To reward individual star performers, the method of selecting a star performer was made transparent. This made it clear, that there would be closer relationship between performance and reward. However, it was reported that pressure on accountability triggered off some levels of anxiety within ICICI which resulted in a lot of stress in human relationships. Dismissing reports of upsetting people, Kamath insisted that much of the restructuring plan has come from the bottom.

ICICI also reviewed the compensation structure in place. Two types of remuneration were considered - a contract basis which would attract risk-takers and a tenure-based compensation which would be appealing to employees who wanted security. Kamath accepted that ICICI had been a bit slow on completing the employee feedback process. Soon, a 360-degree appraisal system was put in place, whereby an individual was assessed by his peers, seniors and subordinates. As a result of the above measures, the employee unrest gradually gave way to a much more relaxed atmosphere within the company.

In line with its vision of becoming a universal bank, ICICI restructured its business based on the recommendations of consultants **McKinsey & Co in 1998**. In the late 1990s, ICICI concentrated on building up its retail business through acquisitions and mergers. It took over ITC Classic, Anagram Finance and merged the Shipping Credit Investment Corporation of India (SCICI) with itself. ICICI also entered the insurance business with Prudential plc of UK. ICICI was reported to be one of the few Indian companies known for its quick responsiveness to the changing circumstances. ICICI had major plans of expanding on the anvil. This was expected to bring with it further challenges as well as potential change management issues. However, the organization did not seem much perturbed by this, considering that it had successfully managed to handle the employee unrest following Kamath's appointment.

By 2000, ICICI had emerged as the second largest financial institution in India with assets worth Rs 582 billion. The company had eight subsidiaries providing various financial services and was present in almost all the areas of financial services: medium and long term lending, investment and commercial banking, venture capital financing, consultancy and advisory services, debenture trusteeship and custodial services.

A.

ii)_Change management challenges due to merger with Bank of Madura: ICICI had to face change resistance once again in December 2000, when ICICI Bank was merged with Bank of Madura (BoM). Though ICICI Bank was nearly three times the size of BoM, its staff strength was only 1,400 as against BoM's 2,500. Half of BoM's personnel were clerks and around 350 were subordinate staff. There were large differences in profiles, grades, designations and salaries of personnel in the two entities. It was also reported that there was uneasiness among the staff of BoM as they felt that ICICI would push up the productivity per employee, to match the levels of ICICI. BoM employees feared that their positions would come in for a closer scrutiny. They were not sure whether the rural branches would continue or not as ICICI's business was largely urban-oriented. The apprehensions of the BoM employees seemed to be justified as the working culture at ICICI and BoM were quite different, and the emphasis of the respective management was also different. While BoM management concentrated on the overall profitability of the Bank, ICICI management turned all its departments into individual profit centres and bonus was given on the performance of individual profit center rather than profits of whole organization.

After merger, ICICI not only put in place a host of measures to technologically upgrade the BoM branches to ICICI's standards, but also paid special attention to facilitate a smooth cultural integration. The company appointed consultants **Hewitt Associates** to help in working out a uniform compensation and work culture and to take care of any change management problems. Bank of Madura was established in 1943 at Madurai, Tamil Nadu. By 2000, it was number one bank in Tamil Nadu and it had 278 branches all over India.

In 1999-2000 business per employee at ICICI averaged Rs. 59.5 million to BoM’s Rs 22 million and profit per employee was Rs 0.78 million to BoM's Rs 0.17 million. Hewitt Associates is a global management consulting and outsourcing firm specializing in human resource solutions. ICICI conducted an employee behavioural pattern study to assess the various fears and apprehensions that employees typically went through during a merger as shown under;

Period	Employee Behaviour
Day 1	Denial, fear, no improvement
After a month	Sadness, slight improvement
After a Year	Acceptance, significant improvement
After 2 Years	Relief, liking, enjoyment, business development activities

Table 2 Employee Behavioural Patterns (Source: www.sibm.edu)

Based on the above findings, ICICI established systems to take care of the employee resistance with action rather than words. The 'fear of the unknown' was tackled with adept communication and the 'fear of inability to function' was addressed by adequate training. The company also formulated a 'HR blueprint' to ensure smooth integration of the human resources. (Table 3).

The HR Blueprint	Areas of HR Integration Focussed On
• A data base of the entire HR structure • Road map of career • Determining the blueprint of HR moves • Communication of milestones • IT Integration - People Integration - Business Integration.	• Employee communication • Cultural integration • Organization structuring • Recruitment & Compensation • Performance management • Training • Employee relations

Table 3 Managing HR during the ICICI-BoM Merger Source: www.sibm.edu

To ensure employee participation and to decrease the resistance to the change, management established clear communication channels throughout to avoid any kind of wrong messages being sent across. Training programmes were conducted which emphasized on knowledge, skill, attitude and technology to upgrade skills of the employees. Management also worked on contingency plans and initiated direct dialogue with the employee unions of the BoM to maintain good employee relations.

By June 2001, the process of integration between ICICI and BoM was started. ICICI transferred around 450 BoM employees to ICICI Bank, while 300 ICICI employees were shifted to BoM branches. Promotion schemes for BoM employees were initiated and around 800 BoM officers were found to be eligible for the promotions. By the end of the year, ICICI seemed to have successfully handled the HR aspects of the BoM merger. According to a news report, the win-win situation created by HR initiatives had resulted in high level of morale among all sections of the employees from the erstwhile BoM.

Even as the changes following the ICICI-BoM merger were stabilizing, ICICI announced its merger with ICICI Bank in October 2001. The merger, to be effective from March 2002, was expected to unleash yet another series of changes at the organization. With Kamath still heading ICICI, analysts were hopeful that the bank would come out successfully in the task of integrating the operations of both the entities this time as well.

Conclusion: The changed focus of ICICI to become a one-stop shop for financial services necessitated the changes in the organization culture and goals. The changes implemented by Kamath in mid-1990s were necessary and resulted in efficacy of the organisation due to these changes. It can be seen from both the tables given below indicating increasing profitability with increasing number of employee's due to successful change management efforts discussed above.

YEAR	NUMBER OF EMPLOYEES
1993	1117
1994	1237
1995	1237
1996	1239
2001	8275

YEAR	PAT
1994-95	3.1
1995-96	3.9
1996-97	4.36
1997-98	7.52
1998-99	10.86
1999-00	10.01
2000-01	12.06

Table 4: Employee strength and profitability over the years

iii) **Change management issues in merger of ICICI bank and ICICI developmental institution:** In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through several subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

This change in organisational structure was taken by the change leaders and the employees in their stride of changes being introduced in ICICI bank. The HR measures were like discussed above at item 1 and 2.

iv) Change management in 2019 for a cultural shift at ICICI Bank: Employees at ICICI Bank Ltd are during a cultural shift as the bank has adopted open office structures, abolishing grades and imparting skills to employees to adapt to sales jobs that would need human intervention amid automation and digitization. The changes in office space structure includes the group leader sitting alongside the team instead of a cabin and access of a larger section of employees to its management dining room and changes in the way certain benefits are handed out. Interestingly, the bank saw a change in top leadership in October 2019 with Sandeep Bakshi taking over as chief executive.

Under the new structure, office floors will have a few conference rooms for use by employees but will not have enclosed cabins earmarked for team leaders. The bank is renovating its head office in Mumbai's Bandra Kurla Complex (BKC) to allow the seating makeover. This will also be the new design for all its new offices. ICICI bank is removing hierarchy within the organization. The objective is to become flexible and agile so that the bank significantly improve the speed at which they are able to respond to the marketplace. The bank has done so through a combination of structural changes and through the abolition of symbols associated with grades as said by T.K. Srirang, group chief human resources officer, ICICI Bank.

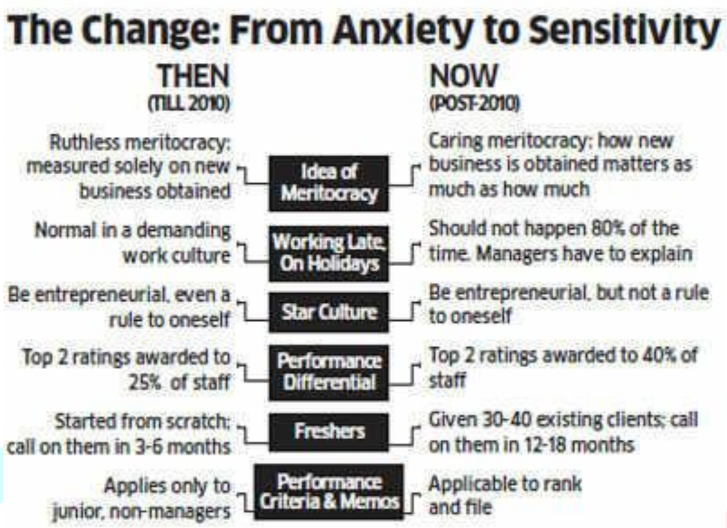
The bank has scrapped grades of employees above the assistant general manager (AGM) rank, retaining grades only for executive directors and the managing director. This affects around 500 employees who are now identified by their roles (like segment heads) and are clubbed together as the leadership team. For instance, in the erstwhile setup, a designation would be prefixed by the grade, which has been removed. A general manager and head of retail (west) will now just be called head of retail (west) on his visiting card. As on 31 March, the bank had 86,763 employees.

The private sector lender has also allowed 500 employees access to its executive dining room, which was earlier open only to the top tier of the management. The executive dining room where only the top management was allowed earlier is now open to our entire leadership team. The philosophy adopted by the bank is that, in today's agile world, the time has come for the entire senior management to connect on a regular basis and it provides a good platform.

Another change has to do with how a person's grade could be guessed from the office car allotted. Employees can now opt for a cash pay-out instead. Symbols like difference in cars, size of the cabin, which were manifestation of certain grade-led benefits, are no longer present. The bank has done away with those benefits and cashed out some others. The new structure allows the bank to appoint the most suitable person to a role, not necessarily driven by the grade of the person. For instance, say a zonal head of our bank in a region was at the erstwhile level of deputy general manager (DGM), now, if a chief manager (junior to DGM) who is brilliant and could be appointed there, the person can be moved swiftly. Earlier, the bureaucracy of the grade structure would have prevented the HR to do so because that level was associated with a DGM.

According to Veinu Nehru Dutta, Director (financial services), ABC Consultants, all new firms, whether it is the fintechs or the new non-banks, are bringing in an open office culture. While grades are yet to go off completely because designations still matter in India, the open office culture is picking up.

v) Change management for cultural change from anxiety to relaxed workplace-2013: ICICI Bank has embarked on a culture change to go from an anxiety-ridden workplace to a more relaxed one.



The Change: From Anxiety to Sensitivity

THEN (TILL 2010)		NOW (POST-2010)
Ruthless meritocracy: measured solely on new business obtained	Idea of Meritocracy	Caring meritocracy: how new business is obtained matters as much as how much
Normal in a demanding work culture	Working Late, On Holidays	Should not happen 80% of the time. Managers have to explain
Be entrepreneurial, even a rule to oneself	Star Culture	Be entrepreneurial, but not a rule to oneself
Top 2 ratings awarded to 25% of staff	Performance Differential	Top 2 ratings awarded to 40% of staff
Started from scratch; call on them in 3-6 months	Freshers	Given 30-40 existing clients; call on them in 12-18 months
Applies only to junior, non-managers	Performance Criteria & Memos	Applicable to rank and file

Table IV Anxiety to Sensitivity-ICICI Bank

After a lifetime of goading employees to pursue growth, the bank's management wants them to tone it down, and is rewriting its HR policies for lesser emphasis on variable pay (and, therefore, on numerical targets), slower promotions, a better work-life balance, a longer rope to freshers, lesser discretionary powers to line managers and business heads. The aim is to nurture a culture of caring and supportive meritocracy for our employees. With the tacit support of MD & CEO, the head of human resources and his team have been working on it on the ground. This evolutionary culture change in the bank is being sought to move away from the aggressive, star culture which worked when the bank was a 1,500-people organisation. Now the bank has almost one lakh-plus employees (in the group), which has made the bank to renegotiating such culture.

Till 2010, in the highly competitive environment in the bank, Sundays or holidays were always taken as time for finishing off the pending stuff in the ICICI bank. But this has changed since 2013, to summon colleagues to work Sunday's needs director's permission. Now the system, by its very construct, tells employees to not to work Sundays, or ask others to do so. That redefinition of Sundays, of holidays, of after-hours in the lexicon of ICICI Bank is symbolic of the course correction the ICICI bank is looking to make, from a ruthless meritocracy to a sensitive one. At the centre of this change are its 65,000 employees who have been praised for being at the frontline of change in Indian banking and pilloried for their unbridled aggression and their engagement with their employer.

The new HR philosophy being seeded into ICICI, of softening the aggressive culture may affect productivity. But the bank wants staff to see their current roles through a three- to five-year lens instead of a one-year lens, in terms of promotions, which gives the flexibility to take long-term decisions while discouraging quick-fix thinking. It's a change that aims to walk the fine line between shedding excesses without compromising on growth or excellence, between reining in employee aggression without killing their drive or aspirations. Communicating the spirit of such change is the biggest challenge for such large organisations. Perhaps change from a dormant culture to an active culture may be much easier than rather than aggressive to moderate.

Reasoning for the change: This need for a culture change originated from a crisis. The global financial meltdown that erupted in 2008 with the demise of US investment bank Lehman Brothers. ICICI held $80 million worth of notes of Lehman. Although this amounted to just 0.1% of its assets then, a ripple effect was felt when the bank saw a minor, panic run on its deposits.

It made the then MD Mrs. Kochhar, who took charge in May 2009, revisit risk in the context of the business. It was a period of introspection for the bank's HR department. Laying down aggressive targets, with a sharp performance and compensation differential, had the potential, in a large organisation like ICICI bank, for employees to take risks that are unacceptable to senior management. Therefore, they decided to moderate banks policies. Part of this was about tweaking the business, increasing the stickiness of deposits, improving credit quality and conserving capital. Part of this was about changing employee attitudes and work practices, and conversations were initiated at different levels. At the very top, Kamath asked people outside on how they saw ICICI. The inference he drew was that aggression was good when ICICI was a challenger. But in 2013, it was a leader, and its approach should be of a statesman. The culture and leadership of an organisation is situational and contextual according to EMA Partners International, a staffing and search firm that has worked with ICICI for 13 years.

Others on the ICICI board, led by Kochhar and Ramkumar, began engaging with young employees in groups of 50-60. After initial hesitancy, employees opened. They spoke about how the bank's hire-and-fire culture was a source of anxiety and counter-productive causing employees resorting to short cuts to meet targets, even fixing numbers.

From such mistakes, there was a realisation that what had worked for ICICI in the past, might not work for it now. Ten to twelve years back, bank encouraged a culture to create meritocracy. It was heroic to be pushy and aggressive when it was a small organisation. But scaling up to a lakh people now, the bank management took a pause and introspected what is good for a large organisation.

By the time it did, it was in the early days of a repositioning campaign aimed at its customers, 'khayaal aapka'. It dovetailed a similar initiative for its employees, called 'saath aapka', into that. It wasn't a blueprint, drafted in detail and etched in stone. It was a philosophy of how its HR practices should be. At the first step, the philosophy was internalised at the top levels viz. board, senior management and business heads. Gradually, over the past few years, this philosophy has become the window through which ICICI sees its HR policies. The changes, at least on paper, have been deep and wide.

What has changed: The old ICICI expected freshers, especially in the sales team, to start delivering quickly and the bank took a call on them in three to six months. Now, it takes 12-18 months allowing young people settle and focus on learning for the first six months, and not break down due to severe performance and exit anxiety. It also does not make them start from zero. Previously, a fresher had to find new clients. Today, they are given 30-40 existing clients. Earlier working in ICICI was not for the fainthearted then even now in terms of being result-oriented. But the difference is the organisation is more caring while its pushes hard. Back then, the pressure was to do or die.

In the old set up, growth determined rewards and promotions. Fast-track promotions were to be had. The bell curve on which employees were assessed tapered sharply on both corners (5% top performers and 5% pink slips) and bulged abnormally in the middle, bulged abnormally in the middle, signifying ICICI's definition of mediocrity. If an average performer received Rs 100 of increments, Rs 250 went to a top performer.

That appraisal template, combined with a culture that encouraged entrepreneurial behaviour, saw a pursuit of growth that bordered on the relentless and practices that tested the boundaries of rectitude. Its assets rocketed, from Rs 19,700 crore in 2000-01 to Rs 486,000 crore in 2007-08. And it created what everyone, including Kochhar and Ramkumar called ass the "star culture". The financial landscape of Mumbai is dotted with such business leaders who flourished during that ICICI culture. Shikha Sharma at Axis Bank, Kalpana Morparia at JPMorgan Chase, V Vaidyanathan at Future Capital Holdings, Sanjoy Chatterjee at Goldman Sachs, Renuka Ramnath in private equity. Lower down too, employees were making their mark. According to HR Head Ramkumar, it ended up creating individualism.

Part of the ongoing culture change was about dismantling that cult of the individual and making the workplace more egalitarian. So, the emphasis on targets has been reduced. The bell curve bulges more on the sides, the top two ratings are given to 40% of employees, against 25% earlier. Variable pay at non-management and junior-management levels have been reduced to 30% of fixed pay, from 50% earlier. The speed of promotions has been moderated, with a minimum of two to three years. Now, no one enjoys the star tag. While assessing leadership, sensitivity and nurturing talent are now as important as numbers. Any leader who uses threats of performance rating or is oppressive in just focusing on targets at the expense of performance support loses out. Two years back, part of the job of Vineeta Rajadhyaksha, a regional head, was to call in non-performers and ask to them to look outside. There was a lot of pain around that. But now seniors sit with juniors and help them get back on track. There is lot of positivity around.

Conclusions: With the objective of understanding how ICICI Bank Ltd is responding to the wave of changes in technology, competitive digital environment, HR climate and customer behaviours as well as Governance issues arising after regulatory strictures for end of the tenure of its long standing CEO & MD, the author has examined various actions taken by bank's change leaders for managing the change. The author has concluded that there are many successful change management initiatives regarding digitisation and technology transfer as well as use of artificial intelligence, big data and cyber security etc., done by the bank. These can be considered as learning experiences for other banks and have been quite as can be seen from the financial parameters and KPIs which have been consistently and substantially increasing as compared to many other banks.

There is feeling of positivity, or even change, echoes across the organisation. There were some concerns that although policies have changed, but processes on the ground that impact staff were lagging, and whether team members would differentiate, justly and adequately, between performers and non-performers.

Earlier, several employees worked beyond the brief, and put in a lot of hard work to meet deadlines and drive sales and the high incentive led system motivated many, but it was also characteristics of ICICI staff to grow that way. There were signs that the bank pulled off the balancing act, without impacting aggression and ability to be agile in the marketplace. After years of aggressively chasing new customers, asking their managers to focus on retaining them (as opposed to finding new ones) was not easy. ICICI had to do a lot of handholding to accomplish the change.

ICICI is trying to temper the old philosophy of using money to make people perform better. It is, instead, pulling new levers to improve productivity like better planning, efficient processes and more mentoring. It was made clear that at least on 80% of the days, an employee cannot stay beyond stipulated hours, otherwise must explain. The message of customer acquisition and retention has been driven well. S bank's growth is consistently high. As per HR department head Ramkumar the bank has accomplished only 40% of what we have set out to by 2013. Changes are engineered by an HR council that meets at least once a month and whose members are business/functional heads from nine divisions involving retail banking, corporate banking, treasury, operations, risk management, compliance, finance, customer service and human resources.

ICICI Bank Ltd. has set itself on the path to integrate values that conflict with its past and coming years would determine how it fares.

The study explores and establishes how the bank has responded to the changes in the last few years, through several strategic changes initiated in the bank having significant impacts on the performance of the bank and creating convenience and efficiency of customer journeys. The case provides interesting insights into the various forces that trigger changes in an organization, resistance to these changes and interventions adopted to manage the change illustrating either effective or ineffective handling of an administrative or business situations.

The study has amply established that pursuing and monitoring change management is an enabler for survival and retention of marketshare as well as growth of marketshare for the bank in competitive environment. The study has helped in depicting the impact of change triggers and how the bank has been responding by appropriate action has by the change leaders. The change management strategies regarding technology transformation and developing leadership talent pool have made great difference in banks performance proving the hypothesis that it is the implementation of robust change management strategies which helps banks to survive through troubled financial position and corrective growth path.

According to Nishchae Suri, Partner and Head of people and change practice of KPMG, a consultancy, culture plays a very strategic role for organisations, especially large ones. Cultures that can meaningfully integrate values that are otherwise seemingly difficult to integrate will succeed. ICICI has set itself on the path to integrate values that conflict with its past and coming years would determine how it fares.

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