Digital Leadership

State Bank of India:
Taking a 200+ year-old
bank to the digital age

An interview with
Mrutyunjay Mahapatra,
formerly with
State Bank of India

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Mrutyunjay Mahapatra is the managing director and CEO of India's Syndicate Bank, one of the major commercial banks in India, founded in 1925. The Capgemini Research Institute interviewed Mrutyunjay when he was chief digital officer of the State Bank of India (SBI), India's largest bank with assets of over $480 billion. Mrutyunjay has held several leadership roles over his 35 years' experience with SBI.

The Capgemini Research Institute spoke with Mrutyunjay to understand more about SBI's digital transformation journey.

SBI's digital transformation journey

What does a successful digital transformation mean for you?

We believe that a successful digital transformation means a complete digital reimagination of all essential business verticals. Let us take the example of transaction banking. A digital transformation in transaction banking involves reimagining around 300 customer journeys. One such journey is the account-opening process, which typically takes around 35 minutes. How can we complete the process using digital technologies in five minutes? This requires an IT stack that is completely attuned to new technology. How can I do this when I have already invested millions in my legacy stack? That is digital transformation. Reimagination is like a caterpillar becoming a butterfly rather than a young man becoming an old man. That is how I look at it. It is a proper metamorphosis.

Or, look at a typical mortgage-buying experience. In the past, getting a home mortgage loan from a bank used to mainly revolve around two things – interest rates and the amount of finance required. Today, however, we find that the customer journey begins much earlier – when a customer first thinks of buying the house. There are a lot of factors under consideration when deciding to purchase a home. Does the location have hospitals, schools, health clubs, or parks in the vicinity? What is the reputation and track record of the builders? If I am asking the customer to travel to various platforms to fulfill this

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journey, then I am not keeping them sufficiently engaged. Through a platform developed by the bank on its own – or through a partner ecosystem – customers should be able to access the majority of solutions required for taking a home loan. This is what I call as reimagination, which we have achieved through our YONO app at State Bank of India.

SBI launched YONO (you only need one) in November 2017 as an integrated app that offers financial and lifestyle products to customers. Could you tell us about it?

YONO is a mobile app that has four ingredients. First you have the digital bank. Second is the financial superstore, where a consumer can purchase a variety of financial products. Third is the end-to-end digitization, which is meant for internal employee consumption. And fourth is, of course, the cross-selling and cross-monetization (e-commerce). Given the Reserve Bank of India guidelines, we are not allowed to sell non-financial products or services. Therefore, we facilitate purchases through a network of around 81 partners.

Who are you targeting with this app? Digital natives?

I see consumers in four broad buckets – digital natives, digital migrants, digital front-seaters, and the digitally averse. We all know who digital natives are – they are the ones born in the digital age, and naturally comfortable with digital technology. Digital migrants are people who have understood the value of digital as a result of their job or professional requirements and who often have some wealth. Digital front-seaters are those who might undertake an occasional digital transaction but will

never do deep digital customer journeys. They will still come to the physical branch. And, finally, the digitally averse are those who think technology is a fad. Unfortunately, wealth distribution is skewed toward the digitally averse. We need to take care of all four segments if we are to build a universal bank. And we need to create a combination of assisted journeys and digital journeys.

Engaging employees in SBI's journey

What are the some of the challenges you faced in educating and involving employees in the transformation journey?

The success of a transformation program hinges on the involvement of employees. But, for that to happen, digital transformation must be translated into a tangible benefit for employees. Otherwise, they won't participate. It does not always have to be a financial incentive. If a transformation program helps free up time and increase their productivity, employees are motivated to participate. For example, one of the customer journeys is account opening. Traditionally, customers come into a branch with a bunch of documents that need to be manually processed. It used to take several days to open an account. With the launch of YONO, the customer

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downloads the app, completes the account opening form on their mobile, and comes to the branch where the application is validated. In five minutes flat, a new bank account is opened. The convenience of opening accounts and the time saving is encouraging employees to open more accounts using YONO rather than through traditional means.

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How do you encourage employees to adopt digital initiatives?

Any digital initiative must make the life of the employee easier – only then will they adopt it. There should be a discrete benefit that's tied to their KPIs and that the initiative influences. There's a popular saying that culture eats strategy for breakfast. If you do not change the culture of the organization, then you will have issues. Whatever your strategy, if people are not sold on it, there will be a problem. We are setting up centers of excellence where there will be focused teams of people who are trained in digital technologies. These people will be the champions of digital change.

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How to measure success in digital transformation

To succeed in digital transformation, what are the factors you must get right?

The first is senior leadership buy-in. Digital transformation projects are not IT projects and require business buy-in. Top leadership needs to be invested right at the outset of the program.

Second is choice of partners. Your partners should be equally passionate in committing resources to the program as you are. Those partners with a transactional approach are bound to fail because they are unable to make a correct assessment of the resources required for these kinds of projects.

The third area is the organization's readiness quotient. This varies based on individual maturity levels and should be completely internally driven. Every organization needs to set its own transformation ambitions by undertaking an internal assessment of organizational readiness.

And fourth, of course, is that you should have the budget! Money spent on transformation will not give you immediate ROI. Organizations should be willing to write off the digital transformation investment based on a set of qualitative returns, not necessarily quantitative returns.

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If ROI is not the right metric, can you share how you measure the success of digital platform initiatives such as YONO?

I do believe ROI is not the right measure for an innovation such as the YONO platform. That is because you cannot establish financial ROI early on. Rather, we deploy a measurement matrix to track progress. For example, one measure that we use is how many new people are coming to the platform. Let us say that we get roughly around two million log-ins a day into YONO. Of this two million, how many are new customers? How many new types of transactions are being completed? How many of them have tried more than three or four products because of the ease of transaction? What are the comments being posted and where are they clicking?

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The qualitative benefits I referred to earlier include an important upside from this sort of initiative – brand building. By launching digital initiatives like this, we are seen as a more digitally-savvy bank. In addition, the adoption of new transformation disciplines – such as hackathons, agile project management, and collaborative ways of working – helps drive culture change across the organization.

If ROI is difficult to prove, how do you make the case to leadership for innovation investment?

You have to put a cap on the amount of money you will invest in a digital transformation initiative and establish a timeframe. That way, you are capping the risk. After a certain timeframe, I showcase what I have achieved based on what I described previously, and then ask for the next tranche of funding. It has to happen incrementally. However, it is important to be agile and have a minimum viable product in the form of a quick-win. Without that, it can be a bottomless pit where you continue saying, "no, no, don't ask me about ROI." Nobody will buy that.

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The importance of trust to SBI

In the context of a very large financial services organization in a country such as India, what do you believe are some of the challenges that are unique?

One unique challenge is that the payment system and the transaction is the first touchpoint of any general customer to an institution. In our context, the institution imparts trust. The institution imparts authentication. We have to first impart a sense of robustness and a sense of credibility. Culturally, Indian consumers are very, very value conscious. They may spend a little more time for a lower cost. And if you are too jazzy then people will not stick with you. Another thing typical to the Indian customer is that family significantly influences which bank you have a relationship with. The children's decision about keeping an account for a long time is influenced by the father's decision or mother's decision. So, there are cultural nuances that differentiate the Indian consumer.

You mentioned that you have to impart trust. Earlier, you also spoke of a minimum viable product (MVP). How do you balance agility with ensuring you are seen as a symbol of trust?

An MVP does not mean that we compromise on security at any stage. Our minimum viable product also has to pass the security test, user application testing, system integration testing, and a variety of other processes. It's important to bear in mind that we cannot be as nimble-footed as a startup. People will forgive a startup, saying they are yesterday's child. But how can a 212-year old organization mess up? We have that adverse burden of proof on us. We just have to be more careful. Sometimes, that takes more time.

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