



Forging an identity at India's Axis Bank

An interview with Jairam Sridharan, president of consumer lending

Axis Bank's "Shikhar" transformation has reduced customer wait time for loans by 30 to 70 percent, while its total book has risen by almost 50 percent—even as hiring and IT investment remain almost flat. Employee quality of life has improved, too.

As one of India's leading financial institutions, Axis Bank has shown extraordinary growth over the last five years, expanding from about 800 branches, 3,500 ATMs, and \$1.35 billion in revenue in 2008 to more than 2,000 branches, 11,000 ATMs, and \$2.5 billion in revenue in 2013.

The bank's consumer-lending operation has grown even more rapidly, from launch in 2006 to a consumer-loan portfolio of almost \$9 billion in 2013. Leading the business is Jairam Sridharan, president and head of consumer lending and payments for Axis Bank.

Mr. Sridharan spoke with McKinsey from his offices in Mumbai.

McKinsey: *Rapid growth in consumer lending is a challenge that many institutions around the world would love to have. What were some of the specific issues that Axis Bank started to see?*

Jairam Sridharan: With the business growing at a much faster pace, we realized it was becoming increasingly difficult to offer customers the turnaround times they wanted. Too many errors were creeping into our processes, and when we looked more closely, we saw huge geographic variations in how we were serving customers. Two customers with the same basic profile, buying the same kind of product, would have completely different experiences if one were in Gurgaon and the other in Bangalore.

In general, we seemed to lack a standard Axis way of doing things. Because we were growing fast and hiring all across the country at once, our people were bringing with them a potpourri of different processes that they had been exposed to in their previous jobs. As a result, teams were not working effectively together, with too

much finger-pointing among the sales, credit, operations, and customer-service teams whenever problems came up.

McKinsey: *Were people at least trying to fix the problems?*

Jairam Sridharan: They were, but it was all very seat-of-the-pants. Restructuring the organization had little effect. We then thought that additional hiring might help us reduce turnaround times, but we later realized that the extra people might actually have made the problem worse. The next idea was a rotation program in which we transferred managers who were doing well in one region to a lower-performing region to see if they could work their magic. That wasn't sustainable either: with so much variation between regions, new managers ended up spending too much time just figuring out how the new region operated.

Trying all of these different ideas ultimately made us realize we needed a more systematic approach.

McKinsey: *What brought lean management to your attention?*

Jairam Sridharan: I had seen lean in action at my previous organizations. So when we started discussing the challenges we had, lean management seemed like a fit. In addition, my team and I visited a financial-services company in the Middle East—one that had been through its own transformation and had achieved some real breakthroughs. That gave me further conviction that lean would be the right approach for Axis as well.

McKinsey: *What led you to start with the loan-disbursement process?*

Jairam Sridharan



Jairam Sridharan became president and head of consumer lending and payments at Axis Bank in June 2013, after spending three years as senior vice president. Earlier in his career, he served in a range of domestic and international retail-finance roles at ICICI Bank and Capital One Financial. Mr. Sridharan holds a B.Tech degree from the Indian Institute of Technology, Delhi, and an MBA from the Indian Institute of Management, Calcutta.

Jairam Sridharan: We knew that buying a mortgage is one of the most crucial experiences a customer has in forming an opinion of a bank. And we knew that customer acquisition and onboarding—the very first step in that process—needed work. We thought that tackling this issue head-on would buy us a lot of goodwill, with the potential for quick returns if customers who were happy with us felt confident enough to deepen their relationship through additional products.

McKinsey: *What did the mortgage process look like at that time?*

Jairam Sridharan: The first big surprise was that the complete process wasn't laid out on paper anywhere. Everybody had in their heads how the process was supposed to work, but no one had taken the time to document it, especially as it evolved over time.

That led to still more surprises. We recorded everything that happened to a customer's file from the time when the customer made first contact to when the loan was fully approved

and disbursed. We found that the average file went through more than 30 separate hand-offs; if someone had asked me before we finished this analysis, I would have guessed 5 or 6 hand-offs at the most. And much of what was going on was rework—checking data, rechecking data, going back to the customer for more documentation.

McKinsey: *What was the process like for employees?*

Jairam Sridharan: We took a camera to our processing centers to take photos and videos of the work environment. That was another eye-opener. When we presented these to our CEO and leadership team, they were shocked. "Is it always that noisy?" "Why are there so many stacks of files?" "It's so crowded—what are all these people doing, exactly?"

For some of us in senior management, this was effectively the first time that we were seeing what the centers were really like. In the past, every time we would visit a particular center, it would magically clean up.

McKinsey: *Like a visit from the queen.*

Jairam Sridharan: Exactly! On that type of formal visit, you get the impression that everything is working perfectly. But when the senior managers aren't there, when it's just the local managers and workforce, it's a completely different story. We could finally see how hap-hazard everything was.

McKinsey: *What effect did that realization have on the Axis leadership?*

Jairam Sridharan: The penny dropped for us: we knew we needed to clean things up. And we had the CEO's support, which was critical.

McKinsey: *What did "clean things up" mean to you?*

Jairam Sridharan: We could see some of the reasons that turnaround times were too long. The question was what to do. So often, people look to IT for a solution, thinking that some big automation or customer-relationship-management system will make everything better. But we came to recognize that the problem was our process—too many hand-offs, too much rework. If we fixed the process, we could get much better outcomes using the same technologies.

McKinsey: *There were no major IT investments?*

Jairam Sridharan: No. We made a conscious choice not to make any big-ticket investments in technology—or in infrastructure, for that matter. We wanted to go back to basics; our idea was to reduce the complexity in our processes, not to try to automate them or build new offices to house them in.

It doesn't require any additional technology to do our work in the simplest possible way. And it doesn't require the whole office layout to be changed; just moving a few people can be enough to make hand-offs a lot cleaner.

McKinsey: *That sort of decision certainly helps manage constraints.*

Jairam Sridharan: Yes. At other organizations, any major initiative would have a big IT component. But once we saw how much we could achieve by removing bottlenecks and helping teams work better with one another, IT and infrastructure changes no longer seemed necessary.

McKinsey: *Were there any ways that you adapted lean management to the India context?*

Jairam Sridharan: There were a few, mostly minor. One was in the name we chose for our transformation. We wanted to reflect our aspirations and our culture in a way that would connect emotionally with our people. So rather than use an English word or an acronym, we chose to call the effort Shikhar, which is Hindi for "mountaintop" or "peak."

McKinsey: *What other changes did you make as Shikhar evolved?*

Jairam Sridharan: Very early on, in the region where we were first testing Shikhar, one of the most difficult issues we faced was with our best sales performers. These were the people who figured out how to deal with our old processes; they knew whom to talk to and how to hustle their way around obstacles. And they were turning in great numbers month after month—this was the top sales region in the country.

Now we were saying, “All of that subjectivity and wiggle room that helped you in the past is going to disappear and be replaced by standardized processes.” Naturally, some people didn’t like it; to them, there was nothing wrong with the old way.

McKinsey: *How did you convince them?*

Jairam Sridharan: We told them Shikhar would help them do even better. If they were doing 100 crore rupees¹ in business before, their new target would be to double that figure in six months, with no additional staff.

Once we gave them a challenge, they quickly began to realize how much time they had been wasting on rework. That got them on board pretty quickly.

McKinsey: *How did you extend Shikhar to other regions?*

Jairam Sridharan: We started by exposing all of the regional heads to what was happening in the test region. After a couple of days visiting the transformed sites, seeing the results, the lightbulbs started to go off. Soon everyone was clamoring to go next.

We also decided we could not ask line managers to implement Shikhar on their own. So we put together a transformation team, which we call our Shikhar Implementation Office. We ran a very public process of inviting and interviewing applicants, who would have more access to leaders and the potential to accelerate their careers. With that, we were able to handpick some exceptional people to help roll Shikhar out across the bank. If anything, we might have taken that step even earlier in the transformation.

As we added regions, I relied more and more on my direct reports and senior management to step up as champions for Shikhar. The effort was fairly intense at first, but it has eased now that Shikhar is sustaining itself through much more of the organization.

McKinsey: *How do you handle the transition from the transformation team back to the line manager?*

Jairam Sridharan: At first, line managers needed help to see that Shikhar was not just some program from the corporate office—it is fundamentally their program, their opportunity to show how successful they can be. Once

¹ One billion Indian rupees, or approximately \$16 million as of October 2013.



To me, the biggest change is the dignity that Shikhar has given to every job here.

they understand that they aren't just facilitating somebody else's transformation but need to lead it themselves, their behavior totally changes. You see much more energy, passion—a much greater willingness to push back when they think an idea doesn't work for their group and to innovate until the idea does work.

McKinsey: *What has Shikhar meant for customers?*

Jairam Sridharan: The customer experience is very different now, much more predictable. When a loan applicant comes in for the first time, the sales agent presents a simple checklist of all of the required documents, adapted for the type of customer and loan. The list clearly says when the documents are needed—which ones immediately and which ones after the loan is approved. That step alone eliminates a huge amount of rework because there's usually no need to go back to the customer for missing documents. The agent will then give the customer a specific date for when to expect a status report via text message.

McKinsey: *How long does the process take now as opposed to before?*

Jairam Sridharan: For loan disbursement, we reduced the time required by 30 to 50 percent, depending on the product. For unsecured loans, the reduction is even greater: approximately

70 percent. Customers are spending many fewer days waiting than they did before.

McKinsey: *What effect has that change had on customer-satisfaction figures?*

Jairam Sridharan: We have seen a significant improvement in acquisition and onboarding and even better results as Shikhar expanded to other areas of the bank—especially in handling customer-service requests.

McKinsey: *How is the organization responding?*

Jairam Sridharan: There are some obvious improvements. Productivity is one: the capacity of our transformed teams has risen by about 40 percent. As a direct result, we have grown our book by 50 percent with almost no additional hiring in the processing centers.

Other parts of the bank—for example, branch managers on the deposit side of the business—are much more willing to share lending leads with us because they are confident in our ability to execute. We're seeing a similar shift among our external partners, including real-estate brokers and auto dealers, now that we have brought them in to see our offices and shown how our process works.

The standardization that Shikhar has brought us also means that we can start a much more robust mobility program. Instead of spending weeks coming up to speed, transferred managers can be effective in their new roles almost from the start.

For me, the strongest indicators of success are what I hear from our people. People who join us from other banks immediately notice how much more they can get done at Axis than they

could at their prior jobs and invariably refer to Shikhar as what differentiates Axis from other institutions. And it sounds minor, but it's quite important: people go home on time, even at month-end. They are no longer killing themselves to meet their monthly targets.

McKinsey: *As a leader, what changes would you say make the biggest difference to your people?*

Jairam Sridharan: To me, the biggest change is the dignity that Shikhar has given to every job here. Before Shikhar, the criterion people were really interested in was our sales numbers, so all of the glory went to the sales team. In the new world, in which metrics such as turnaround time and "first time right" get as much attention as sales, everyone gets their share of applause and pats on the back. People in back-office roles, such as credit and operations, are much more positive than they were in the past, and the sales team is continuing to excel.

McKinsey: *And what made the biggest difference for Axis as an institution?*

Jairam Sridharan: Shikhar has given us a stronger identity. We now have a group of people who are all working in the same way, across the country, regardless of where we came from. That has a huge impact on how each of us sees Axis.

And it's spreading further across the bank. We have started a big effort on the deposit side of the business, and there are other areas that we have yet to touch. Even on the assets side, we are far from where we aspire to be, and we continue to focus on maturing the transformation in a sort of "Shikhar 2.0." [o](#)

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