

Mike Useem: Chanda, it's great to welcome you to our program here. We're speaking with Chanda Kochhar, who is chief executive of ICICI Bank. And, Chanda, just to offer a word or two on your executiveship of the bank, you joined the bank back in 1984. You've been with the bank ever since. You became chief executive back in '09. And for our listeners and viewers, it's India's largest privately owned bank, assets over \$100 billion, annual revenue over \$2 billion. And, Chanda, the last time I looked, you've got several thousand branches and ATMs. You're all over the country. And today we're gonna be talking about your leadership of ICICI Bank. So, thank you for joining us today.

Chanda Kochhar: Pleasure, Mike.

Mike Useem: Let's start with your service as chief executive. A few years ago, you did become chief executive. And of all the experiences as you came into that office – we would say the corner office – what, in retrospect for you, was most unexpected, the most surprising of finally taking charge of the bank as a whole?

Chanda Kochhar: So, Mike, as you said, I joined the organization actually in 1984. So, by the time I became the chief executive, I almost had worked around every business and knew almost every side of the business of the organization, so nothing about the organization was new to me. At the same time, since I've been watching the organization and been a part of it, I was also pretty clear about the strategy I wanted to follow, the direction I wanted to give it. So, even that, my priorities, my direction, and my mind was pretty clear. So I think all that was not new at all.

But something that was very new was the fact that, once you become a CEO, you realize that almost every buck stops at you, and it's not just about your particular business or your particular line, but all stakeholders. So, whether it's the regulator, whether it's the employees, whether it's the customer, whether, of course, it's the profitability, so you suddenly find that every stakeholder's interest just finally rests at you, and you realize that the whole thing about running the organization is not just only strategy, only direction, only execution, but how do you balance everybody's interests.

Mike Useem: Let me pick up on that and ask about learning to work with all those stakeholders, learning to work with a board, learning to work with the equity market, learning to work with, now, all of your customers. Looking back on your career maybe to several years before you became chief executive, what are a couple of the most

formative experiences that you had that prepared you to become chief executive?

Chanda Kochhar: Yeah, I think my journey in the organization itself was actually a very, very sound founding board for me to become the chief executive. And I say that because I think I have this unique advantage of actually moving across different parts of the organization during my journey. And you know, generally, a banker is either an investment banker or a retail banker or a commercial banker, but I have, in my journey, moved from project finance to retail to control functions and so on.

So I think when I joined, I mainly did project finance, and that was such a strong foundation to see what it means about viability of businesses, viability of projects, how entrepreneurs think and behave and invest and so on. Then I really set up the retail business for the organization, and that was about understanding the retail consumer and technology and operations and scale and transactions and so on. And then I actually took charge of the control functions, which was finance and compliance and risk. And that gave me an absolutely different view of looking at businesses, actually looking at the same business that I was handling so far, but from the other side. So I think this whole all-rounded experience is what became the most kind of valuable learning for me as I moved up the organization.

Mike Useem: You know, it's often said in leadership development, your leadership development, that seeing all the different pieces of the business is vital. You gotta see them directly. You gotta be directly involved. But, on top of that, invaluable it is to have a mentor, maybe several mentors, along the way, My guess is you've had at least a couple people who were very helpful in forming who you are, so talk about your mentors, if you would.

Chanda Kochhar: Yes. I think, clearly, within the organization I had two very great mentors, I would say. One was Mr. Vaghul, who was actually the chairman when I joined the organization. And I say that because I think right from when I joined, I was actually identified and picked to do special projects. And then, of course, it was Mr. Kamath, who was the CEO for a large part of the period when I was moving from different businesses and different experiences.

So I think the biggest role that they played was, one, giving me this varied opportunity and, you know, not just giving me growth, but actually giving me the diversified and varied opportunity; actually, putting in me that sense of confidence of saying that "We believe

in your capabilities. And if you are there to put in hard work, we know you would actually do a great job." So I think that's the kind of role that they played in my growth and development.

Beyond that, of course, I feel that it's upon everybody who's growing and evolving in their roles. It's really upon yourself as to how many mentors you find and how many sources of knowledge you find. And I think I learn immensely from my competitors. I learn immensely from my customers. I learn immensely from regulators. And that's how you need to keep adding to your knowledge base and your thinking and evolve as a leader.

Mike Useem:

You know, to build out from that, I think we met one time in Davos, Switzerland, at the World Economic Forum. When Mr. Kamath was still the chief executive, you came with him. That's not so much meeting with your clients or your retail customers there, to say the least, at the annual meeting of the World Economic Forum. And just reflecting on that experience, I think Mr. Kamath had an agenda in bringing you with him to the World Economic Forum. What did you pick up or learn from that immersion among the 2500 people from all over the world in business and politics? What did you acquire from that experience?

Chanda Kochhar:

So, at that time, actually, India was in a much different position than what it is today. So, in fact, back then my biggest learning was that it was an opportunity to meet so many different, you know, not just businesses but so many different things that were taking place in the world, whether it's even to do with technology, environment, and so on. And it was such a kind of a meeting point and a melting point of so many ideas and thoughts and just _____ of perspective.

So today, of course, why I say that those times were different is today, of course, a lot of those people travel to India as well, and you'll really get to meet them in India; you really get to see some of the development in India; you really get to experience some of those disruptive technologies in India. But at that time, you know, it was really kind of a point where you could see what is happening around the world and come back with thoughts and ideas of how you want to implement them in your organization, and be ahead of the others in your country, in your business.

Mike Useem:

I'm gonna put the shoe on the other foot now. That was a formative experience, among many that you had. And as you think about developing senior leaders now who report to you or maybe one or two layers even down, when you want them to become more

strategic, more broadminded, more able to pull together all these forces, to think about all the different kinds of customers you have, what are you doing now to help the next generation of people in this company be more strategic?

Chanda Kochhar: I think for people to be more strategic, one very important trait is to actually sense what's happening in the environment and, to some extent, anticipate what's gonna happen in the environment, so that whether as people lead their own businesses or their geographies and then finally, of course, an organization, they keep their own part of the business ready for the next change that's gonna happen in the environment. And one thing which I really make it a point to do is that I, whether formally or informally, keep sharing all the signals that I pick up in the environment, whether it's out of the signals that I pick up out of my meetings with the government, whether it's with the regulators, whether it's just customers, what I really learn from the mails that the customers write to me, or whether it's the disruptive technologies that I see elsewhere. But, as I said, sometimes send them through formal training, but it's even about when we're sitting every day at the lunch table we discuss these things and I keep sharing these signals. I think that's just actually, in a way, to broaden their horizons.

The second important thing is that every time one meets the leaders or interacts with the leaders, one has to keep reminding them that they have to take a very all-rounded decision about their businesses. So, otherwise, when there are heads of businesses, they probably get just carried away with either growth or numbers or size. But, you know, what does it mean as far as risk is concerned? What does it mean as far as your customers are concerned? What does it mean to other businesses and so on? So I think keep instilling in them a more balanced view of looking at things.

And I would say the third thing, also, is that keep making them think beyond their business and towards the goal of the organization as a whole. So how do they work in teams? How to get them to work in teams? How to make them think about synergies between businesses? And we just don't have one bank. We actually are a financial conglomerate, and I chair the other businesses in the group as well, which is life insurance, non-life insurance, securities business and so on. So how do we, as a financial conglomerate, derive synergies amongst the various businesses in the financial sector which will really not just make us grow, but actually help them grow as leaders as well?

Mike Useem: Chanda, let's pick up on that point. As you look at the next generation of people you want to bring into senior management at the company, knowing that they're gonna be running these major divisions – you've also got your functional leaders, chief financial officer and so on – as you're looking at several candidates, say, for somebody to become the new chief financial officer, new head of human resources, or to head one of the great operating divisions here, you want them to be strategic, of course. And how do you go about yourself appraising or understanding the talents of the people, the ranks of the people, such that you're gonna finally pick one person to be your next senior officer or a division president? What do you look for as you make a choice on who's going to be promoted?

Chanda Kochhar: So, one is, of course, we have a very formal process within the organization which is about talent search and leadership development. So we look at people's performance – or rather we look at people not just from the point of view of their performance in a particular year, but about the capabilities that we think they have, and actually then invest in developing those capabilities even more. So there's a full way of how we identify talent, how they then get identified as, you know, the A team, so to say. And then they go in more and more for leadership development programs. We give them then higher responsibilities at younger age, and that's how we build their leadership. But, as I said, that is the formal process.

But what I look at people, as I said, is a person who can, one, think strategically. And it's – you know, you may say you describe it, but that you think differently; you think of what's going to happen next and not just about what is happening currently. More important than that, I would also look at a person who is a good mix of both strategic thinking and execution, because generally what one finds in people is that either some of them are very, very good thinkers and they can really come up with great ideas and innovative thoughts, but are not very good at actually completing the tasks with your focus on execution. There are others who get so involved in the nitty-gritties of managing almost every dot on the sentence, that they actually get **no round** think broadly. So I think people who can do both, who can think innovatively, at the same time remember and make sure that execution is as important.

Mike Useem: And then, as you bring people into these most senior position, they really take on a vow, an obligation, to think about the company, the bank as a whole. So they might be running asset management, venture capital, retail banking, but at that very senior level, of

course you want them to think about the whole company, all the pieces fitting together.

Chanda Kochhar: Yes.

Mike Useem: And the same for the functional heads. The question is how do you mold your top 10 to 15 people, maybe even 20 – your most senior team – into a team?

Chanda Kochhar: So, again, I actually run two kinds of processes – and I'm calling them processes, but they are not very formal, but I still run them – is our kind of group executive meeting. So, on a frequent basis, almost once a quarter, all the heads of my companies – now I'm not even just talking of heads of businesses, but the senior team, which is about 20 people. Part of them are in the bank, but a part of them are in the other businesses, as you said. We just sit separately, sit together – I mean "separately" meaning separate from the regular work – sit together, just debate and discuss about certain ideas.

And in each one of those ideas, I encourage them to think of synergy. I encourage them to see what is it that we can do together. It's also about – sometimes it's about synergy. Sometimes it's just about copying the best practices. So, you know, there are so many great innovations and innovative practices that different companies of ours set up, and the objective of sitting together in those meetings is to say, "If this is an account opening process that is being done best in another company of ours, why would we, all of us, not adopt that kind of a process?" So I think just meeting together, sitting together, encouraging them to think of synergies, and encouraging them to actually implement whatever has been done best across the group. That's one way.

The second way – to add to that, actually – is the more formal method of actually having joint targets, whether you talk of within businesses or we talk of across our companies. There are many measureable targets which I set up which are joint, which then encourages people to work together. So, for instance, we have a life insurance company and we have the bank retail business. The life insurance company, of course, has its own budget and target and so on of how much business they're gonna do. But, within that, I say that an X percentage of your business has to come out of cross sell from the bank, the bank assurance. And that's the target that the bank team also carries. So it doesn't matter whether the insurance company performs fantastically well but does not get any business from the bank. You know, they still won't get their

full mark, so to say, unless they actually exploited the synergies and work _____.

Mike Useem:

It's really interesting on how you drive synergies. Let's think about the same question on how you drive strategic thinking within this top team. How do you push them to think strategically, which, in this particular case at least, means they gotta think about the entire enterprise, the whole bank, but well beyond that? So how do you ensure strategic thinking?

Chanda Kochhar:

So I think this has to be done more by the way you continuously interact with each of them. For instance, as I kept thinking that – or I noticed the last couple of years that India is changing. I mean the world is also changing, but India is changing and the Indian consumer is changing. The Indian consumer today lives around digitization, mobility, and social media. India is young, and the young consumers are really looking at doing not just banking but the entire gamut of financial services in a very different manner.

And I told this entire top team that I'm creating a group called youthization, which means that those – you know, it's going to be a set of very few people who are going to be less than 25 years of age, and they're going to look at each one of our businesses and each one of our products and each one of our services, and they're gonna tell me why is this that a 25-year-old should use that product of ours, because – and not just that – how can we make the 18-year-old think of this product of ours, because two years later it's that 18-year-old who's going to be our consumer. So you get these kind of parts.

And then, after that, it's not me who was to look at every such product and say what to change there. But you kind of roll this part out, you roll this team out, and then you, actually, see that your top leaders, sitting, interacting with those teams, and coming out with actually fantastic ideas and great, great products and great innovations. And it was arising out of that whole initiative of that kind that we came up with things like the mobile wallet that we have, which we were one of the first banks to launch it here in India. It's like a full digital bank within a bank. Or, you know, absolutely self-designed debit cards and so on and so forth. So I think it's just that you kind of throw in an idea, and you throw in some amount of capacity around it or facilitation around it, and then you see them actually evolving themselves and responding to it.

Mike Useem: Chanda, as the chief executive officer, you're also the chief strategy officer for the company. And looking a couple years out, what are a couple of the big challenges, the big strategic challenges that you're looking at and have to focus on next couple years ahead?

Chanda Kochhar: I think the first most important thing is the possibility of continuous technological disruptions. And while the disruptions could come at the back of technology, it just means that things would continue to change in the way you yourself have to do business. And I see that specially as most of our businesses actually in India – especially in a country like India – where our next set of consumers is going to be much younger. The people are living lives in a different manner and, therefore, technology is changing everything that we do. And the pace of change is becoming faster and faster. So I think that we'll continue to go through cycles where we will constantly keep disrupting our own business models and create new models.

And technology is going to be an enabler in this, but technology is also going to be a threat if you don't use technology to create new models. So I think, for me, the most important thing is, really, to see how technology is changing financial services, how technology is changing payments, and how fast can we use that as an opportunity to keep creating different products, different services, different experiences, so to say, for the consumer. I keep thinking about that all the time and, therefore, I keep looking at what other businesses are doing. You know, it may not just be finance, but what is everybody else doing at the back of technology and what they can do.

I think the second other strategic thing that's going to be is that the requirements, so to say, because of the environment are just increasing on you. I mean there's going to be an ever increasing requirement of capital when you are in banking. The regulations are becoming tighter and tighter. So I think you've got to keep doing your business in an environment that's going to become tighter and tighter. And, therefore, everything that you do should move around three points, so to say. One is profitability, the second is growth, and the third is risk management. So how do you continue to grow at the same time you remain profitable at the same time you measure the risks that you're taking? And keep moving on this triangular – keeping all these three in mind, and yet continuing to remain the leader is what the leaders will have to ensure.

Mike Useem: Terrific. Chanda's often said that if you don't have a strategy, you're not gonna lead people anywhere in particular. On the other hand, if you have a great strategy and you can't execute and you can't build around that and you can't lead, a company's going nowhere either. Thinking about your leadership of the bank the last four or five years, could you pick out a moment, a decision, an incident, that helps us understand what it means to be a strategic leader?

Chanda Kochhar: Well, I think I can pick out definitely a couple of incidents of this kind. The first one that I can think of is when I just took over as CEO. And at that time, in a way, we changed the whole direction of the organization. I realized, given at that time what the world was going through, what financial services sector was going through, and what our own composition internally was, that we had to really de-grow the balance sheet. We had to actually rebalance our asset mix. We had to entirely rebalance the liabilities mix. And, therefore, we had to actually take some very sharp and hard decisions in cutting some lines of businesses and contracting the size of the balance sheet.

It was a very difficult decision, specially for an organization that had been identified with rapid growth all the time. But I knew that that decision was required to be taken for creating, actually, a even sound foundation for the next round of growth. So I think that, at that time, turned out to be, in a way, not a very easy thing to implement, but I think it turned out to be the best thing, in hindsight, to have been done because after having rebalanced our asset mix and liabilities mix and so on and so forth, in the last five years we've doubled our return on asset, doubled our return on equity and, of course, got back on the growth path. So, one is something like this, which was not very pleasant but definitely required.

The other example I could give you is about the good things that are happening constantly, which is, in a way, as I said, youthization. I mean something that's – as I see that technology continues to change the way our consumers live, as I say, let's look at everything from a young consumer's mindset and say that each one of my service would be something that the young consumer would want to crave for; and, therefore, just creating this buzz about technology and youthization.

I **enumerated** to you a few products and services that we came out with because of that, but it was not just that. I think, strategically, what it did to the organization was got everybody to think that

way, got everybody to think technology, got everybody to think young, got everybody to think that our next round of consumers is not just those which exist on our balance sheet today, but those who are moving from the 13-year age group to 15-year age group to 18-year age group, who are very soon going to be our consumers.

Mike Useem: Chanda Kochhar, CEO of ICICI Bank, thank you for joining us today. We appreciate your commentary.

Chanda Kochhar: Thank you.

Mike Useem: Great. Thank you.

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