

# United Bank of India: Present Fiasco and Future Plans

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by Ching-Shiuan JIANG, Jacqueline CHOI, Valerio DI GIAMMATTEO

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# Nayak



1. Abrupt resignation w/o smooth transition
2. Successor should come from **insider** i/o outsider  
"People who built the bank should take leadership"
3. Reluctance to advanced succession planning
4. Disagreement over splitting CMD post
5. Banking acumen & leadership vs rigid & autocratic
6. No job rotation

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# Sharma



- 28 years at ICICI Group - largest private bank institution in India
- At ICICI credited for : managerial, leadership, and people skills
- Last experience in ICICI Prudential Life Insurance
- According to Nayak: no relevant experience in banking, she lost race for CEO at ICICI Group
- 2009 appointed CEO and MD of Axis Bank
- Challenges: how to build trust after the succession drama, different culture between ICICI Group (growth based on acquisitions, aggressive) and Axis Bank (sedate, no acquisitions)

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# Reserve Bank of India (RBI)

- Directive (2004 - 2007) to separate the CMD post to ensure better governance
- "Let the show go": opening India to foreign banks
- No succession plan in place: RBI approves extension of Nayak mandate



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# Axis Bank's Board



1. Tried to split the posts of CEO and Managing Director
2. Appointed nomination committee
3. In support of Sharma, the incumbent CMD

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# Other candidates (EDs)

1. Agarwal: international banking, finance and accounts, corporate banking
2. Ramani: IT, operations, compliance
3. Chakrabarti: mid-corporate and SME banking
4. Kaul: retail banking



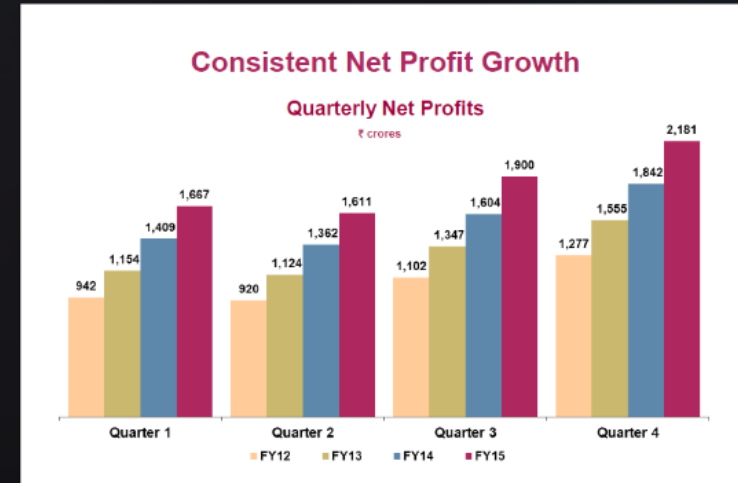
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	Insider	Outsider
Succession Planning	<p>Strengths</p> <ul style="list-style-type: none"> <li>▪ Predictable for the shareholder</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>▪ disincentivize internal (especially senior) personnel</li> <li>▪ potentially fraction creating</li> </ul>	<p>Strengths</p> <ul style="list-style-type: none"> <li>▪ innovation from diverse point of view</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>▪ disincentivize internal (especially senior) personnel</li> <li>▪ possible exodus of senior management</li> </ul>
No succession planning	<p>Strengths</p> <ul style="list-style-type: none"> <li>▪ incentivize internal personnel</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>▪ potentially fraction creating</li> <li>▪ corporate instability</li> <li>▪ negative stock market reaction</li> </ul>	<p>Strengths</p> <ul style="list-style-type: none"> <li>▪ opportunity for revolution</li> <li>▪ no emotional string attached</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>▪ corporate instability</li> <li>▪ negative stock market reaction</li> <li>▪ possible exodus of senior management</li> </ul>

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# Sharma and Axis Bank today



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*...Nayak: Country Head of Morgan Stanley until 2013, since then chairman of the Committee to Review the Governance of Boards of Banks in India*