

insights



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BCP - a bank as competitive as Microsoft

Who would have thought that a Portuguese bank would be rated the sixth most competitive business in the world - jointly with Microsoft? A recent Financial Times survey, carried out by the business school INSEAD, came to just this conclusion.

European MD, Joe Liddane explores what makes a world-class bank tick.



Seven habits of a highly effective bank

Joao-Paolo Feijoo is HR Director of Banco Comercial Portugues, the bank rated in the survey as the most competitive bank in the world and the sixth best company of any sort. It ranks equal with Microsoft and well ahead of Citigroup, UBS and Barclays. He identifies seven key habits that have helped BCP to

grow significantly from start-up in post-Salazar Portugal to a group which, in recent years, has achieved a consistent ROE in excess of 25% across 20 countries. Growth in cross sales has also been consistently above the industry best performance (Fig 1. opposite). The habits revolve around strategy and people:



“Going to the Board with an idea does not scare people; it's seen as helpful.”



Strategic habits

1. Fit strategy to your situation. Successful strategies are never generic. They always grow directly and specifically out of a business's current position and strengths. BCP was too small to take on the giant banks or the largest markets. But its model had worked well in Portugal. So it has grown revenues and won economies of scale by using modest acquisitions and joint ventures to move into markets around the fringes of Europe - in Poland, Greece, Turkey and half-a-dozen other countries.

2. Lead from the front. “We don't do much participative decision-making on strategy,” says Joao-Paolo. “It's not a bottom-up process; ideas emerge out of the full picture the Board sees. But we do tell everyone what

the strategy is. So I always know whether my ideas fit the overall direction and therefore whether I can justify them and get backing for them.”

3. Focus on execution. “All our brands share a common back office, but we allow the various brands to compete with each other in the front office.” The bank's directors are very hands-on, too. “They all work very hard. But basically it's a listening and co-ordinating role. It's where all the information comes together. Going to the Board with an idea doesn't scare people; it's seen as helpful. Sure, the directors ask tough questions. But once you get through their scrutiny, you know you have all the support you need to make things happen.”



People habits

4. Trust the line. “We have unified people-management processes, for appraisal and so on, throughout the group. But we believe that people have to be managed by their line managers directly. Since you have to manage people as individuals, you can't do it centrally. You have to do it from the front line, and you have to trust

line managers to do it. Sometimes A and B, getting the same performance rating for the same job, will get different rewards. It looks inconsistent, but I don't know whether the local manager knows something I don't. We set boundaries centrally of course. But small inconsistencies we live with.”

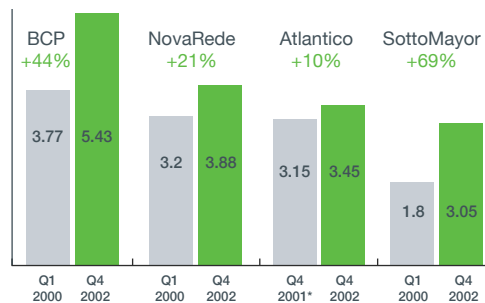
5. Share your thinking. Twice a year, managers are brought together for an in-depth debate with the Board. In addition, all staff - new hires and those brought in as a result of acquisitions and joint ventures - go on a two-week induction programme. Last year, 5,000 people went through the programme in 200 groups. The bank's high-profile chairman and chief executive, Jardim Goncalves, spent at least two hours with every group. No exceptions.

"It makes an enormous difference," Joao-Paolo argues. "When Jardim articulates to the groups where we're going as a bank and what our guiding values are, it blocks completely any possibility that line managers anywhere will not follow the policy. They can't ignore the values because their own staff, including the newest recruits, won't let them."

6. Plan spiral careers. "We believe people need to move sideways every few years to justify an upward move. If you've only been in the front office, you shouldn't be put in charge of several branches without having had a stint in the back office as well. We develop what we call '*organisational empathy*'. In the past four years, 87% of our people have changed role, 78% have changed level. Anyone who hasn't moved in six years gets looked at individually by a committee of department heads and the CEO."

The bank supports career development with an internal cable TV link across the group. Training sessions, along with staff and product news, go out 3-4 times a day and are seen in 70% of the branches. They're all done to a professional broadcast standard, and people can - and do - also watch them at home.

Fig 1. Growth in cross sales in BCP Group companies. (products per customer)



7. Involve the staff. "Our branch staff are our best ambassadors and recruiters, and we make a point of hiring bright and lively people. So we encourage staff to introduce friends and sometimes relatives. As a result, we've never placed a job ad. We've never needed to, because we get spontaneous approaches from about 120 candidates a day. All staff also have a share-price ticker on their screens - and 80% own shares in the bank."

Internally, communication is fast and free of spin. "Once a week we do a live broadcast on our TV link, often with a director, where we talk about hot topics. For instance, when our share price fell sharply last autumn, we had the deputy chairman explaining the background to staff within a day. So staff could handle questions from customers knowledgeably and confidently. These broadcasts are very interactive; any staff member can ask questions by phone or video conferencing to the studio."

"We don't try to hide our shortcomings from staff or customers. The bank sometimes makes mistakes - our insurance exposure to equities through Eureko, for instance, and our investment in 3G mobiles. But we keep trying. And we don't believe we have a monopoly on good ideas. For example, our current performance measure - based on new business and value added, not revenue - comes from Greece."

"The seven habits add up to a powerful competitive edge," Joao-Paolo Feijoo argues. "It's a cliché," he says, "for organisations to mutter about their greatest asset. The difference is we believe it all the way to the Board. And we act on it and put money behind it."

He adds: "Building such an edge involves a long haul, not a quick fix. If that were not so, everybody would copy it and it would cease to be a competitive edge. It's often also about an accumulation of small changes, not a single leap."

"We develop what we call '*organisational empathy*'. In the past four years, 87% of our people have changed role, 78% have changed level."

"We decided by the early 1990s to compete not on price but on having a clear strategy and superior operational quality. We've focused on that and our people ever since."

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- Designing sales processes
- Improving operational efficiency and effectiveness
- Choreographing the customer experience
- Migrating transactions
- Improving sales productivity of small business banking
- Recognising lifestyle tribes

Authors



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