An Application of Competencies Management in the Banking Sector

Gregory P. Prastacos
Athens University of Economics & Business
The “MEGATRENDS” of our times

- Network Economy
- Globalisation and Deregulation
- Penetration of ICT Technologies
- Increase of the Competition
- Mergers & Acquisitions
- Customer Focus
- CHANGES — “Permanent” crises?
What is the impact to management?

**Importance of DECISION MAKING**
(fast, efficient, changing)

Need to be flexible & entrepreneurial

We are overflowed with data
(internal, external, official, unofficial,...)

Need also to manage the RISK

**Importance of INNOVATION**

Need to take data in account!

Need to understand TECHNOLOGY
(for decision making & operations efficiency)

**Customer Relations are VERY important**

Relations with co-employees are also important

**Importance of COMMUNICATION, and LEADERSHIP**

Customer Relations are VERY important

Relations with co-employees are also important

Importance of COMMUNICATION, and LEADERSHIP
New Competencies are needed

- In addition to hard knowledge, “human competencies” are needed (e.g. communication, leadership, ...)
- These competencies could change, depending on the strategy, and the market needs
- In fact, we look at employees as a “mix of competencies, dynamically changing”
Rising importance of Human Capital

- Human Capital becomes a very valuable resource, that needs special attention to be managed
- Competencies management is a key methodology to manage the human resources of an organization
What is a Competency?

- A job-related competency is a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviours, as well as collective team, process, and organisational capabilities, that are linked to high performance, and provide the organisation with sustainable competitive advantage

- Athey & Orth (1999)
How do you implement Competency-based Management?

- The competency approach to management is based on identifying, defining and measuring individual differences in terms of specific work-related constructs, especially the abilities that are critical to successful job performance.
- Need a COMPETENCY FRAMEWORK to proceed.
- Application in one of the largest banks in Greece.
Basic Principles (1)

- A Competency framework is a template, indicating (in a hierarchical tree structure) the generic competencies, called **competency areas**, with each competency area to be composed of not more than 4-5 competencies, called **competency clusters**, that would hold for every position in the bank’s network.

- The competency framework should take in consideration, not only the bank’s job descriptions, but also best practices and recent trends in the banking sector, as well as the bank’s own strategy, so as to guarantee the relevance and “survival” of the framework.
Basic Principles (2)

- For every position in the network, a competency would then develop to a *competency profile*, that would indicate the detailed job-related competency characteristics, specific for that position in the organisational structure of the bank.

- Functional as well as behavioural characteristics of the job would be taken into account, referring to both knowledge- and skill- based competencies, as well as *behavioural ones* that should characterise the job-holder.
Competency Development Overview

Competencies Generated from Core Competencies in Leading Banks

Competencies Generated from Current and Future Trends in the Banking Sector

Competencies Generated from the Bank's Strategy

Synthetic List of Competencies

Creation of Groups of Competencies from the Synthetic List
Competency Development Process

- From Best Practice
- From Sector & Market trends
- From the Strategy of the organization

- From job Descriptions
An Example

1. Competency Areas
   1. Interpersonal Excellence
   2. Management of Resources & Projects
   3. ......

2. Cluster of competencies for Interpersonal Excellence
   1. Development of Customer Relations
   2. Management of Change
   3. ......

3. Competencies related to Customer Development relations for the Branch Manager
   1. Maintains social relations with large customers
   2. Negotiates successfully big business deals
Competency Areas identified

- Interpersonal Excellence
- Projects & Operations Management
- Decision Making
- Sales Management
- People Management
## Competency Profile: An Example

<table>
<thead>
<tr>
<th>COMPETENCY AREA 1: INTERPERSONAL EXCELLENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPETENCY CLUSTER 1.1: INTERPERSONAL COMMUNICATION</td>
</tr>
<tr>
<td>Competency Profile for Branch Manager</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Functional Characteristics</th>
<th>Development of public relations; Responsibility of bank’s promotion in the local market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Develops collaboration with colleagues and subordinates and ensures timely and accurate information and knowledge sharing</td>
</tr>
<tr>
<td></td>
<td>Uses appropriate communication channels</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Behavioural Characteristics</th>
<th>Creates a climate of trust</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Can cope with the unexpected</td>
</tr>
<tr>
<td></td>
<td>Deals with conflicts</td>
</tr>
<tr>
<td></td>
<td>Appreciates diversity</td>
</tr>
</tbody>
</table>
Implementation Experience

- Complete Framework developed & implemented for entire network
- Currently changing the HR processes (selection, recruitment, training, performance appraisal) to adopt to the competency approach
- Has impacted the interaction between branches and headquarters
- Has impacted the day-to-day operations
- Instilling a culture of transparency, thus significantly motivating the human capital of the bank