



EMCC company network

Case example of the Bank of Cyprus Public Company Ltd.

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European Monitoring Centre on Change

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Company background

The **Bank of Cyprus Public Company Ltd.** was founded in 1899 and is the holding company of the Bank of Cyprus Group. The Bank is the leading financial services organisation in Cyprus and operates 115 branches in Greece. It is also well established in the United Kingdom, where it operates six branches. The Group's international activities were extended in 2000 with the opening of a wholly owned subsidiary bank in Australia, which operates ten branches. The bank also has representative offices in the USA, Canada, South Africa, Russia and Romania. It offers a wide range of financial products and services, including financing, leasing, factoring, brokerage, fund management, general and life insurance. It employed 6,100 staff worldwide in August 2006, most of whom were white-collar workers.

In 2000 the bank experienced a crisis of profitability in Cyprus, stopped hiring new staff and set a major restructuring process in motion. This has been successful and by 2006, the share value had doubled and the bank was back in profit and able once more to start rehiring staff. This restructuring formed part of a larger change in the bank's orientation that had begun three or four years earlier. This change involved a shift from a more generalised approach to a more focused customer-orientated strategy. To enable their needs to be targeted more precisely, customers have been divided up into three distinct categories: retail customers, small and medium sized enterprises (SMEs) and corporate customers. All the bank's operations have been redesigned to accommodate the demands of these three different types of customer.

The Bank of Cyprus as a lifetime employer

Staff turnover

The economic structure of Cyprus is dominated by SMEs which typically offer rather poor working conditions. This makes the public sector and banks very attractive as employers, since they offer much better wages and working conditions to Cypriot employees. As a result of past collective bargaining, the bank provides its employees with good working hours and an interesting benefit structure. For this reason it is usually seen as a lifetime employer. As a consequence, the Bank of Cyprus has put considerable effort into the development of a human resources policy to manage career development issues.

Holding this position as a lifetime employer gives the Bank the advantage that it need not fear losing its skilled employees to a rival employer. It does, however, present it with the problem that its employees have little incentive to move. This reduces turnover to an absolute minimum, with employees only leaving for retirement or – very rarely – as a result of dismissal due to poor performance or a misdemeanour.

Recruitment and selection

The bank transformed its personnel strategy during the late 1980s and early 1990s, shifting from a traditional personnel department to a modern competency-based human resources management approach. After carrying out a detailed study of the occupational structure within the company, it came up with a list of competences that are necessary for an employee to be successful, such as analysis and problem solving, organisational skills, interpersonal skills, leadership, customer care, teamwork, etc. These competences now form the basis of its human resources development strategy.

The implementation of the strategy starts when employees first enter the company, with the selection and recruitment procedure. The pre-defined competences are used as the basis for selection. Two groups are recruited: first degree holders (with a high school leaving diploma) and master degree holders. Each group is given its own specific training programme in the company. Most recruitment is at the entry level, in accordance with an agreement with the trade unions which wish to protect the career progression of their members. As a result, the Bank of Cyprus has developed a very carefully thought out and advanced recruitment and selection model in order to ensure that it only hires people who have the capability and the potential to progress within the company.

The recruitment and selection procedure for clerical staff (first degree holders) starts with tests to check their analytical and problem-solving skills. In a second phase recruits are given a structured interview to examine their other key competences. There is a more rigorous procedure for master degree holders, with a stronger emphasis on leadership and self development skills. For this, applicants are brought into an assessment centre for a whole day session, during which they undergo group and team exercises, one-to-one role-play, aptitude tests, and a structured interview.

Corporate mobility and competence development policy: a flexicurity approach

Lifetime employment in the Bank of Cyprus results in considerable mobility within the group in each country. The policy is that senior managers should change jobs every four to five years in order to guarantee career progression within the group either vertically or horizontally. This creates what is in effect a policy of ‘flexicurity’ within the company: guaranteed employment (security) can be given to employees if they are internally mobile (flexibility).

This need for internal mobility is the most important reason for the bank’s sophisticated human resources system. Within the human resources division structure the four regional personnel managers (each responsible for one geographical area) work very closely with the regional managers and the bank’s staff. Their job is to apply the human resources systems and make sure that they are implemented properly (for instance to make sure that performance appraisals and promotions are carried out correctly, that employees’ wishes are taken into account and that regional managers receive appropriate advice on personnel decisions). The regional personnel managers have direct contact with line managers in order to ensure that the employees’ wishes are also fed upwards to higher management levels, in a two-way communication process.

This policy enables both vertical and horizontal mobility. The vertical path allows first degree recruits to progress from tellers to banking or lending officers and finally to business centre officers (serving SMEs), corporate officers or managers. The master degree recruits are screened more carefully. They enter directly as lending officers and after that have the possibility to become managers of branches or small business or corporate business centres. This structure creates the possibility for internal promotion for all employees.

Employees who do not obtain vertical promotion can be transferred horizontally. This might take the form of moving from one branch to another one closer to the family residence, or from a smaller to a larger branch, or from a branch to a business centres. This creates new kinds of motivation and enlarges their experience. This type of internal mobility is seen as a means to enhance the personal development of employees.

Most geographical internal mobility is within a country or region. The bank does have an expatriate policy for employees who are transferred to another country for over six months. They receive an allowance which depends on the country they move to plus travelling allowances whilst retaining all the benefits provided in the mother country. However, this policy is very rarely applied because of the high costs of moving people internationally.

Lifelong Learning at The Bank of Cyprus

Training and skills development: a constant requirement

In addition to its goal of facilitating lifetime employment, the Bank of Cyprus’s mobility policy aims to give its employees a wide range of experience across the different domains of the banking sector, in the awareness that job changes make employees more valuable to the company by enhancing their knowledge and experience. To realise this internal mobility, the Bank has to train its employees on a continuous basis. In practice this means that all employees have an individual development plan defined through their performance appraisal.

The training thus has two dimensions: the company's desire to invest in training and skills development to meet its direct needs, and the individual's personal needs and wishes. To meet these twin needs, the Bank offers internal seminars to develop particular competencies, for instance on organisation and planning skills, analysis and problem solving, team work, stress management, and the development of personal self-confidence, in response both to personal needs and to new developments within the company or sector.

Organisation of training at The Bank of Cyprus

As already noted, the Bank of Cyprus only recruits at the entry level. This means that the bank has to train its employees itself. For this purpose, it has set up its own training and development department so that it can tailor its education programmes to its own needs. The training programmes use a variety of methods. Formal methods include technical seminars and competency-based seminars. Less formal ones include on-the-job training and action learning. Action learning and e-learning are used especially for retraining employees. Although managers support the attendance of their staff at seminars, on-the-job training remains the most important way to develop the basic skills that are necessary for jobs at the bank.

To offer its employees a made-to-measure training programme, the training and development department collects information on all training needs as identified in employees' development plans and uses this as the basis for organising the training courses. This leads to a typical training, skills development and career path for the two groups of employees as follows.

First degree holders are recruited as clerical staff. Their longer term progression is mostly based on skills acquired through a system of on-the-job training. For example tellers (or cashiers) are first inducted into the company through an orientation seminar. They are then placed in one branch for a month, in order to get acquainted with the different aspects of the teller's work on the job. After this introduction, they attend a three-week training course at the training centre, known as the 'multifunctional teller's programme' where the whole spectrum of the teller's work is taught. In the next step, the new recruits work as tellers for four or five years. During this period they attend seminars on a variety of banking issues to keep abreast of new developments. After gaining these five years' experience, tellers can be promoted to lending, bank or credit officers if there are job openings. When appointed to these posts, they are trained on the job again by their supervisors and attend further seminars on lending.

The second, much smaller, group comprises those with a master degree. Under a fast-track career scheme, these employees become lending officers as soon as they are appointed. They undergo a rigorous training programme for six months and are placed in a variety of different departments so that they become familiar with the whole range of work at the bank. They thus receive a combination of on-the-job training and attendance at technical seminars related to the different categories of work in the bank. After this period they are placed in positions as lending officers. Thereafter, their advancement to managerial posts depends on their potential and performance rather than their formal qualifications. Employees with lower degrees are expected to compete with those with a master degree, but they might have equal promotion chances.

In order to screen and train its staff when they are due for promotion, the Bank of Cyprus uses a promotional centre, which is a kind of assessment centre. Staff from the training department who are involved with the employees' competence training ask their managers to send a number of employees forward for testing. Those considered most suitable at that time attend the promotional centre for these tests. There, they undergo group and team exercises, one-to-one role-playing and aptitude and ability tests at a higher level than in the normal competency training so that the trainers can assess their potential (for example to be a good team leader). Those who pass the promotional centre tests are allowed to go forward to managerial positions when suitable openings become available. Those who fail go on to attend further seminars. They are given a revised development plan including a coaching plan which is incorporated into their

performance appraisals. They are also assigned to attend further competence seminars. After three or four years they can attend the promotional centre again for another try.

As part of the mobility strategy, training and skills development are a constant need both to meet the organisation's needs and for the personal development of its employees. However they are by no means uniform either in their content or their outcomes. Both the career path and the personal development plan can be different for each employee. Although technical seminars are the same for all types of employees regardless of age, in the competency-based areas, the seminars are tailored for the needs of particular groups of users and differ according to the employees' performance appraisals and test results.

The average number of annual training days per employee is the subject of collective agreements. In 2003 it averaged 4.3 days per employee whilst in 2005 it fell to 2.3 days per employee per year. Under the most recent collective agreement it has been agreed with the union that every employee should be trained for an average of twelve hours a year (the equivalent of two days). In the past, the agreement also stipulated that employees must work in the afternoon one day a week except during the hot summer months of July and August. In the new collective agreement it has also been agreed that there will be no afternoon working in September either. These twelve hours have instead been allocated for staff training and development.

Recognition of acquired skills

Although there is no formal certification of skills within the company, the considerable career opportunities that employees have can be seen as a recognition of the skills and knowledge they have acquired. Once a year there is a round of promotion within the Bank. The numbers of promotions are determined according to the vacancies that have arisen through growth or retirement and in agreement with the trade unions. It is open to managers to make suggestions for promotions. This promotion system works well in times of expansion. In less prosperous times, as in the past five years, it can become problematic because of the dearth of senior vacancies into which to promote people. To address this problem, the Bank of Cyprus has introduced a generous early retirement scheme with the co-operation of the Union. During the lean period this was buttressed by a four-year block on recruitment.

Two external training programmes leading to professional qualifications are available in the banking sector that are appropriate for Bank of Cyprus staff, one British and one American. These programmes do not cover the specific work carried out within any particular bank, but provide employees with generic skills and a more general overview of work in banking. The Bank encourages its employees to attend these seminars which lead to generally recognised certificates.