

CAREER MANAGEMENT IN THE EUROPEAN BANKING SYSTEM

Iuga I.*

Abstract: Career management enjoys a special attention within every bank. The scope of this paper consists of analyzing the number of bank employees, branches and the bank return on assets, in European countries in the period 2006-2011. In order to perform this analysis, we collected official data from Eurostat, The Romanian National Institute of Statistics and The Central European Bank. The objectives of this research cover an analysis of the three indicators for 27 European countries, including Romania. We compared and analyzed the indicators obtained by Romania with those of other countries. The expected results reside in establishing a relation between bank profitability, number of branches and the number of employees in the banking system. This relation and its intensity will be established by calculating and analyzing the correlation coefficient.

Key words: bank personnel, correlation, bank return on assets, number of branches of credit institutions, evolution, analysis

Introduction

Banks are interested in offering quality services and in obtaining the best results on the banking market and this can be achieved only through quality, competitive personnel. For this reason, banks try to attract customer-oriented employees, who are able to meet the needs of their clients. Bank profitability depends on the number of employees, their level of training, their communication skills and the employees rotation speed. Elaine Wallace [5], Leslie de Chernatony and Isabel Buil (2013) claim that front line employees are critical to service brand success, as their performance brings brand promises to life. Banking employees, like others, must remain committed to their employers, to live the brand, particularly during periods of economic uncertainty and customer frustration. Shams Pathan [2], Robert Faff (2013) indicate that board structure is particularly relevant for banks with low market power, if they are immune to the threat of external takeover and/or they are small. Gillian Maxwell (2009) analyzes how formal mentoring programs may enhance female mentees' career development, particularly in a case study of a major high street bank [1]. Eugenia Petridou [3], Niki Glaveli (2003) state in their paper that the next challenge for the bank is to realize that the formation of a long-term development strategy and its integration with wider human resources management policies are a priority.

With a view to perfecting the training operation and in order to accompany the plan to open new branches, certain banks have decided to invest in creating a Training Agency. The preparation within the training agency represents a complete training program which offers education in: bank commercial offer, computer

* **Iuga Iulia**, Assoc. Professor PH.D., "1 Decembrie 1918" University of Alba Iulia, Faculty of Science ✉ corresponding author: iuga_iulia@yahoo.com

procedures and programs as well as customer relationship and sales techniques. At the end of these stages, the students simulate for a few days the entire range of common bank operations. Thus, they have the chance of practicing the previously acquired knowledge. The role-plays are filmed, commented and corrected with the trainer. The most sought for skills are those related to: sales, negotiation, communication and relationship skills with the coworkers. The most important factors in hiring personnel are: 1. strong desire of affirmation and the ability to take certain risks. (Foreign languages and projects developed in college/collaborations with various companies handled during college represent great advantages in successfully passing the selection process.); 2. the profile of a possible bank employee combines three central elements: attitude, skills and knowledge. The proportion in which each of these elements is found in the profile of the ideal candidate differs depending on the specific of a certain activity. Thus, for *entry level positions* an adequate attitude and a potential for developing aptitudes and knowledge are sought for. For *leading positions* or for positions with a higher risk involved all three elements are equally important; 3. the integrity of the future employee, given the confidentiality and the risks involved in bank activities; 4. an orientation towards quality completes the profile of a possible bank employee, because high performance can be obtained only by taking into consideration all the aspects involved in an activity (the most sought for are the persons who promote values and organizational and social rules within their activities with a view to obtaining a quality business for the bank, as well as for the clients); 5. the motivation of the future employee. Motivation is a good indicator for obtaining work satisfaction, and the best employees are those who find personal satisfaction in work-related activities and duties; 6. the potential for development and adaptation to a permanently changing market (the bank seeks to identify both commercial and communication skills, as well as team work abilities); 7. very good computer skills, at least a foreign language preferably English, communication skills, analytical skill, objectivity and a friendly attitude towards the clients enthusiasm, entrepreneurship and sometimes, professional experience.

Career start... The young graduates usually start from a position of marketing assistant. The first promotion they receive is that of junior manager in customer relationship, an intermediary step to senior manager in customer relationship. Once promoted in these positions, bank employees can assume leading positions in their respective departments, or even in the hierarchy of the institution. For every employee with potential in a bank a professional track is conceived to accompany their development. All the banks have developed programs to identify beginner employees with a high potential, those who are very interested, ambitious and gifted, who could later on be included in a career development coordinated program. There are also highly experienced bankers who are recruited through specialized agencies. The banks work with such head-hunting agencies and thus, the best bankers in the system are recruited and transferred.

Research methodology: The research methodology used to develop this article consists in the analysis and systematization of the specialized literature in the field. The data regarding the two sets of correlations were collected from the site [7] of the European Central Bank (2006-2011). In order to achieve our objectives, we used, for the purposes of this article, the following techniques: qualitative analysis and the comparative method (a method which aims at obtaining perceptible differences in the evolution of the three indicators within EU member states), documentation. The article starts with graphical representations of the three factors: number of branches of credit institutions, number of employees and return on assets. The graphical representations describe Romania and other EU members. Then we present an analysis of the correlation coefficient. The conclusions are presented in the final section.

Study of the analysis on the correlation between the number of branches of credit institutions, the number of employees in the banking system and the return on assets.

According to the data provided by the European Central Bank and the International Monetary Fund, credit institutions personnel has grown terribly by 2008, in all EU member states reaching an approximate 250,000 employees. The world financial crisis visibly affected the banking system. Banks began to narrow their activities immediately after the crisis started, and as a result they reported a drop in the number of employees by 7% in 2011 as compared to 2008 (Figure 1).

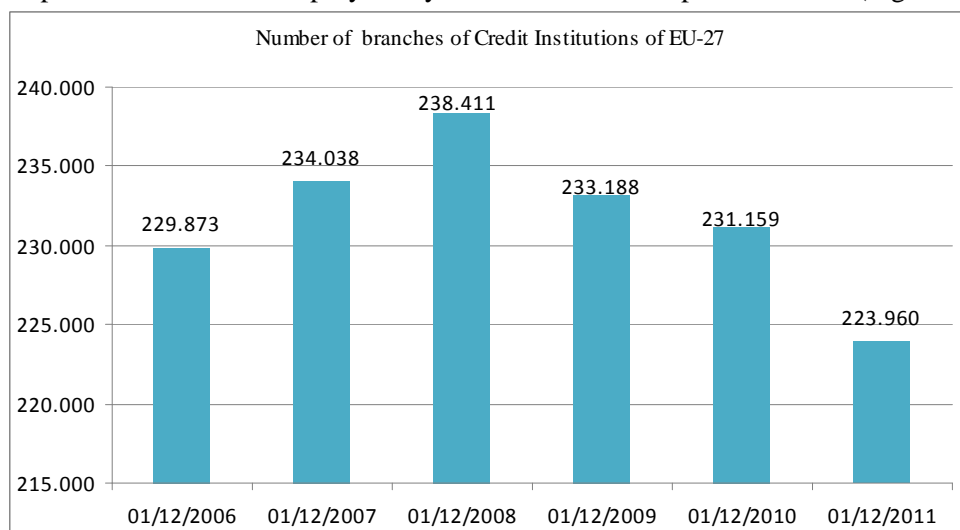


Figure 1. Number of branches of Credit Institutions in EU -27

Source: personal processing of data collected from the European Central Bank statistics

We can notice in Figure 2 that only five countries reported an increase in the number of branches in 2011 as compared to 2008: Austria, The Czech Republic,

Ireland, Poland and Sweden. As for the rest of the countries, the banks restricted their activity by dissolving certain branches (most probably those which reported losses in their activity) being pressured by the idea of profitability.

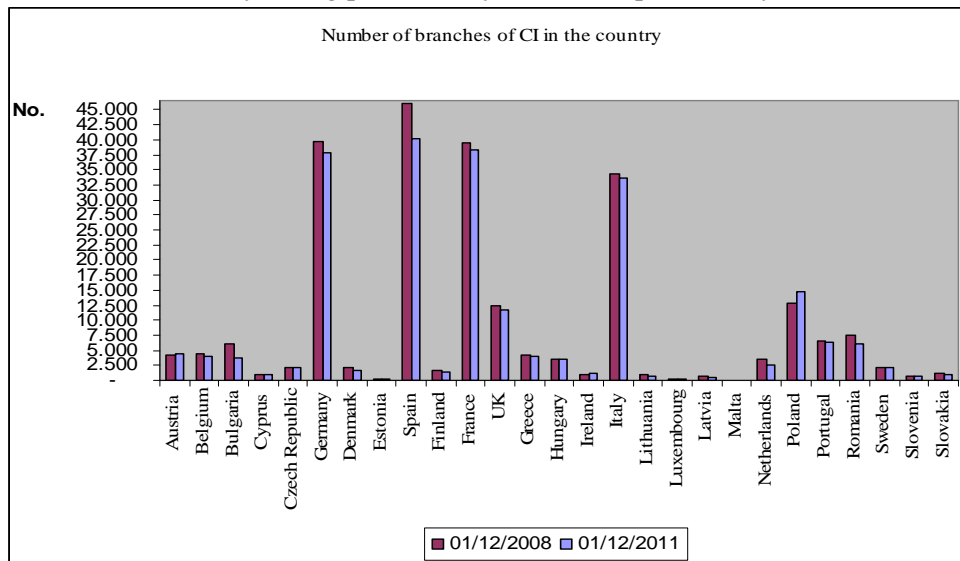


Figure 2. Number of branches of Credit Institutions in EU countries

Source: personal processing of data collected from the European Central Bank statistics

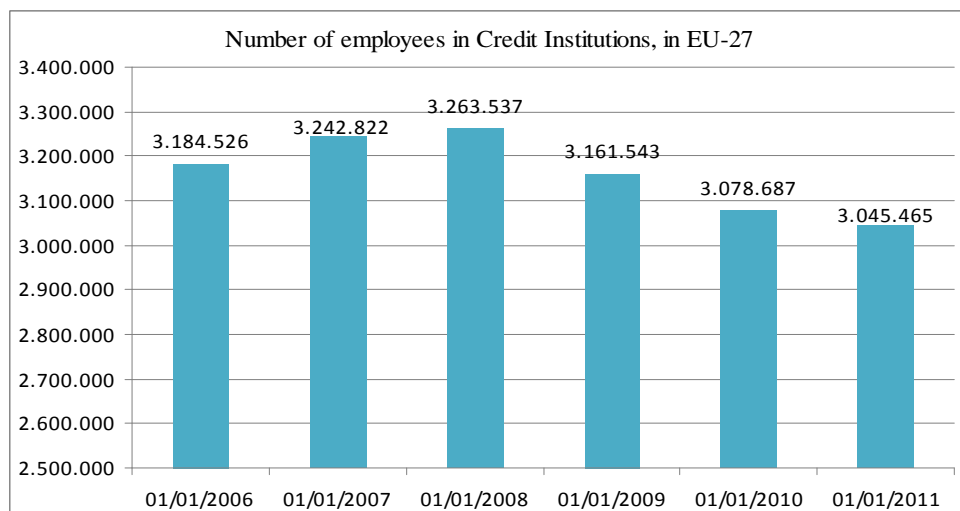


Figure 3. Number of employees in Credit Institutions in EU - 27

Source: personal processing of data collected from the European Central Bank statistics

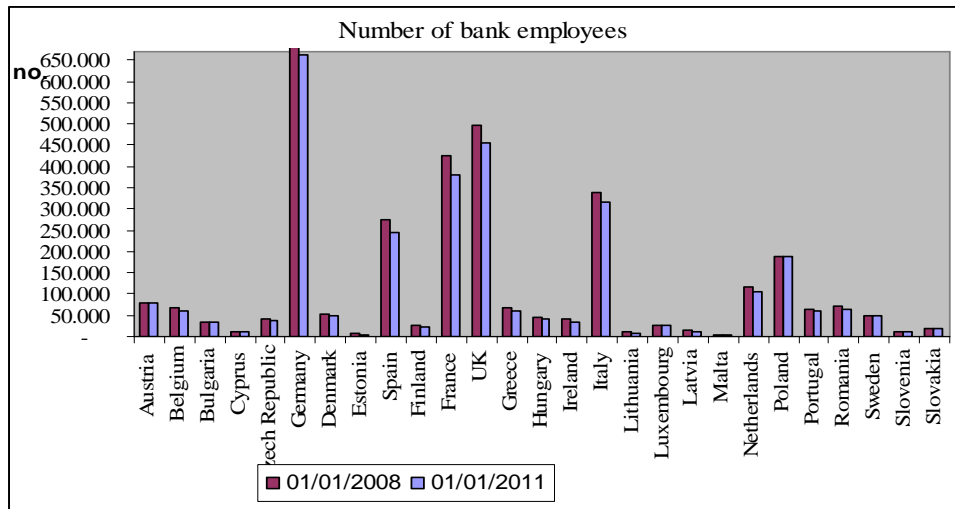


Figure 4. Number of bank employees in EU countries

Source: personal processing of data collected from the European Central Bank statistics

Figures 3 and 4 indicate that for the analyzed period of time (2006-2011), in 2011 the smallest number of bank employees in all EU countries was reported. If we considered each country individually, we would come to the conclusion that only a number of three countries have reported increases in the number of bank employees in 2011 as compared to 2008: Bulgaria, Cyprus and Malta. The rest of the countries have reported drops in the number of employees.

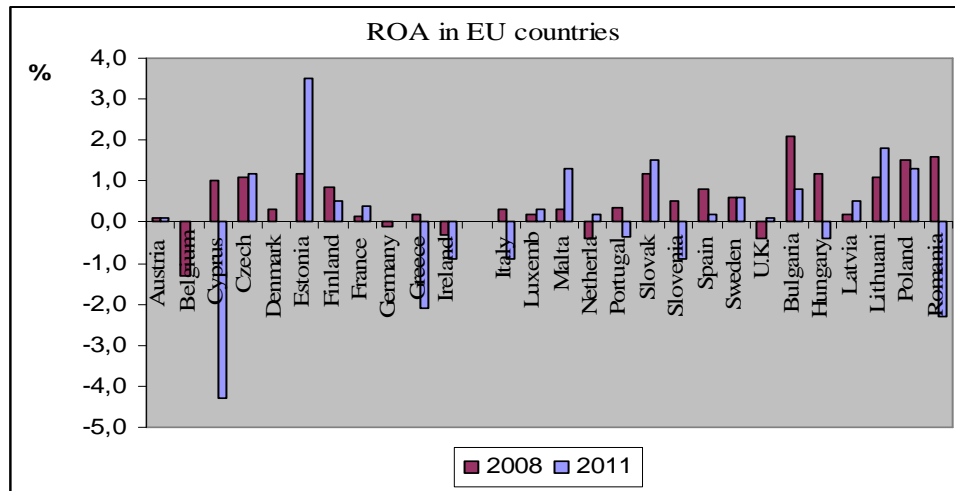


Figure 5. Return on Assets in EU countries

Source: personal processing of data collected from the European Central Bank statistics

Figure 5 reflects the evolution of bank return on assets in 2011 as compared to 2008. In 2011 as compared to 2008 we notice an increase in bank

return on assets in 10 countries: Belgium, Estonia, France, Luxemburg, Malta Holland, Slovakia, UK, Latvia and Lithuania. The other 17 countries have reported decreases with respect to this indicator. The most spectacular increase was reported in Estonia and the biggest drop in this indicator was reported in Cyprus (a decrease by 5.3%).

The last part of this paper establishes the relation between the ROA index and two other indicators: the number of branches and the number of employees in the banking system. We want to study the relation between these indicators which have a significant impact over the activity of a bank with the help of the correlation coefficient.

We will calculate the correlation between ROA and the above-mentioned indicators for each analyzed year (2008-2011) and we will also analyze the intensity of the relation between these indicators. The study is based on data from the period 2008 –2011 in all EU member states and we turned to statistics for their interpretation, which allowed for a calculation of the correlation coefficient for the two variables: the independent variable (Number of branches of Credit Institutions in EU -27/ Number of bank employees in EU countries), and the dependent variable – ROA. In the case of the EU countries, during 2008-2011, we would obtain the following Person’s correlation coefficient between Number of branches of Credit Institutions in EU -27/ Number of bank employees in EU countries), and ROA.

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}} \quad (1)$$

In the table below we will calculate two correlation coefficients like so:

C1: the correlation coefficient between the Number of branches of Credit Institutions in EU -27 and Return on Assets

C2: Number of bank employees in EU countries and Return on Assets

Table 1: Correlation coefficients

C1	C2
-0.112	-0.078

We wish to find out which of the two indicators influences more aggressively the ROA index. We mention that the correlation coefficients were computed for the entire analyzed period (2008-2011).

According to Table 1, the correlation coefficients **C1** and **C2** reported negative values below 0.5. This means that neither of the two indicators (Number of branches of Credit Institutions; Number of bank employees) influences aggressively the ROA index. Since the results of the correlations are negative, we can conclude that there are in fact inverse correlations, but not of high intensity.

Summary

Following an analysis of the correlation coefficient **C1** between the Number of branches of Credit Institutions in EU -27 and the Return on Assets it appears that there is a inverse correlation between the Number of branches of Credit Institutions in EU -27 and the Return on Assets in the sense that: if the Number of branches of Credit Institutions increases, the Return on Assets decreases because the result was negative. The correlation is not very close, as it is around 0.1. We could be talking about a close and very close correlation only if it exceeded a value of 0.5. According to Table 1 the correlation coefficient **C2** also reported negative values below 0.5. This means that neither of the two indicators (Number of branches of Credit Institutions; Number of bank employees) influences aggressively the ROA index. Since the results of the correlations are negative, we can conclude that there are in fact inverse correlations, but not of high intensity. To conclude, we assess that there are other factors (besides those analyzed) which influence the ROA index among which we mention: bank policies and strategies regarding short, medium and long term profitability, the behavior of bank employees towards their clients, their knowledge about bank products and services, efficient management of bank assets etc.

References

- [1]. Maxwell Gillian, Mentoring for enhancing females' career development: the bank job, Equal Opportunities International Vol. 28 No. 7, 2009 pp. 561-576
- [2]. Pathan Shams, Robert Faff, Does board structure in banks really affect their performance?, Journal of Banking & Finance 37 (2013) 1573–1589
- [3]. Petridou Eugenia, Niki Glaveli, Human resource development in a challenging financial environment: the case of a Greek bank, Human Resource Development International 6:4 (2003), pp. 547–558
- [4]. Schoenmaker Dirk, 2011, The European Banking Landscape after the Crisis, DSF Policy Paper, No. 12.
- [5]. Wallace Elaine, Leslie de Chernatony and Isabel Buil (2013), Building bank brands: How leadership behavior influences employee commitment, Journal of Business Research 66 (2013) 165–171.
- [6]. Weill L., 2004, On the relationship between competition and efficiency in the EU banking sectors, Kredit und Kapital 37,3,329-352
- [7]. The European Central Bank site: www.ecb.int

ZARZĄDZANIE KARIERĄ ZAWODOWĄ W EUROPEJSKIM SYSTEMIE BANKOWYM

Streszczenie: Zarządzanie karierą cieszy się szczególną uwagą w każdym banku. Zakres niniejszego artykułu obejmuje analizę liczby pracowników banków, oddziałów i zwrotu z aktywów banku, w krajach europejskich w latach 2006-2011. W celu przeprowadzenia niniejszej analizy, zebraliśmy oficjalne dane z Eurostatu, Rumuńskiego Narodowego Instytutu Statystyki oraz Europejskiego Banku Centralnego. Cele tego badania obejmują analizę trzech wskaźników dla 27 krajów europejskich, w tym Rumunii. Porównaliśmy

i przeanalizowaliśmy wskaźniki uzyskane przez Rumunię ze wskaźnikami innych krajów. Oczekiwane wyniki związane są z budowaniem relacji między rentownością banku, liczbą oddziałów i ilością pracowników zatrudnionych w systemie bankowym. Ten związek i jego intensywność zostaną ustalone poprzez obliczenie i analizę współczynnika korelacji.

Słowa kluczowe: personel banku, korelacja, zwrot na aktywach banku, liczba oddziałów instytucji kredytowych, ewolucja, analiza.

欧洲银行系统中的职业生涯管理

摘要: 职业生涯管理享有特别注意每一家银行内。本白皮书的范围包括分析银行雇员数目、分支机构和银行 2006 年-2011

年期间在欧洲国家的资产回报率。若要执行这种分析，我们收集了官方数据来自欧盟统计局、罗马尼亚国家统计研究所和欧洲中央银行。这项研究的目标包括 27 个欧洲国家，包括罗马尼亚的三个指标的分析。我们进行比较和分析了由罗马尼亚获得了与其他国家的指标。预期的结果驻留在银行系统中建立银行盈利能力、分支机构的数量和雇员的数量之间的关系。通过计算和分析相关系数将建立这种关系和它的强度。

关键词: 银行人员、相关性、银行返回资产，分支机构的信贷机构、演变、分析的数目

。