

## "Coaching" at Banco Ganadero-BBVA (A)

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Banco Ganadero was a long-established bank, founded by the ranching's association more than a century earlier, and nationalized in the 1950s due to the then government's social democratic policy and the bank's own inefficiency. It had been taken over by BBVA in one of the many privatizations that took place in Latin America at the end of the 20<sup>th</sup> century, in the era of economic neoliberalism, when the need to make the banking system more efficient became imperative. At that time, for example, the direct deposit of paychecks and direct billing were minimal. Instead, customers went to their local branch to deposit their weekly paycheck, or withdraw cash to make payments such as electricity bills. In its first few years, the new management had introduced a range of new sales and operational techniques, and had tried to modernize the customers' banking culture. Now, according to the recently approved strategic document, it was time to make improvements in the people development process.

A bank is a service enterprise, the document declared, and any service enterprise depends on the good work done by its employees, especially those in direct contact with the public. Developing those people was essential. Furthermore, the culture of the banking industry as a whole, and of the group that had acquired Banco Ganadero in particular, was to establish internal career paths, so that future senior managers would be drawn from the pool of company employees. For that reason, internal development was vital to the bank's long-term future.

To that end, the bank had recently introduced a system of "Management by Competencies" (**Exhibit 1**). With the help of a consulting company, the bank's overall competencies had been defined. The new system made a distinction between knowledge and competencies. For every job in the bank, a "minimum" and a "recommended" level of each type of knowledge and competency had been defined, on a scale of one to ten. All this was represented in a diagram of concentric circles, colloquially known as the "spider" (**Exhibit 1: Internal Development**).

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IESE cases are designed to promote class discussion rather than to illustrate effective or ineffective management of a given situation.

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In addition, one year earlier the bank had adopted a coaching system, in which each manager would coach his or her immediate subordinates. For that purpose, every employee had been evaluated and had his or her own "spider".

In retail banking, which was one of the bank's strengths, the coaching system was to be put into effect that year, for the first time, from branch manager upward in the hierarchical pyramid, as follows:

- Area managers, who each supervised a number of branches, would be evaluated as follows:
  - Each area manager would self-evaluate his or her own knowledge, subject to confirmation by her hierarchical superior.
  - Competencies would be evaluated in accordance with a 180° system. That is to say, the evaluation would be obtained from the combination of the evaluation made by the employee's hierarchical superior, the employee's own self-evaluation, and the evaluations submitted by his or her subordinates. In this case, the software that Banco Ganadero was using provided additional information: a diagram showing the divergences between the employee's self-evaluation, the superior's evaluation, and those of the employee's colleagues and subordinates. This meant that the evaluatee would be able to analyze whether his or her perceptions matched the result of the 180° evaluation, or whether there were discrepancies (**Exhibit 2**, Evaluation of Ramiro Córdoba).
- For branch managers, the knowledge evaluation would be a self-evaluation, subject to confirmation by the area manager, while competencies would be evaluated by the area manager.

In all cases, the software provided a list of possible training courses to be taken, classified by priority or need.

The competency evaluation was done by answering 75 questions about observable patterns of behavior, scoring from 1 to 10. For example, "Facilitates and encourages his or her employees to improve their training, gives them opportunities to apply their knowledge, and recommends them for promotion when they are ready", or "Is capable of rapidly analyzing customers' needs, and finds the most appropriate and imaginative solution". At the end, there was an additional question (no. 76) requiring an overall evaluation. These evaluation questionnaires were processed using a computer program that turned them into competency assessments.

The competency evaluation was one of the two evaluations that were carried out at management levels in the bank. The other, which was already well established, belonged to the management by objectives system. It looked at quantitative results, focusing mainly on deposit-taking activities (customer accounts and other transactions), assets (loans), sales (insurance and other products), profit margins for the period, and bad debt. This evaluation was directly related to the annual bonus.



The bank had tried to ensure that the evaluations were done at different times of year. The evaluation of objectives was carried out in early January, and the competency evaluation around May, based on the following calendar:

*May 1*

- Professional development interviews between bosses and subordinates begin.
- Bosses have access to their subordinates' competency reports via the intranet.

*May 1-June 30*

- Period for conducting professional development interviews with each subordinate.
- Period during which a boss may choose to give his or her subordinates access to their competency reports.

*June 30*

- Deadline for completion of professional development interviews.
- Date when all employees have automatic and unrestricted access to their competency reports, assuming their boss has not given them access already.

The bank's executive committee was debating whether or not to offer employees an additional bonus tied to the overall evaluation of competencies. There were conflicting arguments, all of them valid. The main argument in favor was that there had been a bonus before, tied to the so-called "performance evaluation", which the new "spider" that accompanied the competency evaluation replaced. Those in favor of including a bonus argued that, in the bank's culture, what was not rewarded had no value; after all, they said, bank employees spend all their time dealing with money, and inevitably that rubs off. They also maintained that if the competency evaluation was not linked to some sort of cash reward, branch managers would lose one of their weapons for controlling their employees' behavior. The consultants, on the other hand, contended that the coaching system was directly related to personal improvement, and that adding an element of pay would create "noise" in the system. Initially, the executive committee was planning to follow the established custom, among other things because it was part of the collective agreement with the unions.

Another point at issue concerned question no. 76: whether or not there should be an overall evaluation. Some argued that if the system was intended to give feedback for coaching purposes, an overall evaluation was unnecessary, or even counterproductive. Others were of the opinion that if the evaluation was linked to pay, the overall score given by question 76 was necessary.

## **Ramiro Córdoba Pizarro**

Ramiro was an area manager. Traveling always gave him time to think. He was on his way back from the Easter vacation, which he had spent with his wife, Luz Elena, and his daughter, Mari Luz, in Medellín. It had been a wonderful holiday, not just because of the lovely weather, but also because he had had a chance to catch up with old friends and colleagues he had left behind when he had been transferred to Bogotá the year before.