Institutional Leadership: The Case of Crédito Agrícola in Portugal

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ABSTRACT

Leadership is a core foundation for banking organizations necessary to operate in today’s environment. It is important to see how leaders perceive themselves as agents of success, both for the organization and its goals, as well as for the employees that work under their supervision. This paper intends to address these issues. This study was conducted through Crédito Agrícola (CA) branches in Portugal and Azores, using online questionnaires. Data were collected from 85 leaders with different positions within the bank. Leaders generally perceive themselves as objective and impartial, capable of knowing the employees’ areas of personal and professional interest. Leaders are interested in developing their subordinates’ capabilities, through on the job training and other skill enhancement alternatives. Data show that leaders prefer making decisions with participation of other team members and not alone. Data were collected through nonprobability sampling (quota sampling and purposive sampling). Relations between leaders and subordinates are analysed, and the paper addresses the leaders’ personal views regarding their role in the decision process that affects their teams as well as the organization as a whole.

Keywords: Banking, Human Resources, Institutional Leadership, Leader, Portugal

1. INTRODUCTION

In order to be able to understand the change in paradigm within human resources management, one must consider the role played by leaders within organizations. Leadership is a sine qua non condition for any organization aiming to be successful in any initiative it undertakes, just as it is for carrying out everyday organizational processes.

There are many agents in organizational leadership, and these are to be found not only concentrated in the upper echelons, but at every hierarchical level, both vertical and horizontal. Leaders are, fundamentally, just conductors of people, elements that can, through a variety of attributes, ensure that the other stakeholders act in accordance to what has been stipulated.

At the level of human resources, when seeking to implement measures aimed at altering a given organizational state, it is important to consider the role to be played by the management in that implementation. Since having their

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involvement is a prerequisite, should the various leaders not identify with the organizational policies, then it is only a matter of time until those policies fail.

The aim here is to study the nature of the role played by those holding formal leadership positions within the mutual agricultural credit banks, or Caixas de Crédito Agrícola Mútuo (CCAM). This is of particular interest given that the CCAM have a structure that is different to that of other credit institutions, being more decentralised and having ways of implementing organizational policies and practices that are applied differently than is the case for the Banking Industry in general.

Because of the highly relevant role these figures play in organizational activity and the growing importance that aspects linked with the behavioural side of human resource management are coming to have, in terms of employee motivation, satisfaction and development, it is essential to understand the way in which institutional leaders can act as facilitators or hinderers of these aspects.

2. CRÉDITO AGRÍCOLA IN PORTUGAL

Although its roots date back to the late 15th century, the true CA was created in 1911 with the Decree-Law of that date which regulated the creation and functioning of the Caixas Agrícolas, or Mutual Agricultural Credit Banks. CA is one of the few private financial institutions with exclusively Portuguese capital.

It is a cooperative-based banking institution within a model that is well represented in the European Union financial systems, especially in Germany, France, the Netherlands and Italy. According to the CCAM Serras de Ansião Directors’ Report for 2010 (2011: 13-14): “At European level, cooperative banks have a market share of over 20%, provide a service for 170 million clients from 4,100 local banks with 65,000 branches, and employ hundreds of thousands of people. Some of the cooperative banks are among the leading institutions in Europe”. In accordance with their cooperative nature, the CCAM act as boosters of regional development.

At the end of 2010 financial year, the CA’s liquid assets stood at around 14 billion euro, representing around 8% of the Portuguese Gross Domestic Product (CCAM Serras de Ansião, 2011). This testifies to its national importance and its relevance in the country’s financial system.

According to the above-mentioned Report, in some districts of the Portuguese mainland the CA network represents over 30% of the existing banking network, has 10% of the national ATM (Automated Teller Machine) network - 400 of these in places where no other type of banking service exists – and almost 15,700 on-site EFTPOS (Electronic Funds Transfer at Point of Sale) machines, as well as having a 7% share in the cards market, in function of its service provision as acquirer.

According to the Legal Framework of Mutual Agricultural Credit and Mutual Agricultural Credit Banks (RJCAM), the CCAM are credit institutions, in the form of cooperative associations, whose object is to provide agricultural credit to their associates, as well as performing other acts inherent to the banking activity. With regard to territorial scope, the Legal Framework states that their scope is local; no mutual agricultural credit banks may be incorporated if they propose to operate outside of the municipality where their head office is based, except in cases where there is no such institution operating in adjoining municipalities or if the spill over results from merging of existing CCAM. Likewise, authorisation will not be granted to new Caixas proposing to operate in a municipality where another is already based or has opened an agency.

It must be borne in mind that the organizational structure of the CCAM is, as already mentioned, highly decentralized, with a central body – Caixa Central – and its ramifications (686 branches belonging to 85 CCAM and to
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