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“Innovation at savings banks must be an ongoing process and is a banner for maintaining a leadership position”

José Antonio Olavarrieta, CECA's Managing Director

With a huge professional career in financial sector, José Antonio Olavarrieta, CECA's managing director and president of the World Savings Banks Institute, says that continuous innovation is one of the key factors in management and leadership. In his opinion, both of them, together internationalisation, are essential for maintaining the leadership of the Spanish Retail Banking.

How has the leading position of the savings bank sector evolved?

It's quite clear that in the current economic climate the environment will change but the leadership models will not. Just as the great civilizations must adapt to change, so must business leaders.

How does an organization like CECA encourage these changes to be managed effectively?

CECA focuses on three main pillars: association, a strategic discussion forum, forum of cooperation between the 45 savings banks in the confederation and financial service and back office banking which seek economies of scale between savings banks (a model which we have exported). CECA also provides technology back up. CECA uses these pillars to foster cooperation and leadership at each and every one of the savings banks. The problems in different parts of Spain are similar but not the same, which is why it is so important to promote this connection. Savings banks have sustained their position in retail banking in their home markets, which has given them an unshakable link with their customers. In order to keep the customers feeling like they belong to the savings banks, we must constantly promote the idea of a “tailor-made” relationship, which is the basis for the leadership position of savings banks.

What is the role of knowledge management in this connection?

All the savings banks are contributing ideas to create new approaches and new products. For example, a public prize was recently won at European level for a digital signature project that is already functioning in 5,000 offices in 18 savings banks. This is the result of cooperation, on the understanding that once the product is created, the savings banks continue to compete to uphold their best interests. However, had it not been for collective brainstorming we never would have achieved this leadership position.

What role does innovation play in maintaining this leading position?

When ATMs began to be installed in Spain (this was called "red 6000" since there were already 6,000 throughout Spain), it was savings banks who introduced this type of service to the customer. Most likely, the investment made by savings banks in technology has been so sizeable because all their profits are taken to reserves (minus the 25/28% to welfare projects), which has also allowed them to be leaders in payment systems, point-of-sale terminals, e-banking, telephone banking, etc. That's why the confederation has a committee named COAS (Organisation, Automation and Service Committee) which continually studies how services can be improved through innovation and technology. The technological superiority of savings banks is a fact. By 1983, all branches were connected to a central computer, allowing any customer in any location to connect to their account in real time. A year after I joined CECA in 1989, an Italian colleague of mine told me that they'd managed to get part of the network online. This example clearly demonstrates the technological dimension of savings banks. For us, innovation must be ongoing and it is a banner for maintaining a leadership position.

Should Spain be the leading innovator in the international financial services industry?

The Spanish financial system is light years ahead of the rest and that's not just me being patriotic. A study coordinated by Deloitte among the countries in the eurozone showed that, on average, Spanish customers pay EUR 194 less than customers in other EU countries.



“Spain should lead the financial services industry, especially in *retail*”

This “supremacy” in the financial services industry has been achieved in Spain as a result of the existence of both banks and savings banks. This competition has mainly benefited customers and, therefore, they have services which are better, faster and more to hand. For example, when we joined the Single Euro Payments Area (SEPA), an electronic bank transfer in Spain took an average of two days; in certain European countries the average was around 15/18 days. CECA, through the European savings banks, has led the way in innovation, and has exported technology.

When we talk about the financial services industry nobody will now be justified in objecting to the anti-cyclical provisions proposed by the Bank of Spain. It is no coincidence that these preventative models are now being copied by other countries.

Spain must lead the financial services industry, especially in retail. For example, however remote the community you’re in, any savings bank there will offer services as sophisticated as those of any investment bank. This is the result of the cut and thrust of competition.

“CECA (Spanish Confederation of Savings Banks) faces the very important challenge of promoting the internationalisation of Spanish companies and savings banks”

The average number of savings banks per 1,000 people is 0.27 in the UK and 0.51 in Germany. In Spain, there is more than one savings bank per 1,000 people. Obviously nowadays this excess network capacity needs restructuring, although it must be said that thanks to this capacity we achieved the best services of all the countries in our economic and geopolitical environment.

What should be the new management model for retail banking?

The retail banking model is much more resilient than that of the large investment bank. Three years ago, certain representatives of the investment banking sector predicted that the savings bank model would have to disappear. Without meaning to sound vengeful, some of those investment banks no longer exist. In my opinion, the most important factor is to base our strategy on a retail business, which is far more stable and less vulnerable to the international market crisis.

So this means that direct cooperation between savings banks and companies is now more important...

Savings banks are deeply rooted in society. For example, 64% of SMEs are customers of savings banks, and the reason they are customers is because the savings banks have been helping them since they were self-employed individuals. The credit scoring that they perform is close to customers, as it is based on a knowledge of them. And it is the savings banks who are helping the SMEs to expand their business abroad.

In that change in retail, without wanting to sound arrogant, it is everybody else who will be changing to copy Spanish retail banking.

How should the internationalisation of savings banks and companies be promoted?

The CECA faces a very important challenge. Around ten years ago we launched a project to internationalise savings banks which, by extension, is a project to internationalise all the companies to which they provide their services. We need to support them: it's not just a case of language barriers, but also procedures. We are performing important work in this area, but there is still important training to be provided.

As chairman of the World Institute of Savings Banks, I must acknowledge that the Spanish system is always exemplary. Good examples of this are the level of support for customers abroad and the promotion of a leadership position through the business schools owned by savings banks.

How will the area of Corporate Social Responsibility (CSR) evolve at savings banks?

When I was elected chairman of the World Institute of Savings Banks in Kuala Lumpur, a journalist asked me if savings banks could implement CSR. I told them that we'd been implementing it for 200 years but nobody had told us that it was called that. Savings' banks'

“Our efforts should mainly be focused on *retail* and a back-to-basics approach”

welfare funds paid out EUR 2,000 million after taxes in 2008. Also, they do so entirely voluntarily as it is not a legal requirement. And, in any case, we do not make excessive use of it. The essence of our business is a commitment to society and the capital that we invest in Spanish companies.

Is a back-to-basics approach the key to everything then?

Savings banks are very clear on this point: our business is retail banking and this back to basics approach is where it was developed. It is from these roots that the financial market emerged, a financial market which has become more complex with time. The sustainability of the retail banking business is, without a doubt, far less sensitive to the turmoil experienced in the sector recently.

Independently of the fact that the savings banks have also developed sophisticated products, our advantage is that our focus has always been on a back-to-basics approach. Spanish savings banks have holdings in 4,400 companies in Spain: of these, 91% are not listed and 68% have levels of capitalisation below EUR 1 million. This demonstrates how close the savings banks are to their customers.

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