


Chapter 1

Strategic Groups in the Portuguese Banking Industry: An Analysis of the 2008–2010 Period

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ABSTRACT

This chapter analyzes the retail banking behavior in Portugal for the period between 2008 and 2010. The data collection took place through the accounting consultation of the reports and accounts of the years under analysis. The selected variables reflect the strategic actions of retail banking during the period under analysis, and it can be argued that retail banking in Portugal has clear differences among players over time. In particular, banking institutions have different competitive strategies, the strategic groups do not have similar resources, and strategies also differ between strategic groups. This reflects the competitive structure of the national retail banking industry.

INTRODUCTION

The organizations of the banking industry have a relevant position in the economy, playing a fundamental and determinant role in economic growth. They are the financial intermediaries between the State, firms, and consumers.

DOI: 10.4018/978-1-5225-8906-8.ch001

In the last 20 years, banking has undergone deep changes that influence strategic business options and significantly shape the future of banking organizations. Within the banking industry it is possible to identify banks that follow similar strategies that can be grouped in several strategic groups (e.g., Amel & Rhoades, 1988; Fiegenbaum & Thomas, 1990; Scannell et al., 2003; Staake et al., 2012; Tsai et al., 2011).

The study of strategic groups (SGs) is based on the foundations of strategic management (Chen & Miller, 2012; Hatten & Hatten 1987; Hervás, Dalmau, & Albors 2006). A strategic group can be defined as a set of companies employing similar strategies within an industry (Porter, 1979), although results and motivations of those companies may differ (Chen & Miller, 2012; Cool & Schendel 1987).

Research on SGs has analyzed several industries, addressing the relationships, rivalry, competitive dynamics and strategic decisions between companies within the strategic group and/or between SGs (e.g., Claver-Cortés et al., 2006; Leask & Parker 2007; Parnell, 2011; Pătări et al., 2011) as well as the performance and stability differences over time among SGs (e.g., Martins et al., 2010; Más-Ruíz & Sala, 1992; Reger & Huff, 1993). There is also research exploring the similarities between the theory of strategic groups and the resource-based view (e.g., Leask & Parnell, 2005; Martins et al. 2010; Mehra, 1996), and, lastly, research addressing SGs as a strategic tool for the planning and implementation of competitive strategies (e.g., Ebbes et al., 2010).

The studies interpret how strategies influence SGs in a particular industry, evidencing the existence of a certain degree of homogeneity between companies in a same SG and of heterogeneity between SGs (Cool & Dierickx, 1993; Cool & Schendel, 1987; 1988; Zúñiga-Vicente et al., 2004a).

Although there are several studies addressing SGs in the banking industry (Lozano-Vivas & Pastor 2010; Más-Ruíz, 1999; Más-Ruíz et al., 2005; Más-Ruíz & Ruíz-Moreno, 2011; Más-Ruíz et al., 2014; Maudos & Pastor, 2003; Zúñiga-Vicente et al., 2004a; Zúñiga-Vicente et al., 2004b), there is none on the Portuguese banking industry. As such, the main aim of this chapter is to address how SGs are formed in the Portuguese banking industry between the years 2008, 2009 and 2010, which is a period in which the Economic and Financial Assistance Program (FEAP) was implemented in Portugal with serious consequences for the banking industry in Portugal.

The chapter is organized in seven sections. The first section presents the introduction of the chapter. In the second section, strategic groups and the schools of thought behind them are presented. The third section discusses the classification of strategic groups, including strategic groups in the banking industry. The methodological approach, the data and the results are presented in the three following sections. Finally, some concluding remarks are given in the seventh section.

STRATEGIC GROUPS

Strategic Groups and Schools of Thought

An industry can be seen as a combination of clusters, or groups of companies, that follow a similar strategy in accordance with some decision-making variables.

Literature on SGs appeared for the first time during the 1970s, with the identification of significant differences in the characteristics of several companies, although some of those companies followed similar strategies (Hunt, 1972). Several researchers have studied the existence of SGs in various industrial sectors (e.g. Day et al, 1999; Claver et al., 2003; Cool & Schendel, 1987; Finch et al., 2013; Flavián et al., 2002; Mascarenhas & Aaker, 1989; Mayor et al., 2012; McGee & Thomas, 1986; Porter, 1979; 1980;

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