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Qualitative Impact of Strategic Planning on Performance of Rural and Community Banks in Ghana

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Abstract- Companies big and small commit a lot of resources both material and financial in planning.

Little or nothing is done to assess the impact of the planning and the planning process. The question that arises is 'does it pay to commit such resources and time in planning and does planning process impact on the performance of financial institutions apart from the financial indicators? This study explores the qualitative implications of strategic planning and the planning process .It assesses strategic planning impacts from behavioral perspectives as against purely profit or what appears on the financial statements of financial institutions in Ghana.

Qualitative data were collected from primary and secondary sources. Data was collected from primary and secondary sources .Board of Directors, Staff and customers of the bank were interviewed through questionnaire administration and open-ended discussions.

The theory section looks at strategic planning, strategic planning process, impact of strategic planning and strategic management.

The findings indicated that there is enough justification for financial institutions including rural and community banks to commit the required resources in planning. It can result in improved understanding of the organization's objectives and overall direction.

Keywords: rural and community banks, strategic planning, assessing, ghana, qualitative impact.

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I. Introduction

Strategic planning is grounded in the array of competitive moves, and business management of an organization depends on how to produce successful performance. Strategic planning, in effect is management's game plan for strengthening the organization's position, pleasing customers and achieving performance targets. Strategy includes the goals and major policies of the organization. Managers plan strategies to guide how the company's business will be conducted and to help them make reasoned, cohesive choices among alternative courses of action. Thus, without strategic planning, a manager has no thought-out course to follow, no roadmap to manage by, no unified action program to produce the intended results. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management (Andrews, 1980; Andersen, 2000).

Financial Institutions in Ghana and all over the world commits a large amount of resources in terms of people, time, energy and money to the development, preparation and implementation of strategic plans and Bia Torya Community Rural Bank is not an exception. The effects of these strategic plans and the planning process or activity on the performance of the RCBs are not yet known. Developing, preparing and implementing strategic plans should not be the end of the strategic planning process. Is it not right to say that every organization must be able to know the extent to which its strategic plans and planning activity are impacting, or have impacted on its performance? This study will therefore attempt to find out the impact of strategic planning on Bia Torya Community Bank's performance in terms of qualitative outputs. Strategic planning has been identified as extremely important in determining the growth and success of virtually all businesses. This study was undertaken to examine the impact of strategic planning on the performance of Bia Torya Community Bank in Ghana.

II. Review of Related Literature

- The Concept of Strategic Planning

Strategic planning has been defined differently by various authors. Young (2003) defined strategic planning as 'a formal yet flexible process to determine where an organisation is currently and where it should be in the future. The substantive issues are however, the same; they focus on making plans and taking actions today for the future prosperity and competitiveness of a firm in its environment with the optimal use of available resources. According to Ilesanmi (2011), strategic planning refers to the formulation and implementation of plans and the carrying out of activities relating to the matters which are of vital, pervasive or continuing importance to the organization. In short, it implies a set of activities related to the formulation and implementation of strategies to achieve organizational objectives. McNamara (2008) identifies some of the major activities that are common to all strategic planning processes as conducting a strategic analysis; setting

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the strategic direction, action planning that is, carefully laying out how the strategic goals will be accomplished.

Chandler (2005), Andrews (1980) and Porter (1980) are unanimous in stating that strategic planning is a systematic process by which an organization formulates achievable policy or objective for the future growth and development over the long term, based on its mission, vision and goals and on a realistic assessment of the human and material resources available to implement the plan. Dubrin (2006) suggest that SP encompasses all those activities that lead to the statement of goals and objectives and the choice of strategies to achieve them. Gluck, Kaufman and Walleck (1980) adds that it is a unified, comprehensive and integrated plan designed to ensure that objectives of the enterprise are achieved. These comprehensive definitions are concurred by Bryson (1998) who states that it is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does and what it does. The process defines its medium and long term goals and objectives and approaches by which to achieve them. It is a look into the future that identifies the mission, vision, goals and objectives of an organization with prescribed actions necessary to achieve the vision.

- Components of an Effective Strategic Planning

Once an organization has worked through the four stages, it will have a thoughtful, comprehensive strategic plan articulating an ideal vision and how to achieve it. The parts of this strategic plan, while varying depending on each organization's history and culture, will often include the following elements:

– Vision statement, a description of the ideal future of the organization and the outcomes it hopes to create for its stakeholders. The vision describes the end state, the ideal final destination for the organization and the people it serves.
– Mission statement, a description of who the organization serves and how the organization will structure itself to accomplish its preferred future. This statement translates the aspiration of the vision into specific dimensions while emphasizing the organization's distinctiveness. The mission informs employees, customers, suppliers, regulators, and other key stakeholders about the organization's primary purpose. The statement, which also describes the structure and strategy the organization will use to achieve its vision, delineates the organization's essential purposes and audience.
– Core beliefs, principles, and values, statements of belief that guide individual actions throughout the organization. These values describe how individuals should think, act, and interact. In some environments, a compelling vision and clearly defined core beliefs are all that are needed to encourage people to do the right thing every day.
– Strategic agenda, a description of the key goals that the organization needs to pursue to close the gap between the ideal and real worlds, which commonly comprises five to eight strategic priorities. One way to shape the strategic agenda is the balanced scorecard.
– Critical success factors, broad measures indicating that the organization is making progress toward the vision (such as an increase in market share in all product lines).

- The Impact of Strategic Planning on Performance

According to Arasa and K'Obonyo (2012), over time the concept and practice of strategic planning has been embraced worldwide and across sectors because of its perceived contribution to organizational effectiveness. Today organizations from both the private and public sectors have taken the practice of strategic planning seriously as a tool that can be utilized to fast track their performances. Strategic planning is arguably important ingredient in the conduct of strategic management. They indicated that the framework for formulating and implementing strategies is the formal strategic planning system. Despite the criticism leveled against strategic planning during the 1970s and 80s, it was still useful and it only needed to be improved and recasted. Chandler (2005) noted that strategic planning has potential advantages and intrinsic values that eventually translate into improved firm performance. It is, therefore, a vehicle that facilitates improved firm performance.

Strategic planning is a management function that focuses on the growth and future sustained well-being of an organization. Ansoff (2003) affirms that the interest in strategy grew out of the realization that a firm needed a well defined scope and growth direction not just extrapolations of past performances which were being used to project into the future. Hart and Banbury (1994), made an observation of firms' recognition for the need to carry strategic thinking and planning.

- The Concept of Rural and Community Banks in Ghana

According to Kwapong (2004), the concept of rural banking was conceived in the 1960s with the search for a system to tackle the financial problems of the rural dweller. During this period the need for a veritable rural financial system in Ghana to tackle the needs of small-scale farmers, fishermen, craftsmen, market women, traders and all other micro-enterprises was felt. The need for such a system was necessary because the bigger commercial banks could not accommodate the financial intermediation problems of the rural poor as they did not show any interest in dealing with these small-scale operators.

Attempts in the past to encourage commercial banks to spread their rural network and provide credit to the agricultural sector failed to achieve the desired

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impact. The banks were rather interested in the finance of international trade, urban commerce and industry. There was therefore a gap in the provision of institutional finance to the rural agricultural sector.

More important still, the branch network of many banks covers mainly the commercial areas and does not reach down to the rural areas. Therefore not only are rural dwellers denied access to credit from organized institutions, but also cannot avail themselves of the opportunity of safeguarding their money and other valuable property which a bank provides.

The first rural bank, Nyakrom Rural Bank Limited, was opened in Agona Nyakrom in the Central Region. As a result of the invaluable financial services rendered in the rural areas, the rural banking concept suddenly became popular with a number of rural communities applying to Bank of Ghana to establish rural banks. There are 132 rural and community banks in Ghana as at December, 2012 (ARB Apex EMU Report, 2012).

A rural/community bank is community-owned and the share capital raised by the people in the community. It is registered under the Companies Code of Ghana as a Limited Liability Company. It is licensed under the Banking Law of Ghana by the Central Bank, the Bank of Ghana. The Bank is governed by a Board of Directors elected by shareholders in Annual General Meeting. The ARB Apex bank is the central bank of all the rural and community banks in Ghana, which provides the supervisory role.

III. Research Problem/Objectives

In order to survive in a dynamic and fast changing banking environment in Ghana, there is need to identify, assess and plan for the changing situation and accordingly put in place strategic measures. Thus, formulating and implementing a strategic plan should not be the end of strategic planning. Board of directors, management and other stakeholders need to know the impact of strategic planning on the banks' performance. Measuring the impact of strategic planning in this direction will enable management to know whether the resources devoted to strategic planning are worth their value or not.

Since the establishment of the Bia Torya Community bank in 1993, no study has been carried out on the impact of strategic planning on the bank's performance. In other words, little or no attention has been paid to Financial Institutions in Ghana especially RCBs that are the main source of banking facilities for the people in the rural areas. This study is undertaken to examine the impact of strategic planning to the organizational performance of rural and community banks in Ghana, a case study of Bia- Torya Community Bank in Ghana.

This general objective of this study is to investigate the impact of strategic planning on the performance of rural and community banks in Ghana, a case study of Bia Torya Community Bank in Ghana.

Specific objectives are:

- To examine the factors influenced strategic planning of Bia- Torya Community Bank.
- To determine the impact of strategic planning on the performance of Bia- Torya Community Bank.
- To establish the challenges confronting the implementation of strategic planning in BTCBL.

The study will address the following research questions:

- What are the factors influenced strategic planning of Bia- Torya Community Bank?
- To what extent has strategic planning affected the performance of Bia Torya Community Bank?
- What are the challenges confronting strategic planning implementation of BTCBL?

IV. Research Methodology

The target population of the study consists of management, junior staff and board of directors of the bank. It comprised of 10 management, 40 junior staff and 5 boards of directors of the bank.

I adopted non-probability sampling techniques (purposive and convenience sampling techniques) to select the respondents for the study. Purposive sampling technique is used by researchers to choose samples that are likely to be knowledgeable and informative about the phenomena under study (Best & Kahn, 2009). In view of this, the researcher purposively selected 10 management members and 5 boards of directors for the study. Then, a convenience sampling technique was used to select 40 junior staff from all the sections of BTCBL for the study. Convenience sampling method was adopted because the respondents were selected based on their convenient accessibility and proximity to the researcher. More so, convenience sampling is fast and inexpensive in recruiting the respondents for the study (Saunders, Lewis & Thornhill, 2007).

Primary data is by means of survey and structured questionnaire administered to the respondents from BTCBL selected for the study. Secondary data was used in this study consisted of existing literature on strategic planning of BTCBL, theories on strategic planning and strategic planning and banks performance.

The research instrument used for the study was a questionnaire comprised of open and closed questions.

The questionnaire consisted of both open ended and close-ended questions. Thus, in some cases, respondents were to choose the option that best reflected their opinions. The questionnaire afforded

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respondents much flexibility and privacy in answering the questions without any undue influence. The questionnaire was in simple and unambiguous language and as such, did not pose any problem as regards interpretation. The respondents were also assured the information would be kept confidential.

The responses to the item on the questionnaires were analyzed using frequencies and percentages, with the use of Statistical Package for Social Science (SPSS) Version 16.0. To ensure consistency, the responses in the questionnaires were edited and coded. The responses for the open-ended questions were grouped based on common ideas that the respondents expressed.

V. Findings/Suggestions

The principal findings of the study are as follows:

Although the strategic planning is the single most important function of the chief executive officer or the management and board of directors of the organization, the study showed that the management and board of directors involved the staff and clients during the preparation and implementation of the strategic planning of the Bia Torya Community Bank Ltd. Further, the study revealed that strategic planning support BTCL mission and vision. This is in support of the fact that the mission and vision of the organization are the major/main components of strategic planning.

The study also indicated that the respondents has fair understanding of the strategic planning as well as factors influencing strategic planning of the bank.

The findings also revealed that strategic planning best help in allocation of resources and allow the bank to out-think its competitors. In today's challenging business environment banks must be proactively react to change or be left behind. The change should be transformational, since strategic planning is fundamental to the development of competitive advantage.

The findings of the study showed that strategic planning improves human resource management and communication in the bank. Human resource planning is a strategic component of strategic planning; therefore human resource issues were completely dealt with and management communicates the strategic planning to staffs accordingly.

The findings of the study showed that the majority of the respondents maintained that strategic planning has helped in the improvement of team building among the banking staff. This has led to effective team building with clear responsibility and high level of commitment to the success of the strategic planning.

Finally, findings of the study showed that strategic planning improved products development and service delivery. The strategic planning encouraged the spirit of creativity and stimulates new ideas, which results in recognition of efforts and motivation. The principle of the customer is the "king" is best practiced, therefore the development of customer-tailored products to ensure the greatest customer satisfaction through excellence service delivery.

VI. Conclusion

Formulating and implementing a strategic plan in itself leaves a lot of unanswered questions. The impact of the strategic planning on performance of the banks critically needs to be measured. The present study has attempted to find out the extent to which strategic planning impacts on the performance of rural/community banks; a case study of Bia Torya Community Bank. The focus has been on a defined behavioural impact of the strategic planning on performance.

Previous studies on the impact of strategic planning on organisational performance over-stretched the emphasis on financial and economic indicators.

Balanced scorecard developed in the early 1990s provides a good measure for assessing an organizations' goals and progress to achieve them through the four major lenses (financial perspective, customer perspective, business processes and learning and growth perspectives). The main objective, however, is to assess how to achieve the strategic goals of the bank in question. It does not deal deeper into measuring the benchmarking impacts.

These conventional measures are nevertheless still very important but they are insufficient in measuring performance of rural/community banks. There may indeed be other crucial information, which the quantitative figures may not be able to show.

The present study stresses the need to take account of the behaviour-based impact of strategic planning on performance of rural/community banks. In other words, beyond the figures or numbers, other more qualitative factors or indicators must be assessed. It is only when this is done that a holistic view of the impact of strategic planning on organisational performance can be formed.

The evidence reported in this study indicates that strategic planning has a significant impact on performance of rural/community banks such as optimisation of the strategic perspective of the bank and support mission, objectives and goals of the bank. It can result in improved understanding of the bank's objectives and overall direction. It can facilitate implementation of bank's objectives and goals. The indicators for measuring impact as presented in this present study may be used by similar organisations such as commercial banks or business entities as a framework to measure staff perceptions of the impact of its strategic plan and the planning process on their

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organization's performance. In this way, the organisation may be able to provide justifications for the resources that are invested in strategic planning.

VII. Recommendations for Future Research

Integration of financial information and a critical appraisal of other indicators form a good basis for determining the impact of strategic planning on performance of rural/community banks. Based on the findings of the present study, the following recommendations were made; I recommend the management, staff and board of directors of the bank for good work done, I recommend that the management should caption the major departmental/sectional targets into slogans, displaying of bulleting form of targets of departmental/sectionals at offices to enhance the organizational culture as well as update of the annual financial reports information to streamline differences in ARB Apex Bank data , auditor report and data at the bank.

I suggest that further study might investigate the impact of strategic planning on performance of rural/community banks from a wide range of perspectives including financial, economic, organisational and stakeholder perspectives.

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