

1 Qualitative Impact of Strategic Planning on Performance of 2 Rural and Community Banks in Ghana

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6

7 **Abstract**

8 Companies big and small commit a lot of resources both material and financial in planning.
9 Little or nothing is done to assess the impact of the planning and the planning process. The
10 question that arises is 'does it pay to commit such resources and time in planning and does
11 planning process impact on the performance of financial institutions apart from the financial
12 indicators? This study explores the qualitative implications of strategic planning and the
13 planning process .It assesses strategic planning impacts from behavioral perspectives as
14 against purely profit or what appears on the financial statements of financial institutions in
15 Ghana.Qualitative data were collected from primary and secondary sources. Data was
16 collected from primary and secondary sources .Board of Directors, Staff and customers of the
17 bank were interviewed through questionnaire administration and open-ended discussions.

18

19 **Index terms**— rural and community banks, strategic planning, assessing, ghana, qualitative impact.

20 **1 Introduction**

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

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

39 **2 II.**

40 **3 Review of Related Literature**

41 ? The Concept of Strategic Planning Strategic planning has been defined differently by various authors. Young
42 (2003) defined strategic planning as 'a formal yet flexible process to determine where an organisation is currently

43 and where it should be in the future. The substantive issues are however, the same; they focus on making plans
44 and taking actions today for the future prosperity and competitiveness of a firm in its environment with the
45 optimal use of available resources. According to Ilesanmi (2011), strategic planning refers to the formulation and
46 implementation of plans and the carrying out of activities relating to the matters which are of vital, pervasive
47 or continuing importance to the organization. In short, it implies a set of activities related to the formulation
48 and implementation of strategies to achieve organizational objectives. McNamara (2008) identifies some of the
49 major activities that are common to all strategic planning processes as conducting a strategic analysis; setting
50 the strategic direction, action planning that is, carefully laying out how the strategic goals will be accomplished.

51 4 ? Components of an Effective Strategic Planning

52 Once an organization has worked through the four stages, it will have a thoughtful, comprehensive strategic plan
53 articulating an ideal vision and how to achieve it. The parts of this strategic plan, while varying depending on each
54 organization's history and culture, will often include the following elements: ? Vision statement, a description of
55 the ideal future of the organization and the outcomes it hopes to create for its stakeholders. The vision describes
56 the end state, the ideal final destination for the organization and the people it serves. ? Mission statement,
57 a description of who the organization serves and how the organization will structure itself to accomplish its
58 preferred future. This statement translates the aspiration of the vision into specific dimensions while emphasizing
59 the organization's distinctiveness. The mission informs employees, customers, suppliers, regulators, and other
60 key stakeholders about the organization's primary purpose. The statement, which also describes the structure
61 and strategy the organization will use to achieve its vision, delineates the organization's essential purposes and
62 audience. ? Core beliefs, principles, and values, statements of belief that guide individual actions throughout
63 the organization. These values describe how individuals should think, act, and interact. In some environments,
64 a compelling vision and clearly defined core beliefs are all that are needed to encourage people to do the right
65 thing every day.

66 ? Strategic agenda, a description of the key goals that the organization needs to pursue to close the gap
67 between the ideal and real worlds, which commonly comprises five to eight strategic priorities. One way to shape
68 the strategic agenda is the balanced scorecard. ? Critical success factors, broad measures indicating that the
69 organization is making progress toward the vision (such as an increase in market share in all product lines).

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

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

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

92 Attempts in the past to encourage commercial banks to spread their rural network and provide credit to the
93 agricultural sector failed to achieve the desired Chandler (2005), Andrews (1980) and Porter (1980) are unanimous
94 in stating that strategic planning is a systematic process by which an organization formulates achievable policy
95 or objective for the future growth and development over the long term, based on its mission, vision and goals and
96 on a realistic assessment of the human and material resources available to implement the plan. ??ubrin (2006)
97 suggest that SP encompasses all those activities that lead to the statement of goals and objectives and the choice
98 of strategies to achieve them. Gluck, Kaufman and Walleck (1980) adds that it is a unified, comprehensive and
99 integrated plan designed to ensure that objectives of the enterprise are achieved. These comprehensive definitions
100 are concurred by Bryson (1998) who states that it is a disciplined effort to produce fundamental decisions and
101 actions that shape and guide what an organization is, what it does, and why it does and what it does. The
102 process defines its medium and long term goals and objectives and approaches by which to achieve them. It is
103 a look into the future that identifies the mission, vision, goals and objectives of an organization with prescribed
104 actions necessary to achieve the vision.

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

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

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

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

120 **5 III.**

121 **6 Research Problem/Objectives**

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

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

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

135 **7 Specific objectives**

136 **8 Research Methodology**

137 The target population of the study consists of management, junior staff and board of directors of the bank. It
138 comprised of 10 management, 40 junior staff and 5 boards of directors of the bank. I adopted non-probability
139 sampling techniques (purposive and convenience sampling techniques) to select the respondents for the study.
140 Purposive sampling technique is used by researchers to choose samples that are likely to be knowledgeable and
141 informative about the phenomena under study ??Best & Kahn, 2009). In view of this, the researcher purposively
142 selected 10 management members and 5 boards of directors for the study. Then, a convenience sampling technique
143 was used to select 40 junior staff from all the sections of BTCBL for the study. Convenience sampling method
144 was adopted because the respondents were selected based on their convenient accessibility and proximity to the
145 researcher. More so, convenience sampling is fast and inexpensive in recruiting the respondents for the study
146 (Saunders, ??ewis & Thornhill, 2007).

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

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

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

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154 Volume XVIII Issue XII Version I Year () A respondents much flexibility and privacy in answering the questions
155 without any undue influence. The questionnaire was in simple and unambiguous language and as such, did not
156 pose any problem as regards interpretation. The respondents were also assured the information would be kept
157 confidential.

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

162 V.

163 10 Findings/Suggestions

164 The principal findings of the study are as follows:

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

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

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

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

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

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

189 11 VI.

190 12 Conclusion

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

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

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

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

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

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

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

220 .1 VII.

221 .2 Recommendations for Future Research

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

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

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