Business Strategy as a Measure of Organizational Performance

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Abstract

The study aimed at examining organizational performance in a Nigerian bank using their business strategies. Specifically, the study identified the business strategies employed by the bank, evaluated her performance over some years-using financial ratios, and assessed the effects of the strategies employed on the performance of the bank in terms of efficiency, profitability, liquidity, and market share.

A systematic (case study) research design was adopted and a non-probabilistic sampling technique was used to gather information. The variables used in the study were determined as key indices of performance and values were ascribed to them from the figures supplied in the bank's financial statement. Some other published working papers as referenced and some Central Bank of Nigeria's (CBN) publications.

The study revealed that the bank's mission was to invest in the best people, technology and environment to be able to achieve customer enthusiasm. The bank's major strategies are in the area of financing, marketing, human resources and information technology. The bank has recorded a tremendous success haven attained all the key desires of her mission statement and recording a revenue to expense ratio of 1.7:1, 1.7:1,1.5:1 and 1.5:1 over four financial years(2000-2003). In terms of market share, the bank's total asset have been continuously higher (2.4%, 2.8%, 3.4%, 3.7%, 5.7%) than the industry average of 1.7%, 1.6%, 1.9%, 2.0%, 2.0% (2000 – 2004).

The study concluded that the bank should continuously analysis its strength, weakness, opportunities and threats for an enduring adaptation to its dynamic environment characterized by political instability, government interference, corruption, sharp practices and failing public infrastructures.

Keywords: Business strategies, Organizational performance, Financial ratios, Efficiency, Profitability, Liquidity, Market share

1. Introduction

For success in operations, organizations must do a lot of planning at all levels of management; Strategic planning at the topmost level, tactical planning at the middle level, and operational planning at the lowest level. The most important aspect is the strategic planning which entails the task of selecting an overall strategy of the organization. Topmost level managers must be able to look ahead and develop long-term strategies to meet the changing conditions in their industries. Strategic planning set the stage for the rest of planning in the organization. It involves defining a clear company mission and purpose at the corporate level, setting detailed supporting company objectives that guide the whole company, designing sound portfolio of business and product that is best for the company i.e. the marketing strategies, and coordinating functional strategies like the form of finance, investment, dividend, staffing, remuneration, incentives and welfare packages.

These activities (carried out by human beings – the most important factor input in organizations) would

determine the organization's performance. Organizational performance can be measured in terms of effectiveness, efficiency, market share, liquidity and profitability. organizational performance is a major determinant of growth capabilities and in turn long term survival. Organizations that perform well are successful while those that perform poorly are not and will be forced out of business in the face of current imperatives. The organizational environment defines these imperatives.

As at 31st December 2004, when this study was carried out, Nigeria had 97 commercial banks with over 2000 branches, 185 community banks with 753 branches, 34 finance companies with 109 houses, 16 primary mortgage house with 83 branches, 3 development finance institutions and 1 bureau-de-change. This makes the industry one of the largest in Africa and set the basis for a very keen competition for survival. Banks play a key role in the Nigerian economy because of their traditional role of financial intermediation. They are a major determinant of key economic issues like credit creation possibilities, liquidity, investment financing and savings amongst others. The industry is therefore capable of affecting the pace of economic activities to a great extent, and the prevalent conditions in the industry-competition and a volatile economy necessitate the need for adequate planning.

However the banking industry in Nigeria is faced with the problem of low performance which is indicated in the profit reported annually. This arises from the strategic problems posed by the banking environment which is continuously dynamic in terms of technology, customer service and government policies. The Nigerian economy like many other countries all over the world is being affected by dramatic changes, chronic high unemployment, deteriorating purchasing power- as a result of which national economies are crumbling. These changes are underlined by globalization and technology. Management in organizations has been put in a state of confusion as regards strategy in response to these changes.

Thus, this study which examines strategy and performance is significant (in these times of dramatic global changes and increasing technological advancement) to banks who need to formulate strategies that must result in efficient and effective performance to remain in business. This study therefore critically assesses the business strategies employed by one of the commercial banks in Nigeria to deal with the aforementioned problems created by their business environment, and how this affect its performance in terms of profitability, efficiency and market share.

2. Literature Review

2.1 Strategies and policies defined

Mintzberg (1994) identifies four common perceptions of strategy by various scholars as plan, pattern, position and perspectives. As a plan, it focuses on "how," a means of getting from here to there. Andrew (1980) agrees that strategy produces the principal policies and plans for achieving goals. Strategy as position reflects decisions to offer particular products or services in particular markets. Porter (1986) corroborates the perception of strategy as plan and position. He describes strategy as a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. Strategy is a pattern in actions over time and as a perspective, it focuses on the vision and direction of the firm. Nikols (2010) agrees with all the four perceptions. He contends that strategy is perspective, position, plan, and pattern. He argues that it is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the gap between ends and means. In short, strategy is a term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends. It is a general framework that provides guidance for actions to be taken and, at the same time, being shaped by the actions taken. This means that the necessary precondition for formulating strategy is a clear and widespread understanding of the ends to be obtained. Without these ends in view, action is purely tactical and can quickly degenerate into nothing more than a flailing about (Nikols, 2010).Corporate strategy is the general nature of a firm's relationship {at present and plans for the future} with its environment {especially, its competitors and customers}. Porter (1986) describes strategy as the basis for competition. He argues that competitive strategy is about being different. It is a deliberate choice of activities to deliver a unique mix of value. It refers to what you do to counter a competitor's actual or predicted moves (Steiner, 1979) A firm's corporate strategy may be described in terms of the product it offers, the market share it has, its profitability, the rate growth, and the way in which its resources are allocated to its various activities. It is the framework that guides the choices and determine the nature and direction of organization (Tregoe and Zimmerman, 1980) It is all about decisions on the products and services to offer, the customers served, the market segments in which to operate and the geographical areas of operation (Robert, 1993). Treacy and Wiersema (1994) identify operational excellence, customer intimacy and product leadership

as the three value disciplines of strategy

According to Koontz and O'Donnell (1968), strategies denote a general programme of action and deployment of emphasis and resources toward the attainment of comprehensive objectives, the deployment of resources to attain these objectives and the major policies to be followed in using these objectives. Strategies concern the direction in which human and material resources will be applied in order to maximize the chance of achieving selected objectives.

2.2 Sources of strategies

These may be classified as originated, appealed, implied and externally imposed.

2.2.1 Originated

The most logical source of strategy is top management which originates it for express purpose of guiding subordinates in their operations. Originated strategy flows basically from the objectives of the organization, as the top executive authorities define these. They may be broad in scope, allowing key subordinates to give them clearer definition, or they may be promulgated so completely as to leave little room for definition and interpretation. The extent to which they are centralized or decentralized is dependent upon the extent to which authority is concentrated or dispersed. Characterizing a strategy as originated does not necessarily imply that it is imposed by command. Many managers who originate them obtain compliance by making unobtrusive suggestions. In fact, some skillful managers originate strategy and secure compliance by allowing subordinate managers to leave a conference believing that they themselves originated it. But often times, strategies are imposed upon subordinates with a force and clarity that permit no deviation.

2.2.2 Appealed

Some strategies stem from appeal of exceptional cases up the hierarchy of managerial authority. If occasions for decision arise for executives who do not know whether they have sufficient authority or how the matter should be handled, they may appeal to the superior. As appeals are taken upward and decisions are made on them, a kind of common law is established. Precedents develop and become guides for future managerial actions. Strategies developed from appeal are sometimes incomplete, uncoordinated and confusing. If decisions are made on a given set of facts without regard for their possible effects on other aspects of the operations, or its unintended precedents developed from them, the resulting policies may not guide the thought and actions of subordinates as really intended by top managers. Moreover, policies or even strategies may develop that top managers may not know about.

2.2.3 Externally imposed

To an increasing extent, government, trade unions, and trade associations are extremely imposing strategy. Whether in the form of direct regulation, the competition of government-owned or government-supported business, or the conditions for accepting government trade or contracts, the result is to circumscribe and dictate many aspects of policies and strategies. Strong national unions, operating through collective bargaining and detailed labour contracts have also imposed strategy upon managers. Besides, thousands of local, regional, and national have their effects in varying degrees on strategy. Other social groups such as churches, schools, fraternal, social and charitable organizations may also mould or dictate an organization strategy.

2.3 The basic types of strategies and policies

Although, as generally used, the term "strategy" implies broad, overall direction for the planning or operation of a business or other type of enterprise, it should not be overlooked that there are several basic types. The most important are indeed major overall strategies and policies. But there are also supporting, or derivative strategies and policies, and one finds also, some that may be regarded as minor. Oftentimes, most enterprises have a composite of strategies and policies. Moreover, in view of possible changes in the environment in which plans are expected to operate, some may be of a contingency nature.

2.3.1 Major strategies and policies

Major strategies and policies are those which give a unified direction to an entire enterprise and imply a commitment of resources. Of course, they should all be supportive of the enterprise's mission or purpose. In a business, there are likely to be dominant strategies and policies in the areas of marketing, the development of new products, financial resources, human resources, and capital facilities. In other word, major strategies and policies are those which give the primary shape to an organization in its accomplishments of purpose.

2.3.2 Derivative, or Supporting strategies and policies

In any enterprise, there are a need for various strategies and policies that depend on, or supportive to major strategies and policies and yet acts as guides to think and action and give support to unified planning in certain areas.

2.3.3 Minor policies and strategies

There may be many minor strategies and policies in a typical organization. Supervisors may develop a policy in their unit of occasionally allowing workers with good attendance to take short periods of time off with pay for personal errands. They do give direction and guidance to decision-making and action, but they are certainly not of overall importance to a company, and they may not even be supportive to a company's major strategies and policies.

2.3.4 Composite strategies and policies

Most enterprise has a composite of strategies and policies. In other words, they have no single strategy or policy, but rather a group of strategies and policies in the area of marketing new products, finance, human resources and capital facilities. For example, a company might plan to diversify through having a variety of specialized products in the consumer market. It may also have a strategy of achieving its diversification through well-selected acquisitions, obtained by an exchange of shares of stock. This in turn may be closely related to a strategy of aggressive consumer marketing and maintenance of high profit margins to support high share prices. Another policy important to this effect might be select and train highly qualified and entrepreneurial oriented managerial personal and reward them extensively, through bonuses based on company growth and profits. Because of its strategies emphasis on growth by acquisitions, the company might also have a product strategy of improving present products and keeping them up to date, rather than developing new products. The important thing is that these strategies and policies are consistent, that is, they are "fit".

2.3.5 Contingency strategies

The alert business, army, or other kind of enterprise will be well advised to develop, and are ready for implementation of contingency strategies. In other words, in case the environment in which enterprise plans are designed to work is not accurately forecast and assessed and when the strategy developed thereof becomes obsolete or otherwise unsuitable, a contingency strategy should indicate the direction the enterprise should go. Planning for alternative strategy is simply good planning. There are almost always unexpected contingencies. The business or other organization that knows what it will do if things change- that has answered the question of a "what if" with solid contiguous plans – will understandably be on a more solid road to success.

2.4 The special importance of strategies

It is widely agreed that the development and communication of strategy are among the most important activities of top managers. As Ross and Kami, in their insight book on the lack of success of many large companies in the united states, have said, "without a strategy, the organization is like a ship without a rudder, going round in circles, it is like a tramp; it has no place to go". Indeed, they describe most business failures to lack of strategy, or the wrong strategy, or lack of implementation of a reasonably good strategy. They conclude from their study that without an appropriate strategy effectively implemented, failure is a matter of time.

With all their admitted importance, there has been much disillusionment concerning strategies, their development and implementation. The concepts of what strategies are often of little values and even meaningless, even though the term may be constantly mouthed by academics and executives. As one prominent consultant declared, particularly with respect to strategic planning, "in the large majority of companies, corporate planning tends to be an academic, ill-defined activity with little or no bottom-line impact".

Many corporate chief executive officers have brushed "strategic planning aside by such statement as "strategic planning is just a plaything of staff people" or "strategic planning is just a staggering waste of time". A number of companies and even government agencies have tried planning, only to wallow in generalities, unproductive studies and programs that do not get into practical operation. In one large company, a far too patient president watched a succession of top planning officers and their staff founder for 12 years, until his patience was finally exhausted and he insisted on practical action.

Disillusionment with strategic planning seems to result from failure to understand fully:

- What strategies are and why they are important;
- How strategies fit into the entire planning process;

- How to develop strategies; and
- How to implement strategies by bringing them to bear on current decisions.

2.5 Areas of the major kinds of strategies

For many business organizations, certainly, and with some modification for other kinds of organization as well, the major strategies which give an overall direction to a company are likely to be in the following areas:

New or changed products and services: A business exists to furnish products or services of an economic nature. In a very real sense, profits are merely a measure –albeit an important one of how well a company severs its customers by doing so.

Marketing: Marketing strategies are designed to guide planning in getting products or services to customers, to get them to buy, and to reach them.

Growth: Growth strategies give direction to such questions as how much growth and how fast, where and how.

Financial: Every business, and for that matter any non-business, enterprise must have a clear strategy as to how to finance its operations. There are various ways of doing this and usually many serious limitations.

Organizational: This kind of strategy has to do with the type of organizational pattern an enterprise will use. It answers such practical questions as to how centralized or decentralized decision making authority should be, what kinds of departmental patterns are most suitable, whether to develop integrated, profit responsible decisions, the use of matrix organization structures, and effective design of staff. Naturally, organization structures should furnish the system of roles and role relationships that help people to accomplish objectives.

Personnel: Major strategies in the area of human resources and relationships may be of a wide variety. They deal with such topics as union relations, compensation, selection, recruitment, training and appraisal, as well as in special area such as job enrichment.

Public Relations: Strategies in this area can hardly be independent but must support other major strategies and efforts. They must also be designed in the light of the company's type of business, its closeness to the public, its susceptibility to regulation by government agencies and similar factors.

2.6 Requirements for developing effective strategies

To develop correct and meaningful strategies of any kind, there are a number of key requirements that companies must meet. These include, corporate self appraisal, assessing the future environment, good organizational structure that assures effective planning, consistency and the need for contingency strategies.

2.6.1 Corporate self-appraisal: Corporate self-appraisal essentially involves asking these two questions:

- What is our business?
- What kind of business are we in?

These simple questions are not easy to answer, as many businesses have found out. To answer questions about its identity, a company must look at itself as a total entity, analyzing strengths and weaknesses in each functional area – marketing, product development, production and other operation areas, finance, and public relations. It must focus attention on its customers and what they want and can buy, on its technological capabilities, and financial addition, note must be made of the values, aspirations, and prejudices of top executives.

In assessing strengths, weaknesses, and limitations, an enterprise must of course, be realistic. In doing so, however, there is danger of over stressing weakness and underestimating strengths. History is replete with examples of companies that have spent so much effort showing up weaknesses that they did not capitalize on their strengths. To be sure, weaknesses should be corrected to the extent possible. But identifying strengths and taking advantage of them in formulating strategies offer the most promise.

2.6.2 Assessing the future environment: The best possible estimate of the future environment is necessary since strategies are intended to operate in the future. Estimating the future environment means forecasting it to be able to prepare for the future through establishing strategies and supporting plans to take advantage of its opportunities and capabilities and match its strengths with the environment. This is one of the areas of planning that has not been done especially well. Plans should be used as the background for decision-making, but too often, we premise our planning on what has been done rather than what is expected to happen.

2.6.3 An Organizational structure assuring planning: If strategies are to be developed and put into use, we need organizational arrangements assuring effective planning. Staff assistance is important for forecasting, establishing premise and making analysis. Decision should be based on regular, formal and rigorously reviewed

planning programs and performance. This must happen at all level so that people will be forced to plan, and strategies will be followed by programs.

2.6.4 Assuring consistent strategies: One of the important requirements of the effective strategies planning is to make sure that strategies are consistent, that they "fit" each other.

2.6.5 The need for contingency strategies: Every business strategies must operate in the future and the future is always subject to uncertainty, the need for contingency strategies can not be overlooked.

2.7 Measures of performance in organizations

Performance evaluation or measurement is very important in enabling stakeholders in organizations to know its financial stand from time to time. The different stakeholders having different interests view the position of the organization differently. Shareholders and management will be more interested in growth and expansion, the government on the level of profit declared because of tax payable to the state, trade creditors will be interested in the liquidity of the firm etc. Firms are expected to be effective by maximizing their profit, making efficient use of their resources to be able to satisfy all the stakeholders. One of the analytical tools used in evaluating the performance of a firm over certain periods is financial analysis. In financial analysis, a ratio is used as an index of yardstick for evaluating the financial position and performance of a firm. An accounting figure conveys meaning to some other relevant information. Ratio analysis involves comparison for useful interpretation of the financial statements. A single ratio in itself does not indicate favorable or unfavorable condition. It should be compared with some standard, such standards could be past ratios, competitor's ratios, industry ratio and projected ratio.

However, the easiest way to evaluate the performance of a firm is to compare the present ratio with some past ones, as this will give an indication of the direction of changes and reflect whether or not the firm's performance has improved, deteriorated or remained constant overtime. These comparisons are valid only when the firm's accounting policies have not changed overtime. Sometimes, future ratios are required as the standard of comparison.

2.8 Use of financial ratios

Reilly (1989) regards financial ratio analysis as the use of ratios to interpret financial statements so that the existing strengths and weakness of a firm as well as its historical performance and current financial condition can be determined. Making comparison to evaluate a company for its performance could either be intra, inter or both. An inter-firm analysis compares financial performance of one firm with those similar firms or with industry averages of the same point in time. Such comparison gives insight into the relative financial condition and performance of the firm. The intra comparison on the other hand interprets ratio valued by comparing a firm's comparable ratios through its past performance over certain period of years. According to Frank Wood and Alan Sangster (1996), "without ratios, financial statements would be largely uninformative to all but the very skilled. With ratios, financial statements can be interpreted and usefully applied to satisfy the needs of the reader.

Financial ratio analysis can be classified as follows:

2.8.1 Liquidity ratios

This is the firm's ability to meet future short term obligations. It is essential that a business is aware its consumer is in a risk, and finds it difficult to repay the amount due. The idea is to match the potential obligation of an enterprise, such as accounts payable with current assets that will be available on a short notice to meet these obligations. The ratio includes:

(a). Current ratio: measured as:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

This compares total current assets to total current liability and is intended to indicate whether there are sufficient short term assets to meet the short-term liabilities.

(b). Acid-test ratio: measured as:

$$\frac{\text{Current assets} - \text{stock}}{\text{Current Liabilities}}$$

This is more severe and prudent test of short-term debt paying ability. The only difference in the terms involved between this ratio and the above ratio is that the acid test (known as quick ratio) does not include stock.

©. Cash ratio: measured as:

$$\frac{\text{Cash + short term investments}}{\text{Current liabilities}}$$

This is the availability of cash to cover current liabilities. In this, short term investments are regarded as cash.

(d). Receivable Turnover ratio: measured as:

$$\frac{\text{Net annual sales}}{\text{Average receivables}}$$

This quickens how accounts receivables are turned into cash.

(e). Working capital/sales ratio: measured as:

$$\frac{\text{Current assets – current liabilities (working capital)}}{\text{Net Annual sales}}$$

This shows how working capital, which is – current assets less current liabilities, is being turned over by sales.

All these ratios show how a firm is able to meet its short term obligations, which means enough assets can be readily converted into cash to meet its current liabilities.

2.8.2 Profitability ratios

This analyses the profit earned, they are used among other things, to measure the performance of management, to identify whether a company may be a viable or worthwhile investment opportunity and to determine a company's performance relative to its competitors. This ratio indicates how the company uses short term financing to fund its activities.

Profitability in relation to sale:

(a) Gross profit margin: $\frac{\text{Gross profit}}{\text{Sales}}$ i.e. $\frac{\text{Sale-Cost of goods sold}}{\text{Sales}}$

Indicate the efficiency of operation as well as how products are priced. It measure the ratio of gross profit earned to total sales.

(b) Net profit margin: $\frac{\text{Net profit after tax (NPAT)}}{\text{Sales}}$

This ratio indicates the firm's safety margin, as regards the current price of goods and services. It shows the extent to which prices could be increased or decreased without a loss.

Profitability in relation to investment:

(a) Returns on capital Employed (ROCE): this is calculated as;

$$\frac{\text{Profits}}{\text{Total Assets Employed}}$$

This ratios indicates the profit earned (usually before interest and tax) to the funds used to generate that return (shareholder's fund at the beginning of the accounting period plus long-term creditors – mostly simply defined a total assets minus current liabilities). It must be noted that there are many ways ROCE may be calculated.

(b) Return on share capital: this is calculated as;

$$\frac{\text{Profit on ordinary activities before tax}}{\text{Ordinary share capital and resources}}$$

This shows how profitably shareholders' investment in a company has been used.

© Turnover ratio: Calculated as;

$$\frac{\text{Sales}}{\text{Total Assets}}$$

This tells us the relative efficiency with which the firm utilizes its resources in order to generate output.

Capital structure ratios

These are ratios used to assess the way in which a company finances its activities. These rates are long term in nature, being more concerned with the strategies than the operational level of corporate decision making.

Some of the ratios include:

(a) Net worth/Total assets: calculated as;

Net worth (shareholders' funds)

Total Assets

This ratio indicates the proportion of fixed and current assets that are financed by net worth (the total of shareholders' funds i.e. share capital plus reserves). The greater the degree of solvency, the higher the ownership fund as a percentage of total assets.

(b) Debt ratio: measured as;

Total Debts or Total Liabilities

Total Assets Total Assets

This ratio compares the total debtors to total assets and is concerned with whether the company has sufficient assets to meet all its liabilities when due.

© Capital Earning ratio: measured as;

Prior change capital

Total capital

This ratio provides the proportion of a company's total capital that has a prior claim (or prior change) it includes debentures and preference share capital and is any capital carrying a right to a fixed return. Total capital includes ordinary share capital and reserves, prior change capital and long term liabilities.

(d) Borrowing/Net worth: this is measured as;

Total Borrowing

Shareholder's fund

This ratio indicates the proportion that borrowing represents of a company's net worth. This ratio also indicates the degree of risk to investors in ordinary share in a company. The higher this ratio is, the greater the possibility of risk to ordinary shareholders.

(e) Interest cover: this is measured as;

Profit before Interest and Tax

Interest Charge

This ratio shows whether enough profits is being earned to meet interest payments when due.

Shareholders' Ratios

These ratios are those that are most commonly used by people interested in an investment in a company. They indicate how well a company is performing in relation to the price of its share and related items, including dividends and numbers of shares in issues some of the ratios include:

(a) Dividend Yield: measured as;

Gross dividend per share

Market price per share

These measures the rate of return on shares by comparing the dividend paid to the market price of a share.

(b) Earning per share (EPS): measured as;

Net profit after tax and preference dividends

Number of ordinary shares

This ratios indicate how much of a company's profit can be attributed to each ordinary share in the company.

© Dividend cover: measured as;

Net profit after tax and preference dividends

Net dividend on ordinary shares

This compares the amount of profit carried per ordinary share with the amount of the dividend paid, thereby showing the proportion of profits that could have been disturbed.

(d) Price Earning (P/E) ratio: this is calculated as;

$$\frac{\text{Market Price}}{\text{Earning per share}}$$

This ratio elates the earnings per share to the market price of the shares. It is indicator of how the stock market assesses the company.

2.8.3 Limitations of ratio analysis

There is danger in relying solely on the answers generated by the use of ratios. Some of the limitations are:

- The problem associated with differing bases of accounting adopted present difficulty in accepting answers provided by ratio. In particular, differences in valuing stock-in-trade fixed assets, depreciation methods.
- Financial statements present only a limited picture of a business, in some cases, it is only the information intended by the directors to be disclosed that are shown in the financial reports.
- Definition of terms for the purpose of ROCE varies from company to company.
- Inflation is also not considered when comparing between ratios of different periods. Inflation if not considered renders compassion useless and meaningless.
- Analysis of balance may e misleading; if the picture presented by the financial report is not representative of the year as a whole.
- Other non-qualitative factors necessarily to be considered before making a decision. Some of these factors are labour policy, market share, just to mention a few.
- Comparison between comparing and more importantly compares in different industries is made difficult, because of some of these limitations.

3. Objectives of the study

The general objective of the study is to assess the business strategy which the Studied bank employed, and find out how it affect its performance in terms of profitability, efficiency and market share.

The specific objectives are to:

(i) assess what the business strategies employed are

(ii) determine what the performance evaluators are

(iii) examine the effects of the strategies employed on the performance of the bank in terms of efficiency, profitability and market share.

4. Methodology

The case study design was adopted in conducting the research. The aim is to focus on enquiry around an instance and collect evidence systematically on the subject matter. This study is concerned with the interaction of strategies and consequent results, and sometimes it is only by taking a practical instance that one can obtain a full picture of such interaction as it is done in this case. This method gives opportunity for one aspect of a problem to be studied in depth within a limited time, allowing concentration on one specific instance or situation.

The study adopted a non-probabilistic purposive sampling technique. Ten high level management staff assumed to be most knowledgeable about the company's strategies was interviewed. The studied bank was chosen because of its widespread of branches across the country and there was a perceived assurance of cooperation at the chosen organization. The commercial banks sub-sector was chosen from the population-Nigerian banking industry because of its dominance in the sector (See Table 1). Information was also sourced from the studied bank's annual reports and financial statements, magazines, and Central Bank of Nigeria's annual report and financial statement.

5. Results

5.1 Business strategies employed by the studied bank

The bank's strategies are planned and decided upon by the executive directors with inputs from key personnel. Together they are referred to s the management team. However, everyone is encouraged to make contributions, regardless of their level. Employees are duly accorded respect and recognition for any significant contribution.

The bank's overall objective is as stated in its mission statement: "To continue to invest in the best people, technology and environment, to underscore our commitment to achieving customer enthusiasm". To achieve this major objective, sub-objectives are set for various groups and teams. The overall objective is optimized by optimizing the sub-objectives. Targets and standards are set by the senior management for various groups to be met at stipulated time. Strategies employed by the bank include:

5.1.1 Marketing strategies

Marketing strategies involve Product Range and Target Market, Pricing, Placing, and Information Technology.

- Product range and target market: The bank offers traditional credit and cash management products, electronic banking, sophisticated engineered corporate finance products, generic and structural trade investments and foreign exchange products. The bank's target markets are the multinationals, large local corporate, medium and small scale Nigerian entrepreneur; institutional investors, high networks and other individuals.
- Pricing: Pricing of products and services is highly regulated. However for some products, the bank price with respect to market forces of demand and supply taking note to mark up appropriately.
- Placing: The wide spread of branches across the country allows a variety of products to be offered to all and sundry. The bank's personnel move into their target market and make personal representation to their customers and clients. Contacts have been greatly improved by their I.T capabilities.
- Information technology: The bank's urban branches are linked through NITEL leased lines, connecting to head office over a wide area network to run international banking solution (IBS). The bank offers electronic banking to all customers through her satellite network (VSAT). The bank was also among the first institution in the industry to introduce the Automated Teller Machine (ATM).

5.1.2 Human Resource Management strategy

The bank's recruitment is based on merit. Only highly qualified persons are recruited as and when the need arises. The bank's staffs are well remunerated and their welfare is adequately taken care of. Services Excellence Awards are given to employees who make outstanding contributions. Table 2 attests to the fact that, the bank's human resource strategy pays off as revealed by their net earnings which increases as the number of employee increases.

5.1.3 Financial strategy

The bank's share capital plus statutory reserves is over six billion naira, triple the minimum requirement for authorized share capital of banks in Nigeria (two billion naira, 2004). The bank invests extensively in treasury bills, bankers' acceptances and other money market instruments in the short term. The bank has two subsidiary companies and also acquired majority shareholding in three companies incorporated in Nigeria. The bank's dividend decision is taken to ensure a balance of returns to investments and retention for growth capabilities.

5.2 Performance evaluation

The bank's performance was evaluated in terms of efficiency, profitability, liquidity, and market share. This is done by using ratio analysis on her annual reports and accounts as well as CBN's financial reports for 2004 (See Tables 3, 4, 5 and 6). The indices of efficiency used are- revenue: expense ratio, return on average asset and return on average equity ratios. The indices of profitability used are-the absolute profit after tax (PAT) figures. The liquidity ratios used are- liquid asset (LA): total deposit liability (TDL), demand deposit (DD): TDL, savings deposit (SD): TDL, and the time deposit (TD): TDL ratios. The market position was evaluated by comparing the bank's total asset and total deposit liabilities with other banks in the sub sector.

The revenue expense ratio shows institutional efficiency, the ideal being1.5. The return on average asset which measures the margin on asset employed expressed as a percentage also shows institutional efficiency. The ideal is 2.0, and the bank is consistently above the ideal. The return on average equity which measures the margin on the ordinary shareholding expressed as a percentage shows that the bank returned between 38.6 & 43% per naira invested on the bank's equity shares. The profit profile as revealed by this study shows that the bank consistently made profit after tax of over Naira 1.5 billion, and above 5 billion in 2004. This makes her one of the most profitable banks in the industry.

In terms of liquidity analysis, the liquidity ratios in table 4 show the proportion of the bank's deposit liabilities that fall into the various deposit categories namely savings, time and demand deposits.

From table 3, we can see that the liquidity ratios have continuously been held far above the 52% stipulated by the CBN for 2004. The bank has been described as a bank in excellent financial health with over whelming capacity to meet long and short term obligations.

The market share analysis is done by comparing the bank's total asset and total deposit liabilities figures with other banks' average as shown in tables 5 and 6. Tables 5 and 6 show the relative strength of the studied bank in the commercial bank sub sector. The profit after tax figures (Table 3), also show that the bank is a market leader.

6. Conclusions

Business strategies employed by the management of any organization determines the organization's performance, and hence, success or failure in the market place. Using financial ratios to compare her financial records during the five years under review, the study has shown that the studied bank has performed well and succeeded to be one of the market leaders in Nigeria's banking industry. The bank has recorded a tremendous success in its effectiveness-haven attained all the key desires of her mission statements; and efficiency-recording a revenue to expense ratio of 1.7:1, 1.7:1,1.5:1 and 1.5:1 over four financial years(2000-2003). In terms of market share, the bank's total asset have been continuously higher (2.4%, 2.8%, 3.4%, 3.7%, 5.7%) than the industry average of 1.7%, 1.6%, 1.9%, 2.0%, 2.0% (2000 – 2004).

However, a thorough understanding of the environment (political instability, government's frequent intervention, corruption sharp practices, failing public infrastructure) is needed before strategies are arrived at. Though the bank is doing well, she should continue the detailed analysis of her strength, weakness, and opportunities and threats given the environment in which she operates.

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Table 1. Dominance of the commercial banking sub sector

	Total asset	%	Deposit liabilities	%	Capital reserve	%
	N'000		N'000		N'000	
Commercial banks	3,753,277.8	99	1,661,482.1	98.7	348,387.6	97.7
Others	34,162.31	1	21,407.9	2.3	8,156.4	2.3
Total	3,787,440.1	100	1,682,890	100	356,544	100

Source: CBN Annual report and statement of Account 2004 (pp112&114).

Table 2. Staff information

Year	2000	2001	2002	2003	2004
	(N)'000	(N)'000	(N)'000	(N)'000	(N)'000
No of employees	838	1,061	1,290	1,594	2,190
Net earnings	853,452	1,162,332	1,647,027	2,982,033	4,285,445

Source: Derived from the bank's financial reports & account.

Table 3. Analysis of the efficiency and profitability of the studied bank

Year	2000	2001	2002	2003	2004
	N'000	N'000	N'000	N'000	N'000
Net earnings	5,231,702	6,893,799	10,039,728	15,554,948	20,599,345
Operating expenses	3,311,965	4,047,441	5,954,169	10,049,072	13,797,311
Revenue: expense ratio	1.6	1.7	1.7	1.5	1.5
Profit before tax (PBT)	1,863,214	2,802,580	3,999,368	5,440,471	6,404,885
Total capital +liabilities +contingencies	48,117,311	6,7934,980	112,549,084	153,445,024	215,226,766
Return on average asset= PBT*100 / Total capital+liabilities+contingences	3.87	4.13	3.55	3.55	2.97
Tier one capital i.e. core capital	4,821,033	6,725,947	9,305,968	12,651,577	15,674,368
Return on average equity= PBT*100 / Tier one capital	38.6	41.7	43.0	43.0	40.9
Profit after tax (PAT)	1,655,093	2,418,243	3,504,013	4,424,186	5,190,768

Source: Derived from the bank's financial reports & acct., CBN's financial report 2004

Table 4. Liquidity analysis

Year	2000	2001	2002	2003	2004
	N'000	N'000	N'000	N'000	N'000
Liquid asset (LA)	25,584,868	41,538,913	65,628,625	77,140,805	121,891,453
Total deposit liability(TDL)	25,035,406	30,688,075	50,688,381	61,574,455	131,095,341
LA*100 / TDL	102.2	135.4	129.5	125.3	93.0
Demand deposit (DD)	17,464,244	21,947,642	36,835,662	52,988,320	80,238,569
DD*100 / TDL	69.8	71.5	72.7	86.1	61.2
Savings deposit (SD)	407,652	916,618	1,253,087	1,774,477	2,575,400
SD*100 / TDL	1.63	3.0	2.5	2.9	2.0
Time deposit (TD)	7,163,510	7,823,815	12,599,632	6,811,658	48,281,372
TD*100 / TDL	28.6	25.5	24.9	11.1	36.8

Source: Derived from the bank's financial reports & acct., CBN's financial report 2004

Table 5. Total assets for the Nigerian commercial banking sub sector

	The studied bank		Average		Others		Total
	N'M	%	N'M	%	N'M	%	
2000	40,756.744	2.4	28,886.77	1.7	1,663,562.5	97.6	1,704,319.2
2001	60,190.393	2.8	34,546.28	1.6	2,116,225.2	97.2	2,176,415.6
2002	92,562.897	3.4	52,033.64	1.9	2,613,186.4	96.6	2,705,749.3
2003	112,534.638	3.7	54,761.89	2.0	2,935,321.7	96.6	3047856.3
2004	193,321.489	5.2	73,593.68	2.0	3,559,956.3	94.8	3,753,277.8

Source: Derived from the bank's financial reports & acct., CBN's financial report 2004

Table 6. Total Deposit Liabilities for the Nigerian Banking sub sector

	The studied bank		Average		Others		Total
	N'M	%	N'M	%	N'M	%	N'M
2000	25,035.406	3.3	13,034.09	1.69	743,976.4	96.7	769,011.8
2001	30,688.075	3.2	12,156.81	1.59	935,190.7	96.8	765,878.8
2002	50,688.381	6.9	14,221.79	1.90	688,844.5	93.1	739,532.9
2003	61,574.455	4.6	26,221.49	2.0	1,275,721.7	95.4	1,337,296.2
2004	131,095.341	7.9	32,578.08	2.0	1,530,386.8	92.1	1,661,482.1

Source: Derived from the bank's financial reports & acct., CBN's financial report 2004