Organizational Strategies and Performance in the Banking Industry Focused on the Transnational Banks in Sierra Leone: An Ex Post Facto Study

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I. Introduction

These days, the banking system has experienced massive revolution which has brought about turnaround performance in the survival, growth and behaviour of the industry. The reforms were focused on ease of banking, guaranteed competition and positioning the banking industry to carry out the role of financial intermediation and economic development (Kama 2006, Okpara 2011, Essien, 2012). Critical to the survival and growth of the banking system is the nature of organizational strategies adopted by participating banks within the system. The formulation and implementation of organizational strategies by banks inform the long-term direction of the organization, development of new initiatives, and actions capable of keeping them in position to gain and maintain sustained success (Olujide & Aremu, 2004).

Waititu (2016) stated that strategy is an indispensable management device for any organization today. The experiments of the contemporary business environment along with the fast fluctuating worldwide economy requires great output rapidity and suppleness for organizations that strive to flourish. As a result, strategy in practice should be the course of
allocating resources with the intent of backing the identified strategies. However, this includes management undertakings which are vital to place strategy in motion and set up strategic panels to assess development and establish a route on how to attain organizational objectives (Pearce and Robinson 2009). Equally, each industry and more so banking has a fundamental arrangement or a set of essential economic and technical features which can result to an increase in competitive forces. Thus, a company can obviously advance or corrode its standing in the industry through its strategy selection. Therefore, competitive strategy, is not just about responding to the state of affairs, but an attempt to profile the environment in its favour (Porter, 1985).

Moreover, because of the dynamic economic environment and globalization, there are wavering customers and investors’ demands, as well as perpetually increasing product-market competition. In order to compete successfully with the indigenous banks; transnational banks in Sierra Leone need strategies to continuously improve their performance by way of decreasing cost, updating products and processes, improving quality and output and developing promptness to the market. For that reason, the banking industry in Sierra Leone must remain on the same wavelength with global changes so as to attain a competitive advantage and improve its performance relative to other competing banks in other Africa countries (Muogbo 2013). Furthermore, Otley (1999) postulated that performance management methods represent a group of organizational activities used by managers to concentrate on employee responsiveness as well as motivate behaviour for the absolute determination of applying the organization’s strategy. Intrinsically, performance management schemes are planned to support organizational strategy and match what they should do, make available precise and suitable ‘feedforward and feedback’ on their activities. It also inspires remedial conduct as and when necessary (Anthony & Govindarajan, 2007).

Some of the organizational practices that are intertwined with performance management are strategic planning, budgeting, incentive compensation design, and organizational configuration. It has been agreed that a firm’s performance can be profitably improved if it can synchronize, business strategies and performance measurement (Lee and Yang, 2011). Thus, without doubt, some organizations can perform better than others. It could be that a firm having equivalent ability in man, money and materials may perform better or poorly than other businesses. To ascertain what creates the variation, the strategic planning should be appraised (Omotayo et al. 2018). Therefore, organisational strategy is the most important element that can fast-track the business of the banking industry to better performance (Onyeukwu & Ekere 2018).

1.1 The Development of the Banking Industry in Sierra Leone

Before Sierra Leone attaining of independence in 1961 and following the setting up of the Bank of Sierra Leone (BSL) in 1964, the West African Currency Board (WACB) was in charge of issuing currency in Sierra Leone. WACB was set up in 1912 and was responsible for currencies in The Gambia, Ghana and Nigeria as well. After gaining independence, Sierra Leone introduced its own currency. In 1963, the BSL Act was passed into law and the Bank Sierra Leone began its operations on the 4th August 1964 that cleared the issue of the ‘Leone’ as a legal tender. In addition, in the late 1980s, the banking sector comprise of four commercial and eight rural banks in the financial system. The four commercial banks were Standard Charted Bank (SL) Limited, Barclays Bank (SL) Limited, Sierra Leone Commercial Bank (SLCB), and International Bank for Trade and Industry (IBTI) (BSL, 2019). During the first half of the 1990s marked the proliferation of banks in Sierra Leone. The Bank of Credit and Commerce International (BCCI) and Meridian Bank were also issued licences to operate in Sierra Leone; which brought the number of commercial banks to 6.
Following the escalation of the rebel war in Sierra Leone, some of the branches of commercial banks were closed along with all rural banks. Nevertheless, the First Merchant Bank (FMB) started its operations in 1999 as well as 17 Foreign Exchange Bureaux licensed to assume spot transactions in foreign currencies at different dates. In 2000, the Barclays Bank PLC, the key shareholder of the Barclays Bank (SL) Limited, sold its shares to the Government of Sierra Leone and the bank was renamed, Rokel Commercial Bank (SL) Limited. By the end of 2017 the total number of commercial banks were 14. Out of the 14 commercial banks operating in Sierra Leone, 4 are indigenous banks and 10 are subsidiaries of foreign banks. Additionally, financial institutions were as well established such as, the First Discount House (SL) Limited, the Home Finance Company (SL) Limited and 5 foreign exchange bureaux. However, in the course of the increase of banks, the Bank of Sierra Leone launched the National Strategy for Financial Inclusion in December 2016 in order to fast-track access to financial services for over 87 per cent of the economically active population who are currently left out of the formal and regulated financial system (BSL, ibid).

Due to globalization, the banking industry has been confronted with stiff competition and as a result, banks need to adopt exceptional organisational strategies (which transnational banks in Sierra Leone are no exception) to remain efficient so as to survive and grow. The central cause for most banks’ failure nowadays is that they failed in the execution of their operational strategies that could have supported their successful operations in the highly competitive zone (Nguru et al. 2016, Ishola et al 2017). Several local banks have been forced to close down because of competition among themselves. Another cause is, variations in customer tastes and prospects and innovative technologies; which have changed the nature of banking in Sierra Leone. To remain competitive therefore, banks must unceasingly strategize on how to motivate their employees and improve productivity (Olujide & Aremu 2004, Nguru et al. 2016).

However, transnational banks in Sierra Leone motivational strategies are not adequate to entice the top skills and professionals into the banking system. It has been witnessed over the years that there are more circumstances of labour attrition, fraud, demotivation and disgruntled workforce conditions. These are consequences of the unsuitability of motivational strategies that have eclipsed the banking industry for some time now. Although the banking industry in Sierra Leone always have the objective to increase market share and maximize return on investment while charging industry-standard prices to keep up their profits (Onyeukwu & Ekere 2018).

II. Review of Literatures

The Conception of Organizational Strategy and Performance

2.1 Organizational Strategy Concept

In the 21st century organizations face daunting challenges and therefore need strategies in order to operate globally. As these strategies can enable firms to become more competitive. A sustainable competitive advantage occurs when an organization develops competencies that are not easily copied or are unique. As a result, organizational strategy includes the commitments, decisions and actions mandatory for an organization to achieve strategic competitiveness and increase returns beyond the average (Wheelan and David 2002; Lomash and Mishra 2003).

According to Adler (2011) and Rahman et al (2019), organizational Strategy is the plan defined to convey the mission and reach the well-defined vision by the leaders of the organization. This plan encompasses the delineation or the appraisal of the mission and vision declarations in addition to the steps needed to realize them. Thus, an organizational strategy
supports everyone to understand where the business is going and how their efforts can influence those plans. Similarly, organizational strategy describes the market positioning of a company. It also defines how a company relates with customers, competitors, and departmental dynamics to deliver success (Lockrey, 2015). Hence, operational strategic planning demands that organizations develop their understanding of the underlying conditions and relevant tools to create a marketing strategy (Neill and Rose 2006). Therefore, a strategy of an organization is a comprehensive plan describing how the organization will reach its mission and objectives (Johnson et al., 2005). In fact, a strategy cannot take effect until it is decoded into a viable blueprint (David, 2003).

Moreover, most banks tend to have precise procedures for evolving strategic plans. Sometimes, these plans are geared toward providing sustainable higher returns. On the contrary, there is a difference between making and carrying out stages of strategy. Therefore, the capability to cascade an organisation’s vision, mission and core strategies into actionable behaviors to achieve serious objectives remains a challenge for most organisations. Equally strategic plans define how organisations create value by building on strategic themes such as ‘growth’ or ‘productivity’. These themes regulate what strategies organizations should adopt for their customers, practices and learning as well as their growth stages. Well-invented strategies define how the organisation plans to meet its specific customer promise through a mix of employee, technology and business processes that satisfy customer expectations and meet shareholders’ obligations (Kiran et al 2019).

### 2.2 Sierra Leone Financial Sector Development Plan (FSDP) Priority

As a proactive measures over the years, the Bank of Sierra Leone through its internal planning and public statements has underscored the significance of supporting financial sector development in order to upkeep overall growth objectives and poverty reduction strategies of the Government of Sierra Leone. The purpose of the FSDP is to offer an agenda for constructing a sound, expanded, receptive and well operational financial system that would make available a suitable backing to productive activities, thus contributing to economic growth and poverty mitigation. The FSDP would as a result focus on priority areas such as: build a strong, competitive and effectively functioning commercial banking system that would need a substantial transformation of the Central Bank of Sierra Leone’s banking supervision department as well as investing in a new information technology infrastructure across the Banks. Moreover, addressing feebleness in the commercial banking system is a key FSDP primacy, as Sierra Leone’s financial system is led by an oligopolistic banking system comprising the Bank of Sierra Leone (BSL), and 14 commercial banks. Most importantly, FSDP main objective is to construct a healthy, groundbreaking, competitive, well orderly and supervised banking system that can successfully provide extended financial services to Sierra Leoneans so as to meet national economic development necessities (BSL 2009, 2019).

### 2.3 Performance Concept

Öztürk & Coskun (2014) observed that in the early 1990s, the business world brought an all-inclusive approach to the concept of performance, which is accepted as the balanced scorecard (BSC), and it was a defining moment for performance management. The BSC is a universally recognised management accounting tool which suggests that non-financial performance indicators should also be measured alongside financial performance indicators. Consequently, institutional performance is measured in a multi-dimensional way which is a better way of assessing the success of an institution's strategies. Moreover, the BSC reflects the value of intangible assets along with tangible assets and allows the performance
management system to reach its objective. It is pertinent to note that the Balanced Score Card turns an organization's visions and strategies into action. Using the BSC, institutional strategies are accepted by other organizations and the institution's internal integrity is protected. The BSC transforms the strategies established by top managers into obvious strategy (Kaplan & Norton, 2004 b).

Besides, Parker (2000)'s elaborated that performance measurement is the most important activity on management's control function. Performance measurement can be organized for the whole organization, completely provisionally or for a specific purpose. Each organization has its own distinctive reason for performance measurement. Organizations frequently do performance measurement for regulation, such as determining the wants of customers and assessing their capability to meet those needs. Abdullah et al (2011) put forward the succeeding three sizes of service quality: systemization, reliable communication and responsiveness. Also, there are similar studies that reflect the size of banks as a core pointer to performance measurement. In another study, Al-Tamimi & Charif (2011) discovered that large banks do better than small banks, therefore, the greatest central performance indicator of that study was the size of the bank. Nevertheless, the novel style is particularly popular for performance management process in banks. In Öztürk & Coskun (2014)'s study, they discovered that with the use of the Balanced Scorecards (BSC), performance measurement and management is abstractly scrutinized. With the BSC, Managers are required to accomplish their control role by deciding on the performance targets, gauging performance, equating attained performance with targets, computing the variance of achieved performance with specific targets and creating a move by removing the variations. Consequently, a performance measurement system should be planned to work with the organizational structures as well as activities within the hierarchy. Managers should consider the crucial part of their obligation to ensure that performance measurement systems are successful.

It is good to note that the core objective of measuring performance is to increase performance. Parker (2000) stated that performance standards should be clear, reliable and fit; moreover to be simply understood by everybody. Hence, the system must be planned clearly so that standards are explicit and easy to understand whether the targeted performance is achievable or not. Therefore, when measuring organisational performance, a weight is agreed per performance criteria for all the parts of the Balanced Scorecard (Horngren, et al. 2003).

a. Commercial Bank

According to Smriti, (2014) commercial Bank is a financial institution that provides services for business organizations and individuals. These services consist of operating current, deposit and savings accounts in addition to giving out loans to businesses. Thus, taking deposits and giving debts to other people is an exchange to generate money. It is seen as an organization whose principal operations are on the build-up of the ‘for the time being, idle money’ of the general public for the purpose of advancing to others for expenditure. Therefore, a commercial bank is an institution which receives deposits from the public and in turn advances loans through credit (Nzewi & Ojiagu, 2015).

b. Profitability

Traditionally, increase in profit is the aim of every business organization. When the management of an organization creates sufficient profits, the shareholders and other investors are pleased, then the organization is in a better position to meet the request of other stakeholders. Profitability in banks becomes essential for cost concentration, reinvestment,
attracting additional financing, retaining of public confidence and inspired motivation of expansion (Anyanwaokoro, 2005). Profitability indices give the net result of all policies, activities and decisions of the company, being the competence of a company at making earnings (Nzewi, 2004).

2.4 The Relationship between Organizational Strategy and Performance

Business strategy is about ‘competitive advantage’. The initiative for strategic planning is for the organisation to achieve, be as efficient as possible, and have a sustainable advantage over its competitors. Competitive strategy is as a result of an effort to change a company’s strength comparative to that of its competitors in an organized way. Also, to shape activities and judgements of managers along with employees in a synchronised fashion (Ohmae, 1989).

Fawzy, et al. (2017) perceived that every organisation must implement market positioning strategies to achieve competitive advantage and become a top performer in its operations. Market leadership requires market power, concentration on workers’ needs and satisfying customers’ needs through provision of promised services (Slater and Narver, 1994). Strategic companies should adopt a market-oriented strategy. In addition, search for fundamental requirements (Slater and Narver, 1999). Strategy is considered to have an organizational culture that handles existing and potential customers and perpetuates better performance of work (Zebal, 2003). The use of cultural values in strategy caters for customer care, meeting customer needs and customer focus in development and improvement processes (Fawzy, et al. 2017).

Moreover, Zott and Amit, (2008) mentioned that the foremost objective of strategy is to improve organisational performance. Competition inspires organisations to pursue competitive advantage and to a certain level they will consciously detect and proactively structure their objectives before making decisions and implementing actions (Bhimani and Langfield-Smith, 2007). Previous researches by Spanos et al. (2004), Kim et al. (2006) and Parnell (2010) have also discovered that organisational strategy has a positive effect on organisational performance. Although, Hitt et al. (2009) noted that, a good strategy can put an organisation on the competitive advantage and increase its performance. Unfortunately, several organisations struggle with application and as a result fail to improve their performance.

However, the link between strategy and performance management has been explored in normative and empirical studies by various researchers such as Speckle, (2001, Chenhall, 2003, Porter, 1985, Miles & Snow, 1978). Though the findings vary, Chenhall (2003), amongst others, contended that a comprehensive strategy is advisable. Organizational strategies are better delivered by performance management systems created on central regulatory methods, specialized and standing on ceremony work, simple directorial plans as well as consideration to guide the individual towards the problem zones. Also, organizational strategies described by entrepreneurial comportment featuring prospector and diversity strategies, are supported by performance management systems based on the absence of consistent processes, outcomes oriented assessment, malleable configurations and procedures (Chenhall, 2003).

2.5 The Impact of Organizational Strategy on Performance

Ansoff (2003) had earlier stated that strategy was raised out of the understanding that organisations sought a distinct possibility and evolution direction that will focus on future performance. Besides, Otley, (1999) said that Performance management systems symbolize the set of organizational undertakings borrowed by managers to center employee devotion and motivate behaviour for the eventual drive of applying the organization’s strategy.
Intrinsically, performance management systems are set to aid organizations in order to design and organize what they should do, deliver precise and proper feedforward and feedback on how they are doing. And inspire remedial behavior as and when needed (Anthony & Govindarajan, 2007). Since the definitive drive of performance management is to sustain employee application of the organization’s strategy. Therefore, some practices involved are strategic planning, budgeting, incentive compensation design, and organizational structuring (Adler 2011). Pearce and Robinson (2009) supported this method to appraise the effects of strategic planning on performance and enhance other qualitative behaviour-related standards like building positive team spirit, company-wide knowledge sharing, common understanding and commitment of management and staff to the corporate vision. Moreover, Boeker and Goodstein (1993) supported these principles and further noted that the actual degree of strategic planning in any organization is the range to which it exerts emotional impact on behaviour in the organization.

2.6 Financial Intermediation and Economic Growth

Financial intermediation development plays an important part in the multifaceted globalized financial system. It also performs as a vital contributor to directing funds from excess agents to scarce agents. This is vital for economic growth as suggested by Schumpeter (1911). Financial intermediaries are in a better position to discover and benefit from investment opportunities, perform the role of savings mobilization, ease innovation and manage risk. Therefore, the relationship between economic growth and financial intermediaries’ development remains an important subject in economic discourse. This conversation is not limited to a specific period as pioneers like Schumpeter (1911, Goldsmith 1969, McKinnon 1973 and Shaw 1973) who propagated that the theory of financial intermediation and financial markets (both money and capital markets) played a crucial part in economic development. They attributed the variances in economic growth across countries to the quantity and quality of services delivered by financial institutions (Nguyen, 2017, Marshal et al., 2016, Noor and Abbas 2014). Badun (2009) also noted that there are several models that indicated the diverse relationship between financial intermediation and economic growth. Montiel (2003) similarly indicated that a financial system may add to economic growth in three ways i.e. a) generating incentives for amassing of physical and human capital, b) assigning capital to the most productive undertakings, and c) reducing the volume of resources utilized during intermediation.

III. Methodology

Since this exploration is ex post facto, longitudinal study was used. This provided the researcher some control over the variables from the study and agrees the application of published works as point of reference to reaching a tangible analysis from this study (Saunders et al, 2016). This nature of longitudinal study is referred to as ex post facto study, which makes use of preceding data that subsist as analogous research was done in the past (Caruana et al 2015, Bhat 2019).

IV. Discussion

In conclusion, the study discovered that the transnational banks in Sierra Leone in respect of their organizational strategies and performances, have inspired behavioural perceptive changes, and innovativeness (which is related to product and service improvements) that have best appraised growths in the banking industry over the past few
years. The study further noted that transnational Banks’ organizational strategies support every individual to understand where the business is going and how their determinations can influence those strategies. Correspondingly, the study also discovered that transnational Banks’ organizational strategies explain their market positions and spell out how the banks communicate with customers, competitors, and their departmental changing structures to convey achievements. Therefore, the transnational banks in Sierra Leone have recognised that to achieve efficiency and effectiveness, they should adjust their structures strategically. Consequently, the use of strategy must involve efficient sharing of resources to support the realisation of decided objectives (Pearce and Robinson 2009, Waititu 2016).

Besides, the study found out that the banks support and implement strategies through the development of key performance indicators (KPIs) (which is a performance of ‘amount produced’ that drives their strategies) based on customers’ expectations as well as the deployment of consistent training for their staffs to meet these expectations. It was also made known that the transnational banks use strategies that focus on their employees to apply best customer practices that will meet external customers’ expectations.

On the aspect of performance, the study observed that transnational banks in Sierra Leone engage their staffs with the aim of enhancing productivity and performance culture, which will make the banks realize their objectives through linking reward strategy to performance. It is done by using monthly score card practices and mid-year/end of year performance appraisal approaches. Also, through organizing trainings for staffs that are systematically in line with the banks’ strategic plans. However, the study also noted that there are major threats which the transnational banks in Sierra Leone are facing on performance along these lines: bureaucracy, changing financial space, changing customers’ needs, competitors, Government policies, economic instability, frequent technology changes and inability to meet the customers’ needs. Nevertheless, the introduction of agency banking, branch network and ATM reach strategy in addition to the development of new products that guaranteed customers’ satisfaction and; making the banks a place to work through motivating their employees, had contributed to the growth and expansion of the banks to new markets. On the issue about employees’ satisfaction, the study discovered that there are moderate improvements on employees’ satisfaction.

V. Conclusion

Based on the whole study, the transnational banks are on the progressive track which can make them to always accomplish competitive advantage in the banking industry. Since their strategies are positive towards meeting their goals. Although some improvements are needed on marketing strategies, knowledge about bank products and services, innovation, strategy orientation and; considerable improvement on employees’ satisfaction strategy in order to increase employees’ commitment and loyalty.

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