

**ST. MARY'S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTMENT OF MANAGEMENT**

**THE ROLE OF STRATEGIC PLANNING ON
ORGANIZATION PERFORMANCE
(THE CASE OF UNITED BANK S.C)**

**BY
DEREJE BISRAT**

**JUNE, 2011
SMUC
ADDIS ABABA**

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Strategic Planning ensures that an organization is doing the right things. In large organizations strategic plans may be prepared at different levels in the organization and may define the role of particular functions across the whole organization: The Corporate Plan gives overall direction to divisional or departmental strategic plans and to functional strategic plans for example, human resource management or information management. Strategic Plans are prepared by organizational units to explain how each of them will contribute to implementation of the strategic plans. The inputs to your strategic planning processes should be critical stakeholder needs, any environmental risks and threats to your success and your organization's competencies, values and resources. (United Bank Strategic Plan July 2007)

Therefore this research is conducted to analyze, evaluate and recommend the United Bank's performance in terms of its strategic planning. Specifically in this particular research the concept and strategic planning will be dealt in more depth in the subsequent sections of the research.

United Bank was incorporated as a Share Company on 10 September 1998 in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank obtained a banking services license from the National Bank of Ethiopia and is

registered with the Trade, Industry and Tourism Bureau of the Addis Ababa City Administration.

United Bank S.C. officially began its operation on September 21, 1998 G.C. with authorized capital of Br. 100 million, out of which Br. 20,863,100 was fully subscribed and paid-up in cash by 335 founder-shareholders. The first branch, Beklobet Branch, was officially inaugurated and started providing domestic banking services on October 1, 1998 G.C. (United Bank Annual Report 2009-2010)

The Bank has a Board of Directors, which is accountable to the General Meeting of Shareholders. The current Board consists of nine members appointed by the General Meeting of Shareholders. The term of office of each member of the Board is three years, but they are eligible for another term.

In addition, UB maintains correspondent account relationships with 6 banks and bilateral key Exchange arrangements with more than 138 Banks in the United States, Europe, Middle East, Asia and Africa.

1.2. Statement of the problem

Formal strategic planning requires a sizable investment of organizational time and other resources, and strategic planning is commonly believed to be important to the effective functioning of organizations, including Banks. What characteristics of the planning process are particularly important to better performance? Does better performance stimulate planning over time?

This study contributes to an evidence base for United Bank S.C. to more specifically; it aims to assess the role of strategic planning in association with

the bank's performance. Specifically the following problems highly affect the performance of the bank.

- The Bank has not succession and replacement plan
- Poor internal customer handling
- High turn over of employee

1.3. Basic Research Questions

This study has tried to assess the strategic planning of United Bank S.C. And mainly focuses on the following research questions.

- To what extent United Bank follows its strategic planning in order to meet its mission & vision?
- Does United Bank participate lower level management? If not what is the consequence?
- How often the bank's strategic planning revised timely in order to cope up with the dynamic environment?
- To what Extent the strategic plan help the bank to enhance its performance?

1.4. Objective of the study

The major objective of conducting this study was categorized in to a general objective and specific objective.

1.4.1. General objective:

Generally, the study is aimed at evaluating the role of strategic planning on organization performance in the case of united bank.

1.4.2. Specific objective

To achieve the above mentioned general objectives the following specific objectives addressed by the study: -

- To identify why strategic planning doesn't meet its vision and mission.
- To assess the bank's Strategic Plan on organization performance.
- To assess the difficulty, to implement its Strategic Plan.
- To give possible recommendation on why the strategic plan has influence on success of the bank's performance.

After evaluating the current situation of the Bank on the basis of information found the study try to recommend preference that may help the Bank to attain its goal.

1.5. Significance of the study

The study has the following significances to different users.

- The Bank can use it not only to review its mission, vision, policies, procedures and strategies but also improve its performance through proper application of their strategic plan.
- It will also be used by the customers and shareholders who highly depend on the well being of the Bank. Because they invest or deposit their money in the Bank. So the performance of the bank highly affects their Business.
- Graduate trainees can also use it to evaluate the practical application of the bank's strategic plan with their academic knowledge in order to build values.

- To know & evaluate the efficiency and effectiveness of the banks strategic plan.
- It may also use as a base of further study.

1.6. The Scope of the study

The study is limited to the Head Office and three representative branches Beklo Bet, Bole & Genet Branches, which are located in Addis Ababa, and most of the banking activities taking place and have many customers (inter branch) customers compared to the other branches because of shortage of time and money.

The study has also focused on evaluating the banks activity for two consecutive fiscal years 2009 & 2010.

1.7. Research Design and methodology

1.7.1. Population & Sampling Technique

In this study a cross-sectional design using purposive sampling, were used. The study population taken as a sample from Ho and three representative branches namely Beklobet branch, Bole branch and Genet branch are about 169. out of this 30% (50) employees were studied.

Questionnaire were distributed to 44 employees from HO and selected branches, who are working at different positions like Assistant manager, Supervisor, Officers and Clerks who have a direct participation to the implementation of the strategic plan. The study had an interview with three top managements and three branch managers.

1.7.2. Types of data collected

To conduct the study, it has been important to use both primary and secondary source of data.

- 1. Primary data:** - To organize the practical data analysis and presentation part, the study used primary data which were collected through interview, questioner and observation.
- 2. Secondary data:** - for organizing the literature aspect and for recommending solution on the area of weakness of the Bank different secondary source of data like book, manuals, annual report of the Bank, and other documents were used.

1.7.3. Method of Data collection

- a) Interview:** - Interview has conducted with three top managements and three branch managers.
- b) Questioner:** - To identify the weakness and strength of the Bank with regard to the banks performance a questioner has distributed to Assistant manger, clerical staff, supervisor & officers within the Bank who has a direct relationship with the subject under study.

1.7.4. Data Analysis and Presentation

Once the information from primary as well as secondary source was collected, it is edited and cleaned for analysis. The study employed descriptive research method and the result presented in the form of table.

1.8. Limitation of the Study

It is good and enjoyable gathering information interpreting, analyzing, referring books and come up with some conclusion. Currently Ethiopian National Bank pass a directive says for every loan dispersed 27 % bond must be purchased. So fund are tied up, in order to tackle and survive as a bank, united bank is in the process of opening branches in different areas and cities to mobilize fund so doing that every staff are tied up, considering this, it is difficult to gather information and time consuming. More over willingness to provide the necessary document and up to date information are the major limitation

1.9. Organization of the Study

The study is organized in to four chapters. The first chapter is an introduction part which consists of back ground of the study, statement of the problem, objective of the study, significance of the study, scope and limitation of the study and methodology. The second chapter literature review, tries to show different views, reflected on various literatures about the subject matter, the third chapter the data gathered through the above mentioned methodologies is summarized and presented. Finally, the fourth chapter, conclusion and recommendations are given based on the data analysis and findings.

CHAPTER TWO

REVIEW OF RELATED LITRETURE

2.1 Definition of Strategic Management

Strategic Management is the process of managing the pursuit of the organization's mission while managing the relationship of the organization to its environment, especially with respect to its environmental stakeholders, the major constituents in its internal and external environments that are affected by its actions. (Thomas L. Wheelmen & J. David Hunger, 1987 page 10)

2.2 What Does A Company's Strategy consists of?

Company strategy concerns:

- How to grow the business
- How to satisfy customers
- How to out compete rivals
- How to respond to changing market conditions
- How to achieve strategic and financial objective

Strategy can be diversified broadly or narrowly into related or unrelated industries via acquisition. A single business is concerned; prevailing market conditions usually offer enough strategy making latitude that close competitors can easily avoid carbon copy strategies some pursue low cost leadership. Others stress particular differentiating attributes of their product or services and still others concentrate on serving narrow market segments and developing unique capabilities to meet the special needs and preferences of buyers

comprising these segments. Some compete only locally or regionally, others compete nationally, and still others compete globally. Because there are numerous way for a company to conduct its business internally and position itself in the market where it elects to compete, descriptions of the content of company strategy necessarily have to be fairly detailed in order to portray the defining characteristics of its strategy.

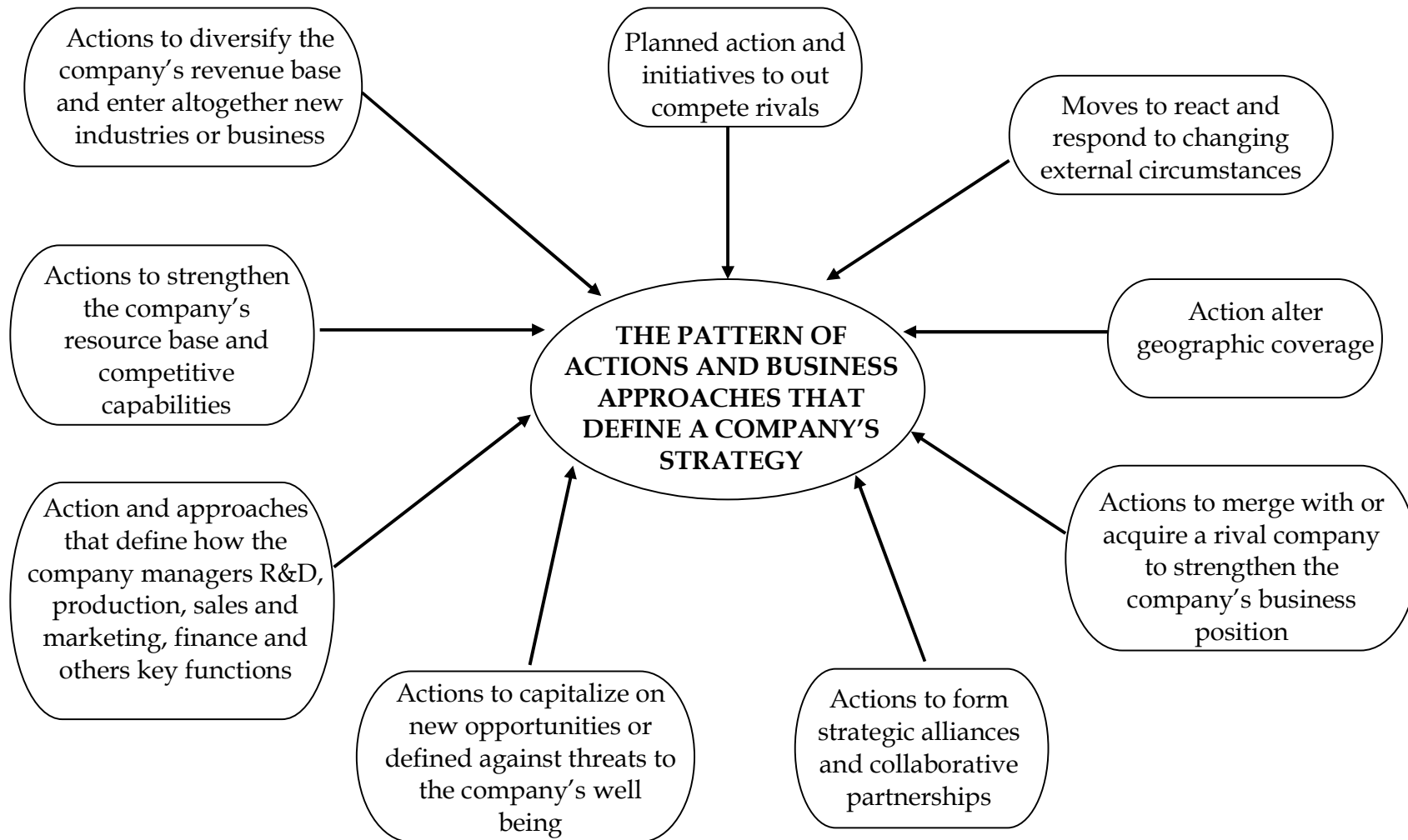


Fig1. Understanding a company's strategy what to look for

Source (A Thompson Jr, 3rd ed, 2003, page 10)

Company strategies are partly visible and partly hidden to outside view. Because the holdover approaches and fresh initiated actions are usually visible and have publicly discussed by company managers or explained in press releases, outside observers can deduce many key elements of a company's strategy. Managers often for good reason, choose not to reveal certain elements of their strategy until the company's action become public.

2.3 Why Strategic Management Needed

Strategic management is needed for the following reasons

- It helps company to evaluate their action on how the company is competing today and need for actions to prepare for tomorrow's market and competitive conditions.
- Help to allocate co. resources so that organizational units charged with performing strategy critical activities and implementing new strategic initiatives have to be sufficient people and operating procedures Benefit
- Providing better guidance to entire organization on point of "what it is we are trying to do"
- Making managers and organizational members more alert to new opportunities and threatening developments
- Helping to unify the organization
- Creating a more proactive management posture
- Promoting the development of a constantly evolving business model that will produce sustained bottom-line success for the enterprise

(A Thompson Jr, 3rd ed,2003, page 10-18)

Advantages First, the strategic management process provides organizations with clearer goals and direction. Management is forced to consider and define where the organization is to go and when the organization is to be at a specific point.

Knowing the desired results or outcomes helps both management and employees understand what it will take to be successful. This understanding often encourages both these groups to achieve short-term performances that are better focused on the firm's long-term welfare.

Second, the environmental conditions faced by organizations often change rapid. These rapid changes can create unexpected opportunities and threats.

The strategic management approach helps management to focus on future opportunities and threats. Although other processes do not rule out management's anticipating or predicting the future environment, these processes do not emphasize the future. The strategic management process however, forces management to analyze and forecast both the near and distant future environments. Better anticipation of future environments enhances management's ability to quickly take advantage of opportunities, fully exploit these opportunities, and reduce the risk associated with environmental threats.

Third, the strategic management process helps relate a firm's decision-making process to relevant environmental conditions. Escalating environmental turbulence and complexity make it increasingly important for a firm to attempt to take either a proactive or an aggressive-reactive position. A **proactive decision** involves an attempt to forecast environmental conditions and then influence or change the forecast condition so that the firm's objectives can be achieved. An **aggressive-**

reactive decision involves forecasting future environments and taking action to optimize the firm's position in that environment by avoiding expected problems and being better prepared to pursue potential opportunities. Firms that do not use strategic management are much more likely to make **passive-reactive decisions** in which action is taken only after the environment has changed. Although passive-reactive decisions are sometimes effective, strategic management, with its focus on the environments, helps a firm become better prepared for environmental changes and control its own destiny.

Fourth, perhaps the most important reason for using strategic management is that most research shows that companies using it significantly out perform their own past results than the results of those companies not using strategic management. This is not to say that a firm using strategic management will not have problems or even go bankrupt. It means only that using strategic management reduces the risk of catastrophic problems and increases the probability of a firm's taking advantage of environmental opportunities as they arise.

Disadvantages: though the above advantages are very important. Some disadvantages are also associated with strategic management. First, among the principal disadvantages is the great deal of time and effort necessary initially to institute the strategic management process. As organizations gain experience with the strategic management process, however, the time burden begins to decrease. This can eventually lead to timesaving. (Thomas L. Wheelmen & J. David Hunger, 1987 page 8-15)

2.4 Who participate?

In some companies CEOs/owners of the company develop strategy; on the other hand in some companies managers and other key personnel

throughout the organization set the strategy. But there are about four approaches on creating strategy. (Thomas L. Wheelmen & J. David Hunger, 1987 page 13-18)

2.4.1 The Chief Architect Approach.

Here the CEO or single person or the owner assumes the role of chief strategies. It means that one person functions as strategic visionary & chief architect of strategy.

2.4.2 The Delegation Approach

Here the manager in charge delegates big chunks of the strategy-making units and departments a high level task force of knowledgeable and talented people from many parts of the company; self-directed work teams with authority over a particular process or function ,or rarely, a team of consultants brought in specifically to help develop new strategic initiatives.

2.4.3 The collaborative/Team approach

It also calls middle approach where by managers with strategy-making responsibility enlists the assistance and advice of key peers subordinates in hammering out a consensus strategy. Strategy team consists of line, staff managers from different disciplines & junior staffs who have authority.

2.4.4 Corporate Entrepreneur Approach.

Hence top managers encourage individuals and teams develop and champion proposals for new product lines a new business venture.

The idea is to unleash the talent and energies of promising corporate entrepreneurs letting them try out business ideas & pursue new strategic incentives.

These all four approaches to developing a strategy have strength & weakness. All four can succeed or fail depending on the company's site and business make up on how well the approach is managed and on the business judgments of the individuals involved.

(A Thompson Jr , 3rd ed,2003, page 10-18)

2.5 COMPONENTS OF STRATEGIC PLAN

2.5.1 VISION

The first step is to develop a realistic Vision for the business. This should be presented as a pen picture of the business in three or more year time in terms of its likely physical appearance, size, activities etc.

Vision statement answers the question "What the organization business is and it wants to become".

Benefits of good Vision

- It represents discontinuity of the past and future
- Creates common identity and share of sense of purpose
- Competitive, original and unique to the organization
- Fosters risk taking and experimentation
- Fosters long term thinking

2.5.2 MISSION

The nature of a business is often expressed in terms of its Mission which indicates the purpose and activities of the business, for example, "to design, develop, manufacture and market specific product lines for sale on

the basis of certain features to meet the identified needs of specified customer groups via certain distribution channels in particular geographic areas ".

Mission statement is the fundamental, unique purpose that sets a business apart from other firms of its types and identifies the scope of its operations in product and market terms. Mission is a broadly framed but enduring statement of company intent.

Characteristics of Good Mission

a) Mission Statement should be:

- Specific , realistic and communicated,
- Stated in customer oriented terms,
- Distinctive,
- Motivating, and
- Indicate to major component of strategy of how objectives to be accomplished.

b) Mission Statement should not be:

- Too narrow,
- Too vague, and
- Too broad

2.5.3 VALUE

The Values are broad statements of organizational purpose established in the firms key result areas. Further they define a firm's mission in terms of several key results areas.

They are governing the operation of the business and its conduct or relationships with society at large, customers, suppliers, employees, local community and other stakeholders.

2.5.4 OBJECTIVE

Objectives are a statement of what is expected from pursuing a given set of business activities.

Results that an organization seeks over a multiyear period are its long-term objectives. Such objectives typically involve profitability, return on investment, competitive position, technological leadership, productivity, employee relations, public responsibility, and employee development. The results an organization seeks to achieve within a one-year period are short term or annual objectives. These objectives add breadth and specificity in identifying what must be accomplished in order to achieve the long-term objectives.

To be of greatest value, each objective must be specific, measurable, achievable, and consistent with other objectives of the firm.

Guidelines to Set Objectives

- Objectives must be clearly specified
- Objectives should be in consistent with organization mission
- Objectives should be rational and realistic rather than ideal
- Objectives should be achievable
- Objectives should yield specific result
- Objectives should be periodically reviewed

2.5.5 STRATEGIES

Strategy is the determination of basic long-term goals and objectives of enterprise and adoption of courses of action and allocation of resources necessary of carrying out these goals.

Strategies of a corporation form a comprehensive master plan stating how the corporation will achieve its mission and objectives. It maximizes competitive advantage and minimizes disadvantage. There are three types of strategies: Corporate, Business, and Functional Strategy.

- 1. Corporate Strategy:** it describes a company's overall direction in terms of its general attitude towards growth and the management of its various businesses and product lines.
- 2. Business Level Strategy:** it usually occurs at the business unit or product level, and it emphasizes improvement of the competitive position of a corporation's products or services in specific industry or market segment served by the business.
- 3. Functional Strategy:** it is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. Functional strategy is concerned with developing and nurturing distinctive competences to provide a company or business unit with a competitive advantage.

(James Higgins, Julian W. Vincze, 1993, page 10-11)

2.5.6 POLICY

Policy is a broad guideline for decision-making that links the formulation of strategy to its implementation. Companies use policies to make sure

that employees throughout the firm make decisions and take actions that support the corporation's mission, objectives, and strategies. (Thomas L. Wheelmen, J. David Hunger, page 13)

2.6 STEPS OF THE STRATEGIC MANAGEMENT

2.6.1 Formulation of vision, mission statement, and goals

An organization's vision is a general statement of its intended direction that evokes emotional feelings in organizations members. The organization mission is its purpose, its reason for being. A mission statement further defines the direction component of the vision. It should describe the organization's major areas of interest, the scope of its intended actions, the basic market needs it intends to satisfy and its primary values. Strategic goals are broad statements of organization as purpose established in the firm's key results areas. They further define the mission.

2.6.2 Determination of strategic objectives

Strategic objectives are more definitive statements of the criteria for goals accomplishment. The firm must determine the strategic objectives that will achieve its mission in its complex internal and external environments periodically or as needed in view of environmental circumstances.

2.6.3 Strategy formulation

Successful organizations engage in strategy formulation, generating alternative strategies and choosing from among them the one that will best achieve strategic objectives. Strategic are major, comprehensive, and usually long-term plans (although the typical time frame is shrinking) for accomplishing strategic goals and objectives, and hence fulfilling the organization's vision and mission. Strategies indicated the integrative and unifying pattern of decisions to achieve organizational purposes, resource allocations for achieving these purposes, and of the business level, the firm's perception of a sustainable competitive advantage. In setting strategic objectives and formulating strategy, organizational strategist examines information about the vision, mission, goals policies, and internal and external environments. Strategy formulation is often referred to as strategic planning.

2.6.4 Strategy Implementation

Strategy implementation is the process of translating strategy into actions and results. Four primary issues are involved in implementation: Structuring the organization, employing appropriate implementation systems, adopting the proper management style, and managing organizational culture (or shared values). Implementation is now recognized as critical to the success of strategic management.

2.6.5 Evaluation and strategic control

Strategic control is the process of determining whether strategy has accomplished its goals and objectives, or if it promises to do so, and

acting to correct any problems. Strategist must assess the impacts of their strategies and respond appropriately.

2.6.6 Setting organizations policy

It consists of broad guidelines established to help managers determine strategic goals and objectives and then formulate, implement, and control strategy.

The contents of this model address three basic strategic questions that are common to all strategic situations.

1. Where are we now?
2. Where do we want to be?
3. How do we get there?

To answer these three questions, that is, to complete the final three stages of the strategic management process, strategists must examine the organization's internal and external environments to determine organizational strengths and weaknesses (in its internal environments) and opportunities and threats (in its external environment). This gives an acronym SWOT. The organization then forecasts its future SOWT for the period for which it is getting objectives and formulating strategists. A firm's strategy aims of taking advantage of projected strength and opportunities, while overcoming or reducing projected weaknesses and threats. Thus strategies are based on these SOWT forecasts.

(James Higgins, Julian W. Vincze , 1993,page5-8)

2.7 FACTORS CONTRIBUTING TO THE FAILURE OF STRATEGIC PLAN

Several analyses have found how the corporate level strategist fails pursuing the following defector strategies.

1. The firm fails when power-hounding strategists create over ambitious, discontinuous strategies, which ignore environmental signals. These strategists have not developed adequate strategic management system.
2. The firm fails when power-hooding strategists refuse to change the past strategy. This against time because these strategists do not accept advice from subordinates and do not searches the environment.
3. The firm fails when the chief strategists do not create a strategy. These strategists expect the firm itself without a strategy.
4. The firm fails because the strategists create an over ambitious strategy given the weakened resource base of the firm. In this case, the strategists have not adequately analyzed their strategic advantage and disadvantage.

Other analysis found similar problems and suggested that managers were preoccupied with current structural problems or improving personnel skills needed in future.

2.8. INTERNAL AND EXTERNAL ENVIRONMENTAL ANALYSES

The world is constantly changing. Organizations must be able to adapt strategically to ever. Changing internal and external environments in order to survive and proper

2.8.1. STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS (SWOT)

The organizations strategists observe, mission goals, strategic policies, and current and forecasted information about their environments, and then determine where they are. Based on these, they determine current and future organizations strengths, weaknesses, opportunities and threats (SWOT), they decide here they want to be (determine strategic objectives) and now they plan to get there (formulate strategy).

A. STRENGTH: are positive internal abilities and situations of sufficient magnitude to enable the organization to gain a strategic advantage in its effort to achieve its objectives.

Many firms today define strength (and weaknesses) by benchmarking, that is, by comparing their own products and/or process to these of the best firms. They seek to determine why these firms' products and /or processes are so excellent, and then to build strengths by emulating these firm's best practices.

B. WEAKNESSES: are internal inabilities and negative situations that may result in or have resulted in the firm's failure to achieve its objectives. At the corporate levels in the multiple firms, weaknesses, like strengths, are primarily a function of synergy and balance.

C. OPPORTUNITIES: are external factors and situations that will substantially assist the organization in its efforts to achieve or exceed its objectives.

D. THREATS: are external factors that may result in or have resulted in the firm's failure to achieve its objectives. Historically the concept

of threats has been limited to competitors, but more recently the focus has expanded to include government, unions, society and other stakeholders. (James Higgins, Julian W. Vincze, 1993,page 94-97)

CHAPTER 3

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter is devoted to the presentation, analysis and interpretation of data, which is collected through questionnaire and interview.

The researcher distributed 44 questionnaires to 44 workers of United Bank S.C. which are working at the head office and three branches namely Beklobet branch, Bole branch, and Genet branch. However only 41 of the questionnaires return it means 93% is collected.

3.1 Respondents Background Information

Table one below depicts the general characteristics of respondents which include, sex distribution, age, educational level and service year.

Table 1 Characteristic of Respondents

No.	Item	Respondents	
		In Number	In %age
I	Sex		
	• Male	28	68
	• Female	13	32
	Total	41	100
II	Position		
	• Assistant Manager	3	7
	• Supervisor	9	22
	• Officer	18	44
	• Clerk	11	27
	Total	41	100

III	Educational Qualification		
	• Diploma	33	80
	• Degree	8	20
	• Above Degree	-	-
	Total	41	100
IV	Year of Service		
	• Below 1 Year	13	32
	• 1-5 Years	21	51
	• 5-10 Years	7	17
	Total	41	100

From the above table of item I, 41(68%) of respondents are male employees this shows number of male employees dominate the female employee. Based on employees' position of item II, 18(44%) of the respondents are officers, 11(27%) are clerks, 9 (22%) Supervisors and the rest are managers' .What we can observe from this, most of the operation is handled by officers. Item III of table 1 33(80%) and the rest are diploma holders. This can contribute to the rapid growth of the industry because information regarding the banking industry could easily be understood. On top of this, a bank with highly educated individuals can easily gain reputation and good image to pave a way for further development.

When we see service year of the employees from table 1 item IV, 21(51%) of the respondents stay 1-5 years, 13(32%) stay more than 5 years and the rest are new employees. Working long time in one company (bank) creates intimacy to the employee and also specialized in the field of interest. And most of the employee stay long time and can be a good asset in achieving high efficiency and eventually create profit for the bank.

3.2 Analysis of the findings on basic research question

3.2.1 Table 2, Knowledge of employees about strategic planning

No.	Item	Respondents	
		In Number	In %age
I	Do you have any idea about what strategic planning is?		
	• Yes	36	88
	• No	5	12
	Total	41	100
II	Do you know the banks strategic plan		
	• Yes	11	27
	• No	5	12
	• Not that much	25	61
	Total	41	100
	Does the bank use any means to aware its employee about strategic plan?		
III	• Yes	17	41
	• No	24	59
	Total	41	100
	Which media of communication is used by the bank?		
IV	• Brochures	12	29
	• Internal notice board	5	12
	• Company news paper	-	-
	Total	17	41

As data indicated from table 2 of item 1, 36(88%) of the respondents have the knowledge about what strategic planning is and the rest 12% have no idea about strategic planning. This means most of them can be a good asset in formulating the bank's strategic plan. Moreover, by providing different training these employees can produce a lot of important ideas that can increase the bank's competitive advantages in the market.

From the above table 2 of item II, 25(61%) of them are aware of a little what the banks strategic plan is, and 11(27%) of the respondents know what it is but the rest have no idea about the bank's strategic plan.

The data revealed in table 2 of item III, 17(41%) of the respondents said the bank try to aware its workers what the strategic planning is, but majority of the respondents 24(59%) said no. Introducing the bank's long term and short term planning should come first while new employees hire and refreshment should also give to existing one. This can help the bank to provide quality service and efficient utilization of resource time, work force and capital. And can also minimize its costs like losing customers.

As we see in table 2 of item III, majority of the respondents 24(59%) say the bank doesn't try to aware its workers about the bank's strategic planning. Therefore from the rest 17(41%) of the respondent from item III of table 2, 12(29%) say the bank use brochures to introduce its strategic plan and the rest 5(12%) say it uses internal notice board. Knowing strategic plan using brochures or internal notice board doesn't help the employee to have basic knowledge instead few. This can have an impact on the quality of the service and utilization of its resources.

3.2.2 Table 3, The Role of Strategic planning in achieving organizational objective

No	Item	Respondents	
		In Number	In %age
I	In what ways the strategic plan help the bank in achieving organizational performance?		
	By creating favorable working condition to employee	4	10
	By giving competitive advantage to the organization	7	17
	By developing and implementing performance based reward system	4	10
	By efficiently utilize the resources of the bank so as to ensure the survival & growth of the bank	10	24
	By developing realistic and acceptable goals that will enhance the profitability and competitiveness	16	39
	Total	41	100
II	What are the advantages of strategic planning?		
	It is used as a parameter to measure the Performance of the organization	6	15
	It provides organization with clearer goal's and direction	9	22
	It helps management to analyze and forecast both the near and distant future environments	7	17
	It helps the company to make a proactive decision to a relevant environmental condition	11	27

	It is a directive instrument which leads you towards your goal or success	5	12
	It helps to enhance the marketing resource and development goal.	3	7
	Total	41	100

From the above table 3 of item I, 16(39%) of respondents' emphasis on developing realistic and acceptable goals and it enhance the profitability and competitiveness, 10(24%) respond that by efficient utilization of the bank's resources it can ensure the survival and growth of the bank. The rest are emphasis on giving competitive advantage by creating favorable condition and it can develop and implement performance based reward system. It is obvious that strategic plan help the bank or any organization to ensure its day to day activities and help the organization to fulfill its commitment towards the community.

Item II of table 3, 11(27%) of respondents believe that strategic plan help the company to make a proactive decision to a relevant environmental condition. 9(22%) answer that it provides organization with clearer goal's and direction, 7(17%) it analyze and forecast both the near and distant future environments. This implies that strategy is about analyzing the gap and working out sequence of proactive actions to attain company mission and it can gives a sense of direction and inspire stakeholders to look ahead and work intimately to reach at the desired destination.

3.2.3 Employees knowledge about Component of Strategy

Table 4, level of knowledge about the banks vision, mission, value & objective

Component of Strategy	Number of Respondents				Total	
	Know		Don't Know			
	In No.	In %	In No.	IN %	No.	%
Vision	19	46	22	54	41	100
Mission	17	41	24	59	41	100
Value	15	37	26	63	41	100
Objective	18	44	23	56	41	100

From the above table 4, majority of the respondents don't know the vision, mission, value and objective of the bank. They just do their daily work only not working to wards the banks objective.

In order to ensure the survival and growth of an organization providing the right products, processes, systems and infrastructure to the customer is not enough. But most importantly the availability of the right number and mix of people who also have the required knowledge, skill regarding vision, mission, value and objective is necessary to achieve the company's strategic plan.

3.2.4 Participation of Strategic plan formulation

Table 5, level of participation of employees in strategic plan formulation

No	Item	Respondents	
		In Number	In % age
I	Do you participate in the strategic planning formulation?		
	• Yes	3	7
	• No	38	93
	Total	41	100

From item I of table 5, 38(93%) of the respondents said that they don't participate on the strategic planning formulation. Only 3(7%) of the respondents participate in the strategic planning formulation, which tells us the strategic plan involves only top managements. Participating lower level management in formulating strategic plan can bring a lot of adjustment to the bank because those front line staffs have great interaction with the customer and know what the customer immediate need and future need.

3.2.5 Influence of strategic plan

Table 6, influence of the strategic plan on the banks performance in terms of:

Criteria	Very Good		Good		Fair		Poor		Total	
	No	%	No	%	No	%	No	%	No	%
Understanding customer needs	26	63	5	12	8	20	2	5	41	100
Effective use of both material, human and financial resource	34	83	4	10	3	7	0	0	41	100
Co-ordination and follow up the plan	5	12	7	17	8	20	21	51	41	100
Obtain senior management commitment	5	12	5	12	7	17	24	59	41	100
Obtain employee commitment	27	66	10	24	4	10	0	0	41	100

From the above table 6, 34(83%) responds that, the bank use efficiently its human, material and financial resources, 27(66%) of the employee responds that the bank has gotten its employee commitment is very good, 10(24%) replied good. From the total 26(63%) responded that the strategic plan has a very good impact in understanding customer needs, 8(20%) believed it has fair impact on understanding customer needs and 2(5%)say poor impact on understanding customer needs.

From the above table6, 21(51%) of respondents have believed there is no co-ordination and follow up the plan, 8(20%) replied there is fair co-ordination, 7(17%) good and the rest answers there is very good co-ordination and follow up the plan. 24(59%) of the respondents respond there is no senior management commitment, 7(17%) replied there is fair

commitment to the strategic plan, 5(12%) good, 3(7%) very good and the rest there is very good commitment of senior management. This implies that efficient utilization of the banks resource, obtaining employees' commitment and understanding customer need is admirable. However, with out co-ordination and follow up the plan and senior management support it is hard to full fill the banks strategic plan, and it is difficult to stay in the market. Planning is also not one day work it is a continuous process that really need a day to day follow up.

3.3 Data Analysis from Interview

3.3.1 Interview with Executive Management and Branch Managers

The executive management consists of the president, Vice president Operations and Vice president Administration and Finance and the nine department managers. These executive managements have a good profile in terms of educational qualification and experience most of them have masters degree including the president. The bank provide international banking service to Ethiopians and foreigners & most of the bank profit is come from foreign transaction but the experience they have got is from training & education & they have no international experience. Even though operations managers and front desk employee play the great role on the implementation of the plan, the executive management establishes the strategic plan by participating branch managers only. The executive managements before implementing the strategic plan they submit the final draft to the board of directors for approval ,if it needs some adjustment the board of directors comment on it and finally after the correction made by executive managements they will approve.

The banks current market objective, strategy, policy and program are to be the preferred bank, to render best commercial banking services, to bring quality banking services closer to customers, be a strong competitor in the

industry and policy and program is developing anew technology in the banking industry such as SMS, Tel-Banking and Internet banking etc.

3.3.2. Interview with Marketing and Corporate Planning Manager

The Department prepares its plan and collects all branches and Departments plan compile it and present to the management meeting for final evaluation before sending to the board of directors for approval. The department amends its strategic plan on every 5 years. The department makes position analysis and market mix such as service, price, place and promotion every quarter. The market analysis shows the performance of the bank from every angle including the market share, number of branches, loan and deposit growth, staff complement etc...This analysis usually made in team works that are stipulated in the strategic plan.

As per the marketing manager, the bank's performance is measured by different parameters such as new product development, provide continuous quality service improvement, market share increase and maximizing share holders value and maintain public interest. The bank engage in foreign banking operation & the sales comes from foreign operation is about 35% to 41% which is a lot. This is from import goods; service from letter of credit remittance like western union, money gram. The bank believes on service quality and uses its effort to provide the best service quality in the industry .The bank segments its market by sector and level of relationships with the customers. The bank adopted different strategies to meet the segmented market groups and adjust its condition to the countries political, social, economical and technological condition.

Finally, the manager said the marketing department plays a great role in the strategic management process. By using its main distribution

channels like branches, however, now days various services are channeled through SMS, Internet and telephone banking.

3.3.3. Interview with Human Resource Management Manager

As of 30 June 2010, the number of permanent employees stood at 1462 or 8% more than the previous year. United bank continues to create significant employment opportunities for a number of qualified people. Currently the bank has increased the number of its employees to 1669 and is still recruiting new employees for branches that will be opened soon. Depending on the tempo of expansion the bank may adopt in the years ahead, its workforce could be expected to grow steadily.

STAFF STATUS AS AT

May 18, 2011

Female	641
Male	1028
Total	1669

Table 1: Staff Status by Sex

No	Age Group	Sub-Total
1	18-30	583
2	31-40	856
3	41-50	194
4	51-60	23
5	Above 60	13
Total		1669

Table 2: Staff Status by Age

No	Educational Qualification	Sub-Total
1	Masters (MBA & MSC)	17
2	B.A Degree (Management, Economics, Accounting, MIS, Law, Business Education, Business Administration, Etc.)	622
3	Diploma (Accounting, Banking & Finance, Business Administration, Management, Bus. Administration, Marketing, Secretarial Science & Office Management)	571
4	Certificate	21
5	Vocational School Diploma	7
6	Secondary School Complete	431
Total		1669

Table 3: Staff Status by Qualification by educational qualification

(Source: HRM Division)

The bank currently has 1669 employees and most of them have a degree. Still there is a shortage due to the high turnover rate.

To increase efficiency and effectiveness the bank programs a training schedule for the staff by doing this it add value to its employee and for new employees with degree the bank give on job training for 6 months time before job assignment. This yield to have competitive and confidence employees.

The bank gives different benefits to employees such as: Tuition fee, medical expense coverage, endowment life insurance, transportation fee for all permanent employees and employees at high position earn

additional benefits such as mobile coverage, fuel allowance instead of transportation fee.

The main problem of the bank is the bank is losing its qualified employees due to the high competition in the industry.

The department develops its plan and submits to the management committee. The management committee collects each branch and department's plan, summarized and present to the management meeting which is held every month. The final draft of the strategic plan will be developed on the management meeting and submitted to the board of directors for approval.

The operation managers use performance appraisal to evaluate each employee under their directive every six month. It always cause discomfort on employee because most of the managers use their personal judgments on evaluating an employee.

As I have interviewed the banks top management, all of them have a good knowledge about the banking industry & while they address the overall activates of the bank, I have seen the bank is in a good truck to be competent in the industry, however having a good strategic plan, clear objective, mission & vision doesn't mean it is providing competitive service to customers. More over the bank should got supportive idea from front line staffs to feel the gap internally as well as externally.

3.4 Strength, Weakness, Opportunity & Threat (SWOT)

From the secondary data I have got, the bank uses SWOT analysis on the development of its strategic plan. I have tried to summarize the SWOT analysis as follow:

<p style="text-align: center;"><i>Strength</i></p> <ul style="list-style-type: none"> • Strong HRM practice • Effective inter-departmental collaboration • Efficient & effective planning process • Strong cash management practice • Continued profitability • Strong credit policy practice • Discounting & pre-shipment credit facility 	<p style="text-align: center;"><i>Weakness</i></p> <ul style="list-style-type: none"> • Poor manpower planning • No succession & replacement planning • High turnover • Weak performance appraisal system • Inadequate fringe benefits and salary scale • Poor customer handling practice
<p style="text-align: center;"><i>Opportunity</i></p> <ul style="list-style-type: none"> • Economic policy of the government • Availability of competent & qualified human resource in the market • Availability of unemployed fund • Large potential market • Financial sector expansion & interest rate liberalization • Growing interest of customer to work With private banks 	<p style="text-align: center;"><i>Threat</i></p> <ul style="list-style-type: none"> • Restrictive directives • Unreliable telecommunication infrastructure • Lack of confidentiality • Absence of financial markets • Lower per capital income of the people • Poor real-estate development • Possibility of entry of foreign banks in the long term.

Table 7: SWOT Map

The bank has made SWAT analysis regarding strength and weakness of the bank and opportunity and threat about external environment. The mentioned banks strength is positive internal abilities and situations of sufficient magnitude to enable the organization to gain a strategic advantage in its effort to achieve its objective.

Those weaknesses are internal inabilities and negative situations that result in or have resulted in the firm's failure to achieve its objective.

The mentioned opportunities are external factors and situations that will substantially assist the organization its effort to achieve or exceed its objectives.

The mentioned threats are external factors that may result in or have resulted in the firm's failure to achieve its objectives.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter intends to summarize the main findings of the study and forwards recommendations.

4.1 Summary

The study attempted to address basic questions indicated in earlier chapter one, i.e. to what extent United Bank follows its strategic planning in order to meet its mission, vision, what are the parties that are involved in preparing strategic planning , how often the bank's strategic planning revised timely in order to cop up with the dynamic environment and to what extent the strategic plan help the bank to enhance its performance. Primary and secondary data obtained through questioners and interview and relevant information from the company annual report and strategic plan.

The major findings and implications of the study are therefore, stated hereunder:

- 80% of employees have 1st degree and 20% are diploma holders.
- 51% of the workers have stayed 1-5 years.
- 88% of the employees have knowledge about what strategic planning is.
- 61% of the workers aware a little about the banks strategic plan.
- 59% of the employees replied that the bank doesn't aware its employees about the strategic plan.

- 39% of the employees replied that the bank can achieve its strategic objective by developing realistic and acceptable goals.
- 27% of the workers believe that strategic plan help the company to make a proactive decision to a relevant environmental condition.
- 59%, 54%, 63% and 56% of the bank's worker don't know the banks mission, vision, value and objective.
- In participation of the strategic planning 93% of the workers don't involve in formulating strategic plan.
- 63% of the employees believe that strategic plan of the bank has an impact on efficient utilization of material, human and financial resources.

4.2 Conclusions

After a through analysis the following conclusions have been made regarding the major findings of the research:

- The banks employees are young and educated in their respected position. Which contribute greatly to the competitiveness of the bank and will also benefit the bank in the long run.
- Most of the workers are stay in the bank for long time, this help the bank to achieve its strategic objective as well as creating loyal employees.
- There is a big gap on formulating and communicating the strategic plan to employees, which highly influence the banks performance in achieving its objective and providing unique service to corporate customers.

- Even though the Bank has a strong strategic plan majority of the bank's employees doesn't know it very well. Having Strong Strategic plan without communicated to the employee is having a car with out engine. Employees are like the engine that move the Bank's operation.
- The researcher observed that there is a continuous job related training program for its employees. This is only for new employees not for all employees especially for managers and key employees to improve their customer handling performance and to achieve the planned objective and to cop up them selves with new ideas.

4.3 Recommendations

The tasks of formulating, implementing and executing strategies are the heart and soul of managing a business enterprise. A company strategy consists of the combination of competitive moves and business approaches that manages employees to please customers through improved performance to compete successfully and achieve organizational strategic plan. Therefore, the researcher recommends:

- United bank should participate operation managers and key employees on formulation of the strategic plan, who has a direct contact with customers and responsible for the implementation of the strategic plan.
- The bank should also spend more of its effort on communicating the strategic plan to all employees of the bank before implementation. Because creating awareness before implementation helps the employee to know the bank's objective and what they have to do to meet that objective and it also create devotion and commitment.

- On the other hand losing qualified employees will result on declining performance of the bank as a whole. So when the bank formulate its strategic plan the bank should consider the employee benefit because the strategic plan implemented by its employees. Therefore, improving employee benefit result in increasing the performance of the employee and increasing on the bank' performance as a whole.

Finally, the researcher recommends that the bank should prepare succession plan and set measurable objectives in the corporate level as well as functional level is helpful in facilitating monitoring and controlling process of the strategic plan.

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Appendix -A-

St Mary's University College

Faculty of Business

Department of Management

**Questionnaire for the Role of Strategic Planning on Organization
Performance**

United Bank S.C.

This questionnaire is prepared for the purpose of academic research on "The Role of Strategic planning on organization performance" in the case of United Bank S.C. for the fulfillment of Bachelor of Arts in Management. Any information obtained will be kept confidential.

Thank you in advance for your co-operation.

Note:

1. No need to write your name.
2. If you have additional comments please write on the space provided.
3. Put a (✓) mark in appropriate given box for your answer.

1. Sex

Male

Female

2. Position

Assistant Manager

Supervisor

Officer

Clerical

3. Educational Qualification

Diploma

Degree

Above degree

4. Year of Service

Below 1 year

5 - 10 years

1-5 years

5. Do you have any idea about what strategic planning is?

Yes I do have

Not that much

No I don't have

6. Do you know the Bank's strategic plan?

Yes

No

7. Does the Bank use any means to aware its employees about its strategic plan?

Yes

No

8. Which media of communication is used by the bank?

Brochures

Company news paper

Internal notice board

9. In what ways the strategic plan help the bank in achieving organizational performance?

• by creating favorable working condition to employees

• by giving competitive advantage to the organization

• by developing and implementing performance based reward system

• by efficiently utilize the resources of the bank so as to ensure the survival & growth of the bank

• by Developing realistic and acceptable goals that will enhance the profitability and competitiveness

10. What are the advantages of strategic planning?

. It is used as a parameter to measure the performance of the organization

. It helps management to analyze and forecast both the near and distant future environment

.It helps the company to make a proactive decision to a Relevant environment condition

- . It is a directive instrument which leads you towards your
Goal or success
- . it helps to enhance the marketing resource and
development goal

Other -----

11. Please Describe the bank's
 Vision _____

 Mission _____

 Value _____

 Objective _____

12. Do you participate in the strategic plan formulation
 Yes No

13. What do you think is the impact of the strategic plan on the bank's performance in terms of :-

	V.Good	Good	Fair	Poor
• Understanding customers need	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Effective use of both material, human And financial resource	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Co-Ordination and follow up the plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Obtain senior management commitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Obtain employee commitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you!!

Appendix-B-

St Mary's University College

Faculty of Business

Department of Management

**Interview Questions for Role of Strategic Planning on Organization
performance**

United Bank S.C.

Interview conducted with TOP Management

1. What group of people constitutes top management?
2. What are top management's profile characteristics in terms knowledge, skills, background, and style?
3. If the organization has international operations, does top management have international experience?
4. Has the top management established a systematic approach to strategic management?
5. What are the organization's current marketing objective, strategies, policies, and how does it help in achieving the organization objectives?

Interview conducted with Marketing & Corporate Planning

1. Do you make analysis of market position, market mix (service, price, place and promotion)?
 2. Do you engage in foreign operation? If so, what percentage of sales comes from foreign operation?
 3. What trends emerged from the market analysis?
 4. How is your marketing performance compared to that of similar organization?
 5. Do you periodically adjust the bank's strategic plan? If so, how often?
 6. What role does marketing manager have in formulating the bank's strategic plan?
-

Interview conducted with HRM

1. How many employees does the bank have?
2. How efficient academically are the employees?
3. How do you improve the effectiveness and efficiency of the staff members?
4. Does the organization give training to the staff?
5. Does the organization give benefits to the employee? What type of benefit does it give?
6. Are operation managers use appropriate concepts and techniques to evaluate and improve current performance?
7. How do you respond if there is any dispute arises between staffs?
8. How frequently the bank evaluates employee's performance?
9. How efficiently does affect the result of the performance evaluation?