`KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ARTS AND SOCIAL SCIENCES

SCHOOL OF BUSINESS

THE EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON PERFORMANCE OF SAVINGS AND LOANS COMPANIES IN KUMASI

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DECLARATION

I hereby declare that this submission is my own work towards the MBA and that to the best of my knowledge no part of it has been presented for another degree in this university or elsewhere except for the references to other people's work which have been duly acknowledged.

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DEDICATION

To My Family

ACKNOWLEDGEMENT

I am greatly indebted to God whose grace has been sufficient for me throughout the writing of this project work. I am grateful to my supervisor; Dr. Ahmed Agyapong through whose guidance and direction this work has become possible. I also owe a lot of gratitude to my dear family through whose love and untiring support I have been able to complete this work. Finally, I am grateful to all my friends and well-wishers for their prayers and support.

ABSTRACT

This research sought to examine the importance of strategic management to organizational development. The population of the study comprised all management and staff of 20 selected savings and loan companies operating in the Ashanti region. A total of 100 management and staff of 20 savings and loan companies were selected for the study. Purposive sampling was employed to select the respondents in this study. The study utilized both quantitative and qualitative approaches. Data was collected through questionnaires. SPSS was used to analyze data. Findings showed that most savings and loans companies try to manage strategically by aligning Initiatives with Strategy, engaging staff fully in strategy implementation, keeping staff fully informed about corporate strategic direction, monitoring strategy and implementation in order to adapt it where necessary to meet the challenges and realities of the times and structuring the organization to be effective in its strategy implementation. The study also showed that all the strategic management practices had significant positive effects on sales growth. Furthermore, the study showed that the most ensnaring pitfall of strategic management is the inability of organizations to translate strategy into a corporate purpose. This was followed by short term planning, failure to create accountability for results, inability to foster belief in the strategy, ignoring external trends, overconfidence based on existing success and failure to respond to structural changes in the market. Finally, the study showed that strategic management practices have direct positive relationship with corporate performance (as depicted with sales growth). Based on the findings, the study recommended that managements of savings and loans companies factor into their strategic management decisions, the marketing environment and the prevailing macro conditions in order to come out with an effective strategic plan that would have positive impact on corporate performance.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organisation's pursuit of competitive advantage starts with the development of a long term vision or 'strategic intent' (as described by Prahalad and Hamel, 1990) for the organisation. This vision is fashioned upon strategic learning by the organisation regarding itself (in terms of resources, competences, activities, processes, systems, culture, structure etc.) and its environment (customers, markets, suppliers, competitors etc.). This consequently feeds into an action plan for delivering an inimitable blend of value for the organisation.

The concept of strategic management carries conflicting definitions all through literature. However, a cursory observation reveals a considerable agreement on the core activities involved in 'doing'. Stonehouse et al., (2004) conceptualised strategic management as a set of theories and frameworks through which managers can envision and plan for the long term future of the organisation as a whole.

Porter's (1996) description of 'Strategic Management' portrays it as a deliberate section of a different set of activities to deliver a unique mix of value as a means of gaining competitive advantage. The process, however, is influenced by both internal and external factors. Strategic management as a process therefore is increasingly being seen as a socially accomplished activity aimed at achieving some strategic goals, and built upon through actions and interaction of multiple actors or groups distributed throughout an organization (Hendry et al., 2010).

Strategic management incorporates several interlinked activities including strategic thinking, strategic learning, strategic planning, and strategy implementation, review and adaptation. Many authorities and researchers believe that strategic management has the aim of helping managers to achieve sustainable competitive advantage for the organization. This position has also been advanced by Porter (1981). Thus, importantly, strategic management is critical to the development and expansion of all organizations, as it aligns the mission and vision with operations.

Research and literature in the field increasingly recognises that organisational context within which the strategy is made and is enacted is critical to both the strategy which is determined and to its implementation (Mintzberg et al., 1998). In other words the success of making and implementing a strategy is heavily dependent upon the context in which it takes place. Thus, one of the concerns has been how important strategic management is in specific contexts. This study aims at pushing this agenda by examining the importance of strategic management in the savings and Loans sector using selected companies in the sector.

1.2 Problem Statement

The savings and loans sector in Ghana is one of the sectors that have received significant attention in recent times in terms of regulation by the central bank. Records from the Bank of Ghana indicate that from 12 Savings and Loan companies in 2006, the figure has grown to 19 as of March 2011. The growth in the numbers has also led to substantial mobilization of deposits and the granting of loans. Statistics show that total deposits rose from GH¢47.76 million in 2006 to GH¢235.15 million by the close of March, 2011 while total assets over the same period under review increased from GH¢86.97 million to GH¢482.12 million. Graphic Online (2011)

Most of the key players in the savings and loans sector in Ghana have purported implementing strategic management in their quest to survive competition and grow to acquire universal banking license. A cursory observation shows some sterling performance by some of the savings and loans companies in Ghana. Among other examples, recent news in the financial sector reveals that the Bank of Ghana has just granted First Capital Plus, one of the leading savings and loans companies, a universal banking license.

The other side of the story is also true. Within the savings and loans sector, much as their performance has been touted as satisfactory by the central bank, there are indications that some are not living up to expectations. In the last decade, some savings and loans companies have either closed down or scaled down their operations considerably. Graphic Online (2011).

Whilst strategy may easily be identified as the defining factor, there is not enough study to support any such assertion. Again, one cannot also lose sight of the presence of other variables such as political. There is therefore the need to fill this study gap by contributing to studies on the importance of strategic management, focusing on the savings and loans sector. This is what informs this study.

1.3 Objectives of the Study

The study generally looks at the importance of strategic management to organizational development.

Specifically, the study seeks to;

1. Identify the importance of strategic management practices in the savings and loans sector
2. Identify the pitfalls of strategic management in the operations of the savings and loan sector
3. Examine the relationship between strategic management practices and performance of the savings and loans companies in Ghana

1.4 Research Questions

The study generally looks at the importance of strategic management to organizational development.

Specifically, the study:

1. What are the components of strategic management in the savings and loans sector?
2. What are the pitfalls of strategic management practices in the operation of savings and loans companies?
3. What is the relationship between strategic management practices and performance in the savings and loans companies in Kumasi?

1.5 Significance of the Study

One of the aims of the study is to bring to bear the relationship between strategic management and performance in the savings and loans sector. The findings will reveal the importance of strategic management as a key objective of the study. The study will further identify the success factors of strategic management which will guide players in the sector on what factors to pursue in implementing strategic management in their organizations.

The study will further identify the pitfalls in the implementation of strategic management so the organizations will avoid the consequences. Also, the study will contribute to literature on strategic management and serve as a reference material to guide other researchers who will undertake similar studies.

1.6 Scope and limitations of the Study

The study is a multiple case study involving selected savings and loans companies in Kumasi. Due to time and financial constraints, the study will be limited to strategic management implementation in the various organizations that will be involved in this study and its relationship to their growth.

1.7 Overview of research methodology

The methodology of the study comprises the research design, population of the study, sampling procedures and data collection and analysis procedures. Data for the study will comprise two main sources - secondary and primary sources. The primary data will be obtained from responses elicited through the use of questionnaire from respondents which will include staff and management of the case institutions. Data will be analyzed with the help of the SPSS.

1.8 Organization of the study

The study comprises five chapters. Chapter one discusses the background, problem statement, scope, significance, and objectives for undertaking this research project. Chapter Two looks at existing literature related to the study to gain an understanding of the research topic. Chapter Three presents the research methodology that the researcher will use to undertake the study. Chapter Four comprises the findings and discussions of the findings to the study. Chapter five summarizes the findings of the study and also makes recommendations that would contribute to solving the problem raised, as well as a recommendation for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature pertinent to the study. The review serves as a framework that guides the analysis of the research findings. Areas reviewed include the concept and definition of strategy and strategic management, strategic management process, strategic management and performance, benefits as well as problems of strategic management.

2.2 Concept and Definition of Strategic Management

There are many definitions of strategic defined by various authors. As pointed out by Mintzberg et al. (1998) there is no single, universally accepted definition of strategy. The early definition of strategy was provided by the American business historian, Chandler (1962) who defined strategy as determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. Thus Mintzberg (1994) portrays strategy as a plan – a direction, a guide or course of action into the future – and as a pattern, that is, consistent in behavior over time. Nag et al (2007), on the other hand considers strategy as the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

According to Kazmi, (2008), a notable ingredient that is lacking in business organizations today is strategy. Thus strategy is the master plan for any organization to achieve its goals within specified time frames. Strategy needs to be embraced to engender sustainability of competitive advantage. The overall purpose of business strategy is competitive advantage. Strategy came into being due to competition. The whole essence of strategy planning is to enable an organization to gain a sustainable edge over its competitors. There is the basic need to leverage an organization's strength in a most efficient way over its competitors. This is the whole essence of a corporate strategy. Strategy is all about developing action plans that enables an organization to deploy its enterprising strength within its sphere of business operations. For strategy to achieve its purpose there is the need for a deep thinking. When an organization strives to maintain a superior edge over competitors, the thought pattern of one helmsman should be different. Strategic management thus involves the formulation and implementation of the major initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes (Nag et al, 2007).

Hunger and Wheelen (2003) describe it as a set of managerial decisions and actions that determine the long-run performance of a corporation. It includes strategy formulation, strategy implementation, and evaluation and control. It also can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (Kazmi, 2008). The strategic management process requires competent individuals to ensure its success (Stahl and Grigsby, 1992). The top management of an organization has responsibility to ensure firm success and overcome any competition that occurs.

However, to be more effective, Hunger and Wheelen (2003) noted that people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques. In their opinion, Adeleke, Ogundele and Oyenuga, (2008) refer to strategic management as the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. In other works, strategic management is involved in deploying a firm’s internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems.

Thompson and Strickland (2003) defined strategic management as the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans. According to Drucker (1974), the prime task of strategic management is thinking through the overall mission of a business that is asking the question what is our business? This leads to setting of objectives development of strategy and making of today's decision for tomorrow's result. This should be done by balancing the present objectives and needs against those of the future in the light of available resource (both present and future) of men and materials.

Further, studies on strategic management have shown that strategic management is concerned with deciding on strategy and planning how that strategy is to be put in to effect (Aluko et al, 2004). It can be thought of as having three elements within it: there is strategic choice stage which is to' do with formulation of possible courses of action, their evaluation and the choice between them (Oyedijo &Akinlabi, 2008). Finally, there is a strategic implementation stage which is to do with planning how the choice of strategy can be put into effect (Johnson & Scholes, 2002).

2.3 Strategic Management Theory

Strategic management is the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. In other words, strategic management can be seen as a combination of strategy formulation, implementation and evaluation (David, 2005).

According to Raduan, Jegak, Haslinda, and Alimin (2009), strategic management theories stem mainly from the systems perspective, contingency approach and information technology approach. Following David (2005), among the common strategic management theories noted and applicable is the profit-maximizing and competition-based theory, the resource-based theory and contingency theory. The profit-maximizing and competition-based theory: This theory was based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place (David, 2005).

The industrial-organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981).

On the other hand, the resource-based theory which stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1991). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007). There is however, the contingency theory, which draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing.

2.4 Strategic Management Process

Strategic management is designed to effectively relate the organization to its environment. The environments include political, social, technological, and economic elements (Sharplin, 1985). Various strategic management models were introduced by several researchers including: Sharplin (1985), Greenley (1989), Certo and Peter (1991), Stahl and Grigsby (1992), and also Hunger and Wheelen (2003). Models proposed by these researchers entail strategy formulation, implementation of organizational strategy and strategic control focuses in their models. Planning strategy and environmental analysis phase are also important and most of the authors put this phase under formulation phase (David, 2005).

Generally, strategic management process can be divided into three phases, implementation and evaluation. The formulation phase is a strategy that aims at ensuring that organizations achieve their objectives (Certo and Peter, 1991). David (2005) stated that strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeovers and whether to enter international markets. He also added that strategy formulation phase comprises development of a mission statement, identification of external opportunities and threats, determination of internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing the best strategy to be implemented.

Second, is the implementation phase that initiates activities in accordance to strategic plans (Sharplin, 1985). This requires firms to establish objectives, devise policies, motivate employees, and allocate resources to execute formulated strategies. Certo and Peter (1991) stated that without the effective strategy implementation, organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction, and formulating organizational strategy.

Finally, is the evaluation and control phase that requires information to be obtained on strategic performance and comparing it with existing standards (Certo and Peter, 1991). Evaluation is also done by reviewing current strategies, measuring performance and taking corrective actions. Strategy evaluation is needed because success today is no guarantee of success tomorrow. Success always creates new and different problems; complacent organizations experience demise (David, 2005).

2.5 Strategic Management and Performance

As presented earlier, strategy is the broad way in which an organization seeks to maintain or improve its performance. This is relatively enduring and unlikely to change substantially in the short term (Zajac and Shortell 1989). A broad range of management research supports this contention. For example, the literature on population ecology argues that once an organization is established so its structure and overall approach is set (Hannan and Freeman 1984), and a range of evidence indicates that organizations are relatively inert; once routines are set they are difficult to change (Amburgey, Kelly and Barnett 1990; Barnett and Freeman 2001).

The critical role of strategy on the performance of business organization cannot be over-emphasized. Akpan (2002) advocates that the debate lies on the appropriateness of various approaches to the measurement of organizational performance. Simple financial measure such as return on investment, return on equity, profit margin, market share, and debt to equity, earning per share, sales growth, and asset growth are not adequate criteria on their own to evaluate the success or failure of a strategy (Akpan, 2002:26).

Recent major studies of strategic management carried out in Nigeria by Nmadu (2007) found support for the strategic management and organizational performance hypothesis. For instance the studies revealed that a SBEs corporate financial performance tends to increase with a unit increase in the level of practice of strategic management. The higher the overall level of strategic management practices by SBEs, the higher the financial performance of the SBEs expressed in terms of earning per share, profit before tax, return on capital employed, net asset, current working capital ratio, increase in relative market share, continuing addition of new product lines, and total deposits. For all the financial performance indicators used, performance tended to increased significantly as the level of strategic management increased.

On the whole strategic management can make a difference. Basically, using the strategic management approach, where managers at all levels of a business interact in planning and implementation has great behavioral consequences almost similar to those of participative decision making (David, 2005).

The relationship between strategy and performance has also been convincingly established by Hamermesh (1986) in the literature. According to Hamermesh (1986), the prescriptive school views improved performance as an explicit goal of strategy. The descriptive approaches, however, vary in the level of emphasis placed on economic performance and may consider a wide variety of outcomes (including survival, learning, etc.) in addition to, or in conjunction with, economic performance.

Empirical evidence generally supports the relationship between strategy and performance. For example, Miller and Friesen (1982) identified ten different strategic types. Six of these strategies were generally successful (Adaptive Firm under Moderate Challenge, Adaptive Firm in Very Challenging Environment, Dominant Firm, Giant Under Fire, Entrepreneurial Conglomerate, and Innovator). The remaining four strategies were unsuccessful (Impulsive - Running Blind, Stagnant Bureaucracy, Headless Giant, Swimming Upstream). Using the Miles and Snow (1978) strategic typology, Hambrick (1983) found significant performance differences between prospectors and defenders.

Besides the generic strategy literature, the strategic group literature also identifies performance differences. Mascarenhas and Aaker (1989) found significant performance differences among strategic groups in the oil drilling industry while Fiegenbaum and Thomas (1995) also found differences among strategic groups in the insurance industry. Cool and Schendel (1988) found some performance differences among groups in the pharmaceutical industry, although a later study concluded that strategic group effects were overpowered by risk-return relationships. Venkatraman and Prescott (1990) discovered a relationship between the alignment of strategic resource deployments and performance. Those firms whose resource profile were further from the ideal profile experienced significantly poorer performance. A dimensional profile of strategic orientation was suggested by Venkatraman and Ramanujam (1986) to be useful for inter-firm comparisons and examination of performance differences. In this cross-sectional study of many industries, Venkatraman found five of six STROBE dimensions to be correlated with profitability (aggressiveness, analysis, defensiveness, proactiveness, and riskiness). Two of the six were correlated with sales growth (analysis and proactiveness).

2.6 The Influence of Context

Strategy is usually linked with the external environment in which the firm operates. Whether formulated with specific environmental threats and opportunities in mind or emerging incrementally from within the organization much of what becomes, or is interpreted as strategy has evolved with at least some sensitivity toward the external world.

In the strategic management literature, many contingency factors have been suggested to influence strategy. Numerous summaries of the contingency literature have concluded that the external environment exerts a strong influence on strategy formulation or on the relationship between strategy and other variables such as performance. Technology is another contingency factor which has been cited extensively as having an effect on organizational structure (Grinyer&Yasai- Ardekani, 1981). For example firms using a process technology are likely to be organized differently from those having a long-linked technology (Thompson, 1967). Their resulting strategies are also likely to differ (Grinyer&Yasai-Ardekani, 1981). Besides controlling for industry, it is also important to control for size. Electronic Commerce, especially electronic data interchange (EDI) was adopted by the bigger firms first. Larger firms with greater economic power and influence over their customers or suppliers have a greater incentive to link up electronically to improve service or reduce costs. The larger firms see more strategic opportunity and have more resources available to experiment. It is likely that this phenomenon has carried through to all of Electronic Commerce. Therefore, controlling for the size of firms is necessary. Hambrick (1983) attempted to rank the importance of ten contingency variables regarding their effects on the strategy-performance relationship. The top five are: (1) user sector (consumer vs. industrial), (2) purchase frequency, (3) stage of product life cycle, (4) dollar importance of product to customer, and (5) technological change.

2.7 Elements of Organizational Performance

Organizational performance alone could be gauged in many different ways, with financial or non-financial indicators. There are several approaches to organizational performance measurement which include different stakeholders' perspectives. The Balanced Scorecard (BSC) is a performance management tool for measuring whether small-scale operational activities of a company are aligned with its large-scale objectives in terms of vision and strategy and includes four perspectives: financial, customer, internal process and innovation and learning perspective.

The financial perspective examines if company's implementation and execution of its strategy contributes to bottom-line improvement. Some of the commonly used financial measures are economic value added, revenue growth, costs, profit margins, cash flow, net operating income etc. The customer perspective defines the value proposition that an organization will apply to satisfy customers and generate more sales to the most desired customer groups. The measures should cover both the value that is delivered to the customer which may involve time, quality, performance and service, and the outcomes that arise as a result of this value proposition, such as customer satisfaction and market share. The internal process perspective focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers.

The clusters for the internal process perspective are operations management (by improving asset utilization, supply chain management), customer management (by expanding and deepening relations), innovation (by new products and services) and regulatory & social (by establishing good relations with external stakeholders). The innovation and learning perspective focuses on the intangible assets of an organization, mainly on the internal skills and capabilities that are required to support the value creating internal processes.

Strategy is intended to serve as a vehicle which helps a firm be successful within its environment; that sets the organizational direction which will result in a superior competitive position within that environment. Of the many definitions of strategy, here is a rather general one from two leading strategy experts: A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

One of the more common elements in strategy definitions is the interrelationship of strategy to the changing organizational environment. In other words, a strategy is meant to help an organization adapt to a changing world. There are many conceptualizations and measurements of strategy that have been proposed in the literature. Venkatraman and Ramanujam (1986) summarized the various approaches including measures of strategic posture, generic strategies, and competitive strategy, and diversification strategy, characteristics of strategic orientation, strategic decision-making, and strategic planning. Mintzberg (1993) also addressed this issue by identifying five general ways that strategy can be viewed (plan, ploy, pattern, position and perspective).

2.8 The Benefits and Problems of Strategic Management

Strategic management can be beneficial when an organization applies approach to strategic management which matches the situation they are in. The benefits of strategic management have been identified by several researchers including Nmadu (2007), Akingbade, (2007). According to these researchers strategic management provides the following benefits: brings about clearer definition of objectives, providing better guidance to the entire organization, makes managers and organizational members more alert to new opportunities and threatening development, helps in overcoming risks and uncertainties and therefore contributes to organization success.

They further add that strategy increases the quality of business decisions; it creates a more proactive management posture, helps to unify the organization, and also promotes the development of a constantly evolving business model that will produce sustained profitability for the business. Basically, using the strategic management approach, where managers at all levels of a business interact in planning and implementation has great behavioral consequences almost similar to those of participative decision making (Adeleke, Ogundele and Oyenuga, 2008).

Nmadu (2007) maintain that in spite of all these benefits, the greatest persuasions for use of the strategic management approach are the financial benefit associated with successful practitioners. This includes continuing growth of rates, increase in relative market share, growth in earnings, growth in earning per share, continuing addition of new products and product lines, continuing expansions of the firm's customer’s population, absence of excessive seasonal or cyclical fluctuations.

In summary, it would be stressed that strategic management has become more important to managers in recent years and defining the mission of their organization in specific terms have made it easier for managers to give their organization a sense of purpose. Moreover, organization that get involves in strategic management are better able to predict the future than others.

Researchers such as Akingbade (2007) have equally identified the following disadvantages of strategic management:

It involves a great deal of time and effort, as well as thinking about figuring out and forecasting the most important variable in a business for, say, 20years and above. The effort involved could be too much for available staff. Strategic plan can become written-in-stone that is, rigid like the Ten Commandments, whereas it is supposed to be a guide. The margin of error for a long-range environmental forecast can sometimes be quite large, as if one is forecasting profit for the next five or more years, because of the volatile nature of the economy. Also it requires a considerable investment in money and people

Some firms seem to remain at the planning stage almost perpetually, i.e. implementation and control are sometimes ignored. It also sometimes, tend to restrict the organization to the most rational and risk-free opportunities, since managers might with t6 develop only those goals that could survive the detached analysis of strategic management, while attractive opportunities that involves high degree of uncertainty or that are difficult to analyze might be avoided or over-looked.

Ansoff et al (1965) on the other hand outlined the following reasons as responsible for failure of strategic plans: failure to understand the customer, inadequate or incorrect marketing research, inability to predict environment reaction, price wars, over-estimation of resource competence, staff and equipment inability to handle the new strategy, failure to develop new employee and management skills.

2.9 Limitations of strategic management

Hamel coined the term strategic convergence to explain the limited scope of the strategies being used by rivals in greatly differing circumstances. He lamented that successful strategies are imitated by firms that do not understand that for a strategy to work, it must account for the specifics of each situation (Hamel and Prahalad 2002). But in the world where strategies must be implemented, the three elements are interdependent. Means are as likely to determine ends as ends are to determine means (Lindblom, 1959).

The objectives that an organization might wish to pursue are limited by the range of feasible approaches to implementation. (There will usually be only a small number of approaches that will not only be technically and administratively possible, but also satisfactory to the full range of organizational stakeholders.) In turn, the range of feasible implementation approaches is determined by the availability of resources (Hamel and Prahalad 2002).

Another critique of strategic management is that it can overly constrain managerial discretion in a dynamic environment. How can individuals, organizations and societies cope as well as possible with ... issues too complex to be fully understood, given the fact that actions initiated on the basis of inadequate understanding may lead to significant regret? (Woodhouse and Collingridge, 1993).

Some theorists insist on an iterative approach, considering in turn objectives, implementation and resources (de Wit and Meyer, 2008). In this regard, Elcock (1996) considers it a repetitive learning cycle rather than a linear progression towards a clearly defined final destination. Strategies must be able to adjust during implementation because humans rarely can proceed satisfactorily except by learning from experience; and modest probes, serially modified on the basis of feedback, usually are the best method for such learning (Woodhouse and Collingridge, 1993).

Woodhouse and Collingridge claim that the essence of being strategic lies in a capacity for intelligent trial-and error (Woodhouse and Collingridge, 1993) rather than strict adherence to finely-honed strategic plans. Strategy should be seen as laying out the general path rather than precise steps (Moore, 1995).

2.10 Empirical Literatures

Strategic management is an important aspect of management that elicits research interest among scholars and practitioners. This can be attributed to the universal application of this aspect of management discipline. Among the earlier empirical findings presented in the literature, this section further presents studies relative to organizational strategy and performance effects. One of the recent conceptual studies in Nigeria (Ujunwa & Modebe, 2011) advocated for the adoption of strategic management approach in ensuring capital market efficiency following the perceived pivotal role the capital market in economic development. The strategic measure they reviewed ranged from effective regulation to achieving favorable macroeconomic environment. They posited that these strategies will not only promote the efficiency of the capital market, but will leverage the role of the capital market in promoting economic growth.

Askarany and Yazdifar (2012), investigating the diffusion of six proposed strategic management tools of the past few decades through the lens of organizational change theory, examined the relationship between the adoption of these techniques and organizational performance in both manufacturing and non-manufacturing organizations in New Zealand. The findings suggest a significant association between the diffusion of these relatively new strategic management tools and organizational performance. Gichunge (2010) examined the effect of formal strategic management on organizational performance of medium sized manufacturing enterprises in Nairobi, Kenya. It examined the extent to which formal strategic management is adopted by medium sized manufacturing enterprises in Kenya and investigated the effect of various administrative/legal factors on the extent to which formal strategic management are adopted. It also determined the relationship between level of competition and adoption of formal strategic management and investigated the effect of administrative/legal factors on organizational performance.

Finally the study assessed the relationship between adoption of formal strategic management and organizational performance. The data was analyzed statistically using the SPSS and R packages through tabulation, proportions and logic analysis. Results showed that the MEs have not adopted any formal strategic management. It is consistent with past studies that administrative/legal factors affect both adoption of formal strategic management and organizational performance. Competition also influences adoption of formal strategic management. Organizations with formal strategic management perform better than those without formal strategic management.

Eisenhardt and Martin (2000) in an extensive study of American companies, found that competitive strategy are at two different levels, the first being general strategic actions and orientation, which captures the overall strategic posture of the firm, either by focusing on a broader set of strategic decision variables such as R&D, investment, marketing, and product and market scope, and by relying on broader constructs of competitive strategy such as differentiation and cost leadership strategies. The researchers assert that both strategic levels have significant effects on corporate performance.

Washington and Ventresca (2004) found several organizational contingencies that exert influence on subsequent dynamic competitive strategy. The strategic context encompasses a firm’s past corporate and competitive strategy. Strategic management is also influenced by organization structure, which refers to the status of, and changes in, top management team, pay structure, governance mechanisms and board processes and size. Finally, the organizational resources and capabilities subcategory captures the paths and positions of a firm’s tangible and intangible resources, skills and organizational capabilities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the study was conducted. It outlines the choice of study approach and strategy that have been used in undertaking the study. The chapter also defines the participants that were used, including the statistical techniques used to analyze the data.

3.2 Research Approach

Two approaches have been described by Halvorsen (1992) that can be used in conducting a study. These are the qualitative and the quantitative method. The quantitative method is the systematic empirical investigation of observable phenomena through the use of statistical, mathematical or computational techniques. On the other hand qualitative research is primarily exploratory and used to gain an understanding of underlying reasons, opinions and motivations. This study combined both approaches. The study adopts this based on its effectiveness in helping to understand the factors under study, and its suitability for the purposes of addressing the research questions.

3.3 Research Design

Research design is a framework for conducting business research. It can therefore be considered as the basic plan for conducting the data collection and analysis phase. Research design is considered as a blueprint for research, dealing with at least four problems: which questions to study, which data are relevant, what data to collect, and how to analyze the results (Robson, 1993). The best design depends on the research question as well as the orientation of the researcher.

Studies generally fall into the following three categories: Descriptive, Explanatory (causal), and Exploratory (Saunders, Lewis, &Thornhill, 2000). The primary purpose of exploratory research is to shed light on the nature of a situation and identify any specific objectives or data needs to be addressed through additional research. Exploratory research is most useful when a decision maker wishes to better understand a situation and/or identify decision alternatives.

Exploration is particularly useful when researchers lack a clear idea of the problems they will meet during the study. The object of descriptive studies is to describe characteristics or functions (Malhotra, 2007). In these studies the emphasis is on studying a situation or a problem in order to explain the relationships between variables (Saunders, Lewis, &Thornhill, 2000).

This study therefore falls in the descriptive design. Descriptive data are usually collected through questionnaires, interviews or observations. Information gathered from empirical findings would lead to the suggestion of a new and more improved alternative programmes.

The justification for using the descriptive research design is that although the descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, it however has the ability to utilize elements of both within the same study. Again, it is appropriate for answering the ‘what’ and ‘why’ kind of research questions posed in the chapter one.

3.4 Study Population

A study population is the whole group that the research focuses on. The study's population comprises all management and staff of 20 selected savings and loan companies operating in the Ashanti region.

3.4.1 Sample Size and Sampling Procedure

A total of 100 management and staff of 20 savings and loan companies were selected for the study. Purposive sampling was employed to select the respondents in this study. 5 respondents were selected from each of the 20 sampled companies. Yin (2003) opines that purposive sampling is ideal when the researcher has prior knowledge of the industry and the characteristics of the target population to enable selection of respondents with the right characteristics. In this study, purposive sampling was employed to enable targeting of management and top level staff with roles and responsibilities that make them a part of company strategy formulation and implementation supervision. The selected respondents included managers, accountants, departmental heads, team leaders and sales executives. Purposive sampling was therefore based on position, experience (years of work) and educational level. These respondents were seen to be the ones with enough credible and authentic information to enable the achievement of the research objectives.

Table 3.1 Distribution of Sampled Respondents

Savings and Loans Companies (Branches)	Respondents	Sample Size	Sampling Technique	Data collection Procedure
MultiCredit Savings and Loans	Staff	05	Purposive	Questionnaire
First Allied Savings and Loans Co. Ltd.	Staff	05	Purposive	Questionnaire
Unicredit Ghana Ltd.	Staff	05	Purposive	Questionnaire
Union Savings & Loan Co. Ltd.	Staff	05	Purposive	Questionnaire
Sinapi Aba Savings and Loans	Staff	05	Purposive	Questionnaire
Women’s World Banking	Staff	05	Purposive	Questionnaire
Ezi Savings Loans Ltd.	Staff	05	Purposive	Questionnaire
ProCredit Savings & Loans Co.Ltd.	Staff	05	Purposive	Questionnaire
Pacific Savings & Loans Co. Ltd.	Staff	05	Purposive	Questionnaire
Opportunity International Savings and Loans Co. Ltd	Staff	05	Purposive	Questionnaire
Express Savings and Loans Co. Ltd	Staff	05	Purposive	Questionnaire
Global Access Savings and Loans Company Limited	Staff	05	Purposive	Questionnaire
Advans Ghana Savings and Loans Ltd.	Staff	05	Purposive	Questionnaire
First National Savings and Loans Co. Ltd.	Staff	05	Purposive	Questionnaire
EB-Accion Savings and Loans Company Limited	Staff	05	Purposive	Questionnaire
Beige Capital Savings and Loans Company Limited	Staff	05	Purposive	Questionnaire
Utrak Savings and Loans Company Limited	Staff	05	Purposive	Questionnaire
Adehyeman Savings and Loans Limited	Staff	05	Purposive	Questionnaire
First African savings and Loans Co. Limited	staff	05	purposive	Questionnaire
ASA Savings and Loans LTD	staff	05	purposive	Questionnaire

3.5 Sources of Data

In order to understand the studied case more deeply, several sources of data collection was used. Data sources comprised both primary and secondary sources.

3.5.1 Primary Data

Primary data is original data collected by the researcher for the research problem at hand. The study used Primary data collected through the use of the questionnaire and interviews.

3.5.2 Secondary Data

For this study, secondary data used were from company documents and other relevant publications. Secondary data refers to information collected by others for purposes which can be different from the researcher's purpose. Secondary data raises the validity and reliability of the study.

3.6 Data Collection Instruments

The study used questionnaire and interviews as data collection instruments. The questionnaire was structured. The purpose was to obtain the needed information to successfully complete the study and ensure validity. The questionnaire was made up of open-ended and closed-ended items. It was self-constructed. Questionnaire was chosen to allow the respondents the opportunity to answer the questions at their convenience and in the comfort of their offices. Other research instruments were observations.

3.7 Analysis of Empirical Material

Data was analyzed with the Statistical Package for the Social Sciences (SPSS). This was to enable the researcher obtain the needed frequencies to facilitate the analysis and discussion. Open-ended qualitative responses were analyzed through data reduction and conclusion creation, and triangulation to identify trends.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presented the data collected, the analysis of data and the discussion of the findings. A sample size of 100 respondents was selected from 20 savings and loans companies. Tables and columns were used to present the data.

4.2 Demographic Characteristics of Respondents

Under this sub-subject, the study described the demographic characteristics including age, gender and level of education of the sampled respondents. This is presented in Table 4.1 below.

Table 4.1 Demographic Characteristics of Respondents

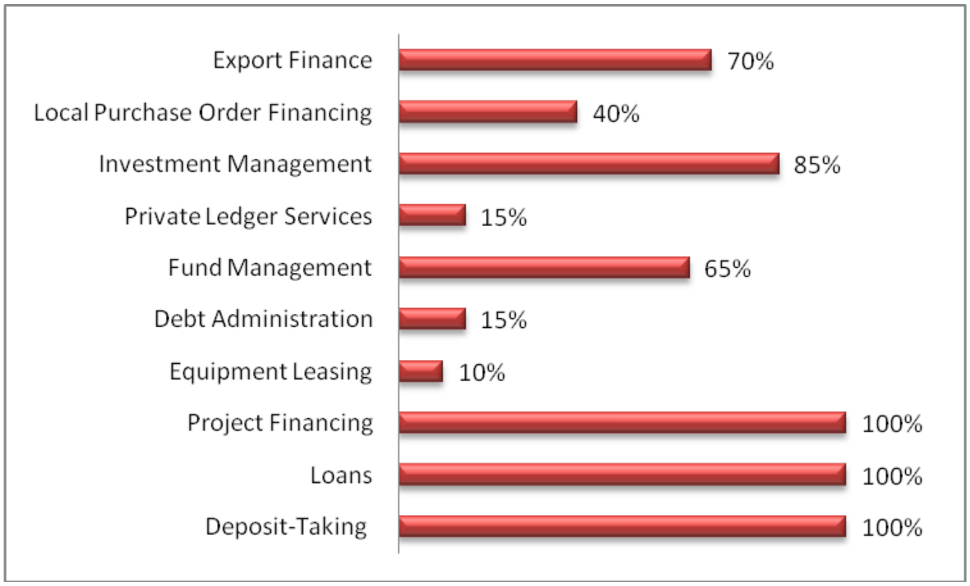
Variable	Frequency	Percentage
Respondent Position		
Owner-Manager	36	36%
Manager	31	31%
Executive	33	33%
Years of Work		
1-5years	43	43%
6-10 years	34	34%
11-20 years	19	19%
Over 21 years	04	4%
Age Group		
18-25 years	00	00%
26-35 years	16	16%
36-45 years	39	39%
46-60 years	45	45%

Source: Field Data, 2014

Table 4.1 above showed the demographic distributions of respondents. The study showed that out of the 100 sampled respondents, 36% were owner-managers of their companies, 31% were managers and the remaining 33% were executives of their companies. Respondents' years of experience showed that 43% of respondents have only been employed for periods not exceeding 5 years. 34% of respondents have worked with the sampled companies for periods between 6-10 years, 19% have worked for between 11-20 years and the remaining 4% have worked for periods over 21 years. Age distributions of respondents showed that 39% of sampled respondents were aged between 36-45 years, 45%

were aged between the age brackets of 46-60 years and the remaining 16% were aged between 26-35 years.

Figure 4.1 Principal Activities of Sampled Companies



Source: Field Data, 2014

Figure 4.1 above showed the principal activities of sampled companies. The study showed that 100% of the sampled savings and loans companies were involved in the activities of project financial, giving out loans to and taking deposits from individuals and corporate institutions. 85% of the sampled companies were involved in investment management and 70% were into export financing. 65% were into fund management, 40% were into local purchase order financing, 15% were into private ledger services and debt administration and 10% were involved in equipment leasing.

4.3 Main Findings

The study's main objective was to examine the importance of strategic management to organizational development. The main findings are discussed below.

4.3.1 Strategic Management Practices in the Savings and Loans Sector

Research question one sought to identify the strategic management practices in the savings and loans sector. The study sought to identify these strategies by analyzing field data using factor analysis (mean, standard deviation and coefficient of variation analysis). Each analysis was conducted to confirm the findings of the other. Statistical mean analysis was performed to determine the central locations (averages) of the responses to the data sets. A mean figure below 3 was considered to be low and skewed towards total agreement of a particular strategic management practice whilst that over 3 was considered to be high and skewed towards total disagreement of a particular strategic management practice.

Standard deviation was calculated to measure the variability and spread of the data set and the relationship of the mean to the rest of the data. The study also calculated the relation of the standard deviation to the mean, otherwise known as the coefficient of variation (CV). To prove the findings of the mean analysis, the values / figures for each variable (Strategic Management Practices) should be inversely proportional to the values of the mean for same variables. This meant that the lower a mean figure for a particular practice, the higher the correlating CV figures for that same practice

Table 4.2 Strategic Management Practices in the Savings and Loans Sector

Management Practices	N	Minimum	Maximum	Mean	Std. Deviation	CV
Aligning Initiatives with Strategy	100	1	5	1.61	.931	.867
Align Budgets with Team/ Departmental Performance	100	1	5	3.57	1.225	1.500
Organization Structured for Strategy Implementation	100	1	4	1.88	.769	.592
Staff are fully informed about strategy	100	1	3	1.61	.601	.362
Staff are fully engaged in strategy implementation	100	1	3	1.70	.659	.434
Strategy is monitored and adapted where necessary	100	1	5	1.66	.742	.550

Source: Field Data, 2014

Table 4.2 above showed the strategic management practices as practiced by the sampled savings and loans companies. The study showed that most savings and loans companies try to manage strategically by aligning Initiatives with Strategy (mean=1.61), engaging staff fully in strategy implementation (mean=1.70), keeping staff fully informed about corporate strategic direction (mean=1.61), monitoring strategy and implementation in order to adapt it where necessary to meet the challenges and realities of the times (mean=1.66) and structuring the organization to be effective in its strategy implementation (mean=1.66). The study however showed that budgets in most savings and loans companies are not prepared to align with team or departmental performance (mean=3.57).

For savings and loans companies to align their initiatives with their strategy represents the height of strategic management. In the Ghanaian savings and loans industry, initiatives could represent new products and service offers or a rebranding of existing products and services to coincide with the strategy of increasing the company's market share by meeting the needs and demands of a targeted customer group. Most the savings and loans companies sampled had clear knowledge that when initiatives are tailored to meet strategy on paper, success can only be had when implementers (staff) are fully engaged and adequately resourced to execute the strategy. The assertion of Nag et al, (2007) that strategic management thus involves the formulation and implementation of the major initiatives taken by a company's top management on behalf of owners, based on consideration of resources and an assessment of the internal and external environments in which the organization competes holds true by the findings of this study.

Kazmi (2008) adds that the success of strategy is achieved on the back of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. This study shares this contention by its findings. Savings and loans companies were found to, besides keeping staff fully informed about the corporate strategy and the direction to achieve it, also monitored and adapted strategies when necessary.

Finally, the study showed that savings and loans companies had organization Structures that were optimized to deliver effective strategy implementation. According to Hunger and Wheelen (2003), strategic organizational structures noted that people at all levels, not just top management, need to be involved in strategic management; scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environment shifts, and working with others to continuously improve work methods, procedures, and evaluation techniques.

However, the study found that the sampled savings and loans companies neglect to align Budgets with Team/ Departmental Performance: a finding the study contends does not help further the goals and potential for success of strategic management in the savings and loans sector. Expansive literature on management and marketing direct that company resources are better spent channeled into productive and successful endeavours and stalled or failing enterprises (Drucker. 1974; Adeleke et al., 2008; Stoney, 2001; Thompson and Strickland, 2003). This study contends that, this reasoning when adopted into strategic management, by channeling greater resources to successful teams or departments, would serve to increase the overall success of the company.

Table 4.3 Correlation Analysis of Strategic Management Practices in the Savings and Loans Sector

	1	2	3	4	5	6	7
1. Aligning Initiatives with Strategy	1						
2. Align Budgets with Team/ Departmental Performance	.197*	1					
3. Organization Structured for Strategy Implementation	.146	-.023	1				
4. Staff are fully informed about strategy	-.130	-.038	-.102	1			
5. Staff are fully engaged in strategy implementation	-.176	-.136	.088	.161	1		
6. Strategy is monitored and adapted where necessary	.260**	.216*	.105	-.300**	-.293**	1	
7. performance	.021	.001	.010	.014	-.008*	.047	1

	1	2	3	4	5	6	7
1. Aligning Initiatives with Strategy	1						
2. Align Budgets with Team/ Departmental Performance	.197*	1					
3. Organization Structured for Strategy Implementation	.146	-.023	1				
4. Staff are fully informed about strategy	-.130	-.038	-.102	1			
5. Staff are fully engaged in strategy implementation	-.176	-.136	.088	.161	1		
6. Strategy is monitored and adapted where necessary	.260**	.216*	.105	-.300**	-.293**	1	
7. performance	.021	.001	.010	.014	-.008*	.047	1

Source: Field Data, 2014

Having identified the strategic management practices as practiced by the sampled savings and loans companies, the study sought to determine if those strategic management practices had any degree of association amongst them. In effect, the study sought to know if the adoption of one practice influenced the adoption of another practice and what type of relationship exist between the various practices. To achieve this, a Pearson correlation analysis was conducted with a confidence interval of 95% using a 2-tailed test of significance.

The study showed that the practice of aligning initiatives with strategy was perfectly correlated with Organization Structured for Strategy Implementation (sig. =.010), Staff being fully informed about strategy (sig. =.020), Strategy being monitored and adapted where necessary (sig. =.000) and Staff being fully engaged in strategy implementation (sig. =.009). However, the practice of aligning initiatives with strategy was found to have no significant correlation to aligning budgets with team/ departmental performance (sig. =.074). Aligning Budgets with Team/ Departmental Performance was also found to have no significant correlation to Staff being fully engaged in strategy implementation (sig. =.179). Finally, the study showed that all the strategic management practices had significant positive correlations with sales corporate performance. This finding is indicative of the fact that a good strategy can have positive bearings on the output of a company. This finding finds support in the assertions of David (2005) who opines that strategic management can be seen as a combination of strategy formulation, implementation and evaluation involving myriads of coordinating practices and initiatives working in concert to achieve corporate strategic goals.

4.3.2 Strategic Management Practices That Contribute Significantly Towards Performance

Research question two sought to identify which strategic management practices that contribute significantly towards performance. However, the study first sought to find out the performance parameters and indicators as observed by respondents in the sampled savings and loans companies.

Table 4.4 Performance Levels of Sampled Companies

	N	Minimum	Maximum	Mean	Std. Deviation	CV
Sales growth	100	1	7	5.44	1.290	1.663
Profit Growth	100	1	7	4.94	1.399	1.956
Productivity growth	100	1	7	3.52	1.920	3.686
Net Profit	100	1	7	3.30	1.910	3.646
Sales Revenue	100	1	7	5.05	1.321	1.745

Source: Field Data, 2014

Table 4.4 above showed the performance levels of sampled companies. The study showed that the sampled companies had good sales growth rates (mean=5.44, CV=1.663), good profit growth rates (mean=4.94, CV=1.956) and good sales revenues (mean=5.05, CV=1.321). However, the growth of productivity (mean=3.52, CV=1.920) and net profit (mean=3.30, CV=1.910) were not impressive. This showed that in terms of productivity, the sampled companies were not found to be very productive but the magnitude of their sales growth and revenues showed the success of the marketing departments. According to Ekpo (2008), the overall performance of any business organization is strongly influenced by how well the firm's strategic management practice matches its organizational structure and behavioral norms of its employees. This study strongly believes therefore that a strong sales and marketing performance, just as strong productivity, is a strong indicator of the success of strategic management in an organization.

Table 4.7 Forced Entry Regressions of Contributions of Strategic Management Practices on Performance of the company

Model	B	Beta	R	R^2	t	Sig.
1 : (Constant)	4.199				.000	1.000
Aligning Initiatives with Strategy	.793	.485	.485[a]	.235	5.488	.000
Align Budgets with Team/ Departmental Performance	.370	.094	.370[a]	.137	3.941	.000
Organization Structured for Strategy Implementation	.666	.631	.631[a]	.398	8.053	.000
Staff are fully informed about strategy	.820	.578	.578[a]	.334	7.013	.000
Staff are fully engaged in strategy implementation	.793	.485	.485[a]	.235	5.488	.000
Strategy is monitored and adapted where necessary	.820	.578	.578[a]	.334	7.013	.000

a. Dependent Variable: Performance

Source: Field Data Analysis, 2014

Having found out the performance parameters and indicators as observed by respondents in the sampled savings and loans companies, the study then proceeded to identify the strategic management practices that contribute significantly towards company performance. To achieve this, the study conducted a linear simple regression analysis to assess the effects of the individual strategic management practices on sales growth (a performance parameter). In this analysis, sales growth was treated as dependent variable whilst the various strategic management practices were treated as independent variables. Table 4.7 above showed the regression results.

The study showed that all the strategic management strategies had significant positive effects on sales growth: Aligning Initiatives with Strategy (beta = .485, t= 5.488, $p<0.00$), Align Budgets with Team/ Departmental Performance (beta = .094, t= 3.941, $p<0.00$), Organization Structured for Strategy Implementation (beta = .631, t= 8.053, $p<0.00$), Staff are fully informed about strategy (beta = .578, t= 7.013, $p<0.00$), Strategy is monitored and adapted where necessary (beta = .485, t= 5.488, $p<0.00$), Staff are fully engaged in strategy implementation (beta = .578, t= 7.013, $p<0.00$). This implies that each strategic management practice has a positive contribution on the sales growth of firms. The model also predicted that for every unit increase in strategic management practice, sales growth increases by .793 units for Aligning Initiatives with Strategy, .370 units for Aligning Budgets with Team/ Departmental Performance, .666 units for Organization Structured for Strategy Implementation, .820 units for fully informing Staff about strategy, .793 units for fully engaging Staff about strategy implementation and .820 units for monitoring and adapting strategy.

Also, the contribution of each strategic management practice to sales growth accounted for was showed in R^2 above. Therefore the amount of variation in sales growth was explained by the R^2% as described above. The R^2% shared variance was maximum effect size between the variables in the study since the model was able to explain the variation in the model (Cohen, 1988). Thus, the study objective was realized as there was statistically significant correlation between strategic management practices and corporate performance, indicating that the strategic management practices of a company has significant positive effects on its financial performance. In general, the model predicts the corporate performance improvement levels in the equation that emerges from the model. The equation of a simple linear regression is: Y = a + b1x1, where Y is the value of the dependent variable (what is being predicted), a = constant and b1 = slope (beta coefficient) for x1, where x1 is the independent variables.

4.3.3 Pitfalls of Strategic Management

Research question three sought to identify the pitfalls of strategic management.

Table 4.8 Pitfalls of Strategic Management

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Short term planning	100	1	4	1.40	.603	.364
Ignoring external trends	100	1	3	1.43	.655	.429
Overconfidence based on existing success	100	1	2	1.20	.402	.162
Failure to respond to structural changes in the market	100	1	3	1.34	.517	.267
Failure to employ the best possible team	100	1	3	1.35	.500	.250
Failure to focus	100	1	2	1.21	.409	.168
Inability to foster belief in the strategy	100	1	3	1.39	.549	.301
Inability to translate the strategy into a corporate purpose	100	1	4	1.61	.764	.584
Failure to create accountability for results	100	1	3	1.52	.627	.394
Short term planning	100	1	4	2.05	.947	.896

Source: Field Data, 2014

Table 4.8 above showed the pitfalls of strategic management. The study showed that the most ensnaring pitfall of strategic management is the inability of organizations to translate strategy into a corporate purpose. A mean figure of 1.61 showed that most respondents agreed to the point that Inability to translate the strategy into a corporate purpose was a major pitfall in strategic management. This was followed by short term planning (mean=2.05), failure to create accountability for results (mean= 1.52), inability to foster belief in the strategy (mean= . 1.39), ignoring external trends (mean= 1.43), overconfidence based on existing success (mean= 1.2) and failure to respond to structural changes in the market (mean= 1.34).

The findings therefore showed that the path of strategic management is a tricky one, with pitfalls that could render strategic management efforts useless. Like the findings of this study, strategy is usually linked with the external environment in which the firm operates. In the strategic management literature, many contingency factors have been suggested to influence strategy. Numerous summaries of the contingency literature have concluded that the external environment exerts a strong influence on strategy formulation or on the relationship between strategy and other variables such as performance (Prescott, 1986). Empirical evidence tends to support this contention (Miller, 1987). According to Burns & Stalker (1961), frequent change would require energy and resources to be expended that are not necessary. Too much change under this condition would actually be detrimental. In a dynamic environment, those firms which are more sensitive to environmental changes, are able to identify the right adjustments, and are able to make changes expeditiously have a better chance of survival and success. Ujunwa & Modebe (2012) opine that Short term planning and Inability to foster belief in the strategy are critical

stumbling blocks to effective strategic management. CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter presents the summary of the research findings, and conclusions from the results and finally the implications and recommendations for further studies.

5.2 Summary of Findings

The purpose of the study was to examine the importance of strategic management to organizational development. This section sums up the main findings.

5.2.1 Strategic Management Practices in the Savings and Loans Sector

Research objective one sought to identify the strategic management practices in the savings and loans sector. The study showed that most savings and loans companies try to manage strategically by aligning Initiatives with Strategy, engaging staff fully in strategy implementation, keeping staff fully informed about corporate strategic direction, monitoring strategy and implementation in order to adapt it where necessary to meet the challenges and realities of the times and structuring the organization to be effective in its strategy implementation. The study however showed that budgets in most savings and loans companies are not prepared to align with team or departmental performance.

5.2.2 Strategic Mgt Practices Contribute Significantly Towards Performance

Research objective two sought to identify which strategic mgt practices that contribute significantly towards performance. The study showed that all the strategic management practices had significant positive effects on sales growth: Aligning Initiatives with Strategy, Align Budgets with Team/ Departmental Performance, Organization Structured for Strategy

Implementation, Staffs are fully informed about strategy; Strategy is monitored and adapted where necessary, Staff are fully engaged in strategy implementation. This implies that each strategic management practice has a positive contribution on the sales growth of firms.

5.2.3 Identify the Pitfalls of Strategic Management

Research question three sought to identify the pitfalls of strategic management. The study showed that the most ensnaring pitfall of strategic management is the inability of organizations to translate strategy into a corporate purpose. This was followed by short term planning, failure to create accountability for results, inability to foster belief in the strategy, ignoring external trends, overconfidence based on existing success and failure to respond to structural changes in the market. The findings therefore showed that the path of strategic management is a tricky one, with pitfalls that could render strategic management efforts useless.

5.2.4 Relationship between Strategic Management Practices and Performance in the Savings and Loans Companies in Ghana

Research question four sought to examine the relationship between strategic management practices and performance in the savings and loans companies in Ghana. To achieve this, a Pearson correlation analysis was conducted with a confidence interval of 95% using a 2-tailed test of significance. The study showed that sales growth is positively correlated (Sig. = .000) with all the strategic management practices used in this analysis. These findings therefore showed that strategic management practices have direct positive relationship with corporate performance (as depicted with sales growth).

5.3 Recommendations

Based on the findings of the study, the study recommends the following:

5.3.1 Increase Performance with Strategic Management

The study showed that strategic management and its practices have significant effects on corporate performance, especially sales growth. Knowing the right strategic practices to adopt is key to maximizing the performance of not just the individual employees of a company, but the company as a whole. The study therefore recommends that managements of savings and loans companies take the practice of strategic management seriously in order to ensure sustained high corporate performance.

5.3.2 Consider Marketing Environment in Making Strategic Decisions

The findings of the study and previous literature on the subject have shown that the external environment exerts a strong influence on strategy formulation or on the relationship between strategy and other variables such as performance. Any strategy a company adopts must be done with the prevailing environment and a forecast of future conditions in mind. The study therefore recommends that savings and loans companies factor into their strategic management decisions, the marketing environment and the prevailing macro conditions in order to come out with an effective strategic plan that would have positive impact on corporate performance.

5.4 Conclusion

The success of any corporate organization is critical to its survival. Without good performance and high profitability, companies are doomed to staleness and possible bankruptcy. In the Ghanaian non-bank financial industry, success is altogether more important considering the plethora of areas for competitive advantage. Competitive advantage could be achieved through product design, customer relationship management, customer service, product requirements, etc. To excel in all these faucets, strategic management is critically important and the findings of this study have confirmed this fact. Strategic management has been found to significantly influence corporate performance and profitability. through the review of related literature and the analysis of the study, recommendation were made that the study entreats all savings and loans companies to adopt in order to achieve higher performance and profitability through effective strategic management practices.

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APPENDIX:

QUESTIONNAIRE

(For Management and Staff)

EFFECTS OF STRATEGIC MGT PRACTICES ON PERFORMANCE OF SAVINGS AND LOANS COMPANIES IN GHANA.

Dear Respondent,

This questionnaire is to collect information that would be used in completing the research topic stated above. The information collected is for purely academic purposes and would be treated with utmost confidence. Thank you.

BACKGROUND OF RESPONDENTS

This section focuses on demographic information which is used for statistical control purposes. The information requested here will ONLY be used to study the effect of such background factors. It will NOT be used to identify individuals or companies. CONFIDENTIALITY IS GUARANTEED

The number of employees -.................................?

(B). How long have you worked in your current position? _____ years and _______months.

(C). How long has your company been in operations since its establishment_______years

(D). Which of the following applies to you?

(a) Owner-manager (b) Manager (c) Executive

(E).What is your age on your last birthday? __________years.

(F). How many people are working for this company?_________

(G). What is the industry/sector of your organization?__________

(H). What are the principal activities of your business?_________

(I). Is your company a family owned-business? (1) Yes________ (2)______

(J) If you answered yes to (I) above, do family members:

(1)Control the business? (a) Yes_______ (b) _________

(2) Involved in the business as directors? (a) Yes_____ (b)________

(3) Are you a family employee? (a)_________ (b) No _________

Section B

Items on Research Objectives

7. What is your understanding of strategic management?

....

....

....

Please rate the actual performance of your company relative to your company's planned performance over the past three years.

Items	**Much Less**					**Much More**	
Sales growth	1	2	3	4	5	6	7
Profit growth	1	2	3	4	5	6	7
Productivity growth	1	2	3	4	5	6	7
Net Profit	1	2	3	4	5	6	7
Sales Revenue	1	2	3	4	5	6	7

Please tick off only one answer, using a scale of 1 to 5, where 1 represents total agreement and 5 represents total disagreement

Question	1	2	3	4	5
Strategic Management Practices in your company					
My company aligns its initiatives with its strategy					
Budgets are always aligned with individual/ team or departmental performance					
Structure of the organization allow for comprehensive strategy implementation					
Staff are fully informed about strategy					
Staff are fully engaged in strategy implementation					
Strategy is monitored and adapted where necessary					
Pitfalls of Strategic Management					
Short term planning					
Ignoring external trends					
Overconfidence based on existing success					
Failure to respond to structural changes in the market					
Failure to employ the best possible team					
Failure to focus					
Inability to foster belief in the strategy					
Inability to translate the strategy into a corporate purpose					
Failure to create accountability for results					
Failure to instill a sense of pace					

Thank You