

Strategic Management Dynamics : Training Imperatives for Up-moving Accounting and Finance Professionals in the Banking Industry

PRINCE UMOR C. AGUNDU*

Abstract

Many accounting and finance professionals in the banking industry are earning for professional enrichment and advancement in policy and strategic management, as they brace up for the unprecedented challenges of higher corporate operations administration in the new millennium. This strategic study, therefore brings the quintessential ingredients and allied crucial issues to their corridors, by empirically crystallizing the relevance of planned and imposed strategies, relative to contemporary operationalization dynamics. It is imperative that the right corporate environment be created and maintained, for various strategy typologies to form and flourish in banks and allied financial institutions in developing economies. Although, many banks have established strategic management units/departments conceptual appreciation of incumbent remains relatively peripheral.

I. Introduction

IN MANY ADVANCED nations, there have been a lot of research work on the process logistics and dynamics of strategic planning. Renowned scholars, including Henry Mintzberg, the internationally acclaimed father of strategic management, have stopped at nothing in advancing the frontiers of knowledge in this area and harnessing the economies and bounties of empiricism for the enhancement of corporate productivity (Mintzberg, 1978; Mintzberg and McHugh, 1985).

In the developing countries, institutions in the financial services sector are merely basking in the euphoria of policy/strategy concept adoption and adornment. The supposed key human actors still have diverse process steering modalities, thus leaving so much of the expected fortunes to fate.

* Lecturer, Department of Banking and Finance, Rivers State University of Science and Technology, Port Harcourt, NIGERIA.

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This status quo desires much scholarly attention and research based sensitization tonic, if the long awaited corporate and general economic revolutionisation and revitalization should come true early in the new millennium (Agundu, 1997; Agundu, 1999).

II. Purpose of Study

For so long a time, the desire of brilliant accounting and finance professionals in their efforts to advance to greater heights in bank work places, without necessarily carpet-crossing to other banks, has remained wishy-washy and elusive. To reverse this trend, scholars are quick to stress the imperativeness of conscientiously acquainting and activating them and other high level operatives with the contemporary ideals of strategic management. This is seen as portending the quintessential tonic required for their personal development and eventual turnaround of financial service enterprises in the face of globalization. This is the basic concern and focus of our study.

Although, many banks have established strategic management units/ departments, conceptual appreciation of incumbents remain relatively peripheral and skewed towards hard line formulation and action plan formalization. The fact is yet to be adequately consummated, that strategies could either be crafted or they may spontaneously form (that is, emerge, unintended and unteleguided). The logistics of the latter are more challenging as auspicious operating systems (enabling environment) are required to shape and sharpen the strategy for meaningful viability. Corporate executives, therefore, stand to gain immensely when they fully come to terms with these dynamics. This scholarly adventure is purposefully inductive and constructive to demonstrate utmost relevance in this direction.

The pertinent Hypothetical Propositions (HPs), herein presented in null forms are as follows

- HP1 *Banks do not adequately train their accounting and finance executives in strategic management.*
- HP2 *Emergent strategies have no relationship with the corporate performance of Banks.*

These were empirically analyzed, synthesized and substantiated in the course of the study.

III. Theoretic Springboard

For over a decade now, many American scholars have directed their intellectual searchlight on the process of strategy formation based on the definition of strategy as a pattern in a stream of decisions. Their desire had been to operationalise the concept of strategy and provide a basic for understanding how it forms in organizations. Mintzberg and Waters (1982) explored the relationship between deliberate corporate plans and eventually realized plans/actions. They identified two kinds of strategies

in a functional organization, namely, intended and realized strategies. These two conceptual typologies and the dynamics of their interplay have become the central theme of most corporate policy and strategic management research endeavour in recent times.

Basically, strategy is often addressed in terms of what leaders of an organization plan to do in the future. Thus, it tends to be considered as an analytical process for establishing long-range goals and action plans for an organization. As the process of formulation is followed by implementation, it becomes possible to compare intended strategy with realized strategy. Essentially, the former refer to those actualized as planned while the later are spontaneously or instantaneously, realized in spite of the absence of erstwhile intentions.

Strategies have also been projected as definite patterns in streams of actions and not necessarily conclusive decisions. This line of thought suggests that decisions largely represent intentions, unlike strategies which are more fluid. This being the case, the Chief Executive Officer (CEO), who in most cases, doubles as the Chief Corporate Strategist (CCS) may be frequently misunderstood by the operatives especially when he seemingly allows or disallows strategies to form. Fubara (1996) buttressed this fact when he asserted that:

"It became necessary to amplify corporate strategy or policy as a specialization in management, as soon as it became clear that the total view of the organization must be seen from the conceptual lenses of the Chief Executive. The Idea arose from the general feeling that learning the specialization of the Chief Executive and the way he behaves, was likely to reduce the frustration of functional specialists who may not understand the political nature of a Chief Executive".

The dividing line between "Patterns of streams of Actions" and "decisions" becomes thicker when alternate patterns are not decided prior to eventual selection and adoption. Nonetheless, managers in recent times, are more interested in understanding various strategy categorizations and configurations. Mintzberg and Waters (1982) exemplified a continuum of real-world strategies after studying a cross-section of American representative organizations involved in food retailing, women's undergarment design, magazine/newspaper publication, transportation, automobile production and transportation. The pure or perfect deliberate strategy is a realized strategy that materialized as originally intended and is relative to the following conditions:

- There must have existed precise intentions in the organization, articulated in a relatively concrete level of detail, so that there can be no doubt about what was desired before any action was taken.
- The intentions must have been common to all the actors; either as their own or else accepted from leaders, probably in response to some controls.

- The collective intentions must have been realized as intended, which means that no external force (Market, Technology, Politics etc.) could have interfered with them.

In the Nigerian environment for instance, it is unrealistic to think of a process or phenomenon that is so absolutely isolated and insulated from externalities. It is therefore appropriate and imperative to emphasize the convictions of Mintzberg and Waters (1982) that:

"These three conditions constitute a tall order, so that we are unlikely to find any perfect deliberate strategies in organizations. Nevertheless, some strategies do come rather close, in some dimensions if not all... We would expect the purely emergent strategy to be as the purely deliberate one, but again... some patterns come rather close, as when an environment directly imposed a pattern of action on an organization".

Accordingly, in the absence of or with the rare existence of perfect strategy forms in real life, we find the sporadic manifestation of other typologies, tilting either a little to the left or a little to the right. Considering those that are close to the pure deliberate form and then proceeding to those that are close to the pure emergent form, the continuum manifest comprises planned, entrepreneurial, ideological, umbrella, process, unconnected, consensus and imposed strategies.

A Planned Strategy (PLST) relate to very formal plans and is most deliberate. It is characterized by the existence of precise intentions, central leadership inspiration and bureaucratic controls. Entrepreneurial Strategy (ENST), which originates in central vision, is characterized by personalistic intentions, unarticulated adaptable conviction of a single leader and stringent executive controls. Acceptability and workability of this typology is often passive. Ideological Strategy (IDST) originates in shared beliefs and is also largely deliberate, as intentions exist in inspirational form and the affected organizations are often proactive towards the environment. Acceptance of this strategy is enhanced by the collectivist features of the initiators at the inception, although general human indisposition to change leads it to jeopardy. The Umbrella Strategy (UMST) originates in constraints, the main characteristic feature, being the fact that, in many instances, Corporate Executives define the boundaries/targets within which other organizational operatives respond to various forces and factors inside and outside the work environment.

Conceptually, the umbrellaic nature of this strategy typology stems from the fact that organizational actions have the leverage to maneuver within generally defined behaviour guidelines. Many scholars contend that the umbrella strategy is very realistic and pragmatic in real world situations. The Process Strategy (PRST) originates in corporate technical modus operadi and like the hybrid UMST, it situates at the central tendency of the continuum. The main characteristic feature is that management

controls the process aspect of strategy, leaving the content aspect to other actors. In conglomerates, for instance the headquarters create basic structure and control while divisional managers develop strategies for their Strategic Business Units (SBUs), which are mainly planned. In some cases, management may control staffing in order to determine who can effectively make corporate policy/strategy. An Unconnected Strategy (UNCT) originates in enclaves and is to a large extent, spontaneous or emergent. The main characteristic feature is that corporate actions produce reasonable and acceptable patterns in the course of operations without a priori common intentions.

However at the end of it all there is always the problem of identifying whose intentions made up the strategy, while infiltration and proliferation of expert directives could bring about diseconomies in the organization. When the strategy is successful, the organization opts to adopt, broaden, internalize and operationalise it like a deliberate strategy. The Consensus Strategy (COST) originates in collectivism and is largely emergent as well. By it, actors in an organization mindfully converge and confer on patterns that eventually become pervasive, through mutual adjustment without erstwhile central intentions. Conceptually, it relates more to collective action than collusive intention.

The Imposed Strategy (IMST) originates mainly from the environment and is most emergent. Essentially, the environment dictates operational patterns, which owing to their relevance, could be internalized by the organization and made deliberate. The thrust of this typology is that the environment could directly compel an organization to pattern its stream of actions without prejudice to central controls. Albeit, the understanding of these epistemologies by accounting and finance professionals should not be construed as an end in itself, as more challenging issues lie ahead. The manner in which the various typologies blend and tend to regularize over time in multifarious contexts could be further explored. Given that strategies are deliberate or emergent, scholars equally have the challenge of helping to position the professionals for proper tracking or cracking of emerging strategies.

IV. Methodology

The subject matter of this study falls within the social/management sciences constituency, and as such, the adoption of the ex-post facto empirical research design was imperative. The requisite primary data were sourced from accessible accounting and finance executives of 15 randomly selected Nigerian banks based in Lagos and Port Harcourt. Secondary data comprised relevant intellectual positions and assertions drawn from scholars and practitioners as contained in textbooks, journals and miscellaneous literature on finance/administration, bank management, corporate policy/planning and strategic marketing. The

collation and treatment of primary data involved tabulation and chi-square (X^2) statistical computations, facilitated by the formula:

$$X^2 = \frac{\sum (Of - Ef)^2}{Ef}$$

where, X^2 = Chi-square
Of = Observed frequency
Ef = Expected frequency

To standardize the analytical results, inferential basis for statistical decisions required the adoption of 99% confidence level, thereby allowing an alpha risk of 0.01. Given a degree of freedom of 4, the Table/Critical value of X^2 is 11.35 (Levin, 1990:840). Conventionally, a null hypothesis is rejected if the Computed chi-square (X^2 com) is less than the Critical chi-square (X^2 crt). Otherwise, it is rejected and the alternate hypothesis upheld. These were logically exemplified in the course on the study.

V. Data Analysis and Results

The primary data gathered for the study are collated and presented in Tables I, II and III below, to facilitate the test of Hypothetical Propositions (HPs).

Table I
HP1 t-Test Computations
(Adequacy of Strategic Management Training)

Response Options	Of	Ef	(Of-Ef)	(Of-Ef)	$\frac{(Of-Ef)^2}{Ef}$
Strongly agree	2	3	-1	1	0.33
Agree	5	3	2	4	1.33
Disagree	3	3	0	0	0
Strongly Disagree	3	3	0	0	0
Not Sure	2	3	1	1	0.33
Total	15	15	NA	NA	1.99

Source : Research Data (2000) (Responses to the question whether accounting and finance executives of Nigerian Banks are adequately trained in strategic management).

Table II
HP2 t-Test Computations
(Emergent Strategies and Corporate Performance of Banks)

Response Options	Of	Ef	(Of-Ef)	(Of-Ef)	$\frac{(Of-Ef)^2}{Ef}$
Strongly agree	1	3	-2	4	1.33
Agree	8	3	5	25	8.33
Disagree	1	3	-2	4	1.33
Strongly Disagree	3	3	0	0	0
Not Sure	2	3	-1	1	1.33
Total	15	15	NA	NA	12.32

Source : Research Data (2000) (Responses to the question whether Nigerian-banks record positive results through emergent strategies, as against planned strategies).

Table III
HPs Test Results Extracts

Particulars	X ² Com	X ² Crt	Inferential Basis	Decision	
				HP (Null)	HP (Alternate)
HP ₁	1.99	11.35	X ² Com < X ² Crt	Accept	Reject
HP ₂	12.32	11.35	X ² Com > X ² Crt	Reject	Accept

Source : Research Data (2000) (Drawn from Tables 1 and 2 above).

The about results empirically indicate that banks in Nigeria do not adequately train their accounting and finance executives in strategic management. There is also a significant (positive) relationship between emergent strategies and corporate performance of Nigerian banks. These are corroborated by the fact that there had been many occasions in which deliberate (planned) strategies were set aside or significantly adjusted in line with prevailing circumstances/situations to achieve the positive results of the time. These corporate strategies, though auspicious and efficacious were, to a large extent, unplanned and not prepared/provided for. The productivity infrastructure of the banks, where they are well sensitized, programmed and positioned, had facilitated the actualization of corporate objectives and goals, not only from emergent strategies, but also from the various planned typologies.

VI. Conclusion

Corporate executives in Nigerian banks have been relying heavily on planned strategies which, more often, purposefully give way to unplanned (emergent) strategic actions that eventually lead to the desired results, for which planned strategic were designed ab initio. The emergent strategies therefore do no ipso facto cause the organisations to stray, in as much as they do not absolutely underscore planlessness. Given appropriate levels of liquidity and flexibility, the strategies are expected to touch various perspectives of bank management, including new product development and general operations administration. From the finance/investment angle, deliberate and emergent strategies relate to the concretization of financing, investment and dividend decisions, of which executive/operative elasticity enhances pragmatism.

Essentially, the contemporary poise of banking, accounting and finance executives to be more exposed and disposed to these organizational policy/strategic management concepts and ideals is timely and appropriate, in view of the fact that they (individually/collectively) and their establishments have to keep pace with competition and other new millennium challenges. It is imperative that they sensitize themselves and advance from modes that are conventional and ordinary to those that are exquisite and extra-ordinary.

This study thus illuminated the crucial issues in this direction, clearly spotlighting the dynamics of corporate strategy formation. Accordingly, it is validated that while most strategies are deliberate, some do emerge

unplanned. The fundamental distinction is that the former requires that things should be done as planned while the latter relates to strategic learning, forging a pattern out of what actually worked for the organization. Furthermore, the latter do not imply lack of managerial control but underscore openness, flexibility and responsiveness. The former is not dysfunctional either. Managers, therefore, must have to manage and sometimes, impose well thought-out intentions, in order to provide a better sense of direction for organizations. Accounting and finance professional cannot afford to be at a loss in the operative-executive transition divide.

In addition to the above results, it is pertinent and expedient for them to acquaint themselves with the following quintessential scholarly checks and balances (Dam, 1971; Mace, 1965; Pfeffer, 1976; Richardson, 1980; Kast and Rosenzweig, 1973 and Fubara, 1996).

- The need for repaid and balanced organizational development constitutes a major reason for central planning, but most central plans are often jeopardized by environmental volatility.
- A serious consequence of lack of direction in organizations is the super-imposition of goals by lower corporate executives/operatives, which may be unrelated and unintergrated.
- The efficacy of organizational leadership varies with organizational hierarchical levels, as well as industrial activities and behaviours.
- Hybrid/omnibus strategies are usually fraught with logistic problems, as it is the case with some Iranian organizations where an entrepreneur must, as a matter of ideology, exercise tight control over key aspects of an enterprise.
- Imposed strategies are skewed to the contingency management school, which suggest the appropriate managerial behaviour in a given situation should depend (or be contingent) on a wide range of elements that may not be pre-determined.
- Shared beliefs/values constitute as a sine qua non in the formation, administration and realization of ideological strategy.

These strategic issues commend themselves for intensive revisitation and constructive practicalisation, to accord banks and other financial institutions the much desired new millennium competitive edge and hedge.

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