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Corporate Strategies As A Strategic Tool For Organisational Survival And Profitability In The Banking Industry In Nigeria

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ABSTRACT
This study was carried out to investigate the impact of corporate strategies on the survival and profitability in the banking industry in Nigeria – an empirical study of selected banks in Nigeria. A set of structured questionnaire was used as the instrument for data collection and administered on 60 respondents of the banks under study and randomly selected using Yaro Yamane formula. Applying this formula, the sample size from a population of 70 is 60 respondents at 95% confidence level. Data analysis was made and the hypotheses formulated were tested using Kruskal Wallis one way analysis of variance by rank. The findings revealed that positive and significant relationship exists between effective corporate strategies and survival and profitability of the banks under study. It was concluded that effective corporate strategies is necessary for the growth and performance of the banking industry in Nigeria. The study, however, recommended that organisations should adopt flexibility in their strategies, the strategy has to be flexible so that it will give room for maneuverability, the strategy should be such that the organisational resources are maximally utilized, there should be coordinated and committed leadership, the strategy should be able to secure resource bases and all operating points for the organisation and host of other measures for effective corporate strategies in organisations.
Keywords: Corporate, Strategies, Strategic Tool, Organisational Survival, Profitability, Banking Industry

INTRODUCTION
Corporate strategy is necessary for the survival, growth, profitability and success of any organisation. Most organisations don't take corporate strategies seriously that may explain why there are high rate of business failure in Nigeria. It is possible to reverse this ugly trend by embracing corporate strategies.
Profitability is imperative for any organisation through which it generates revenue for its continuity of operations. Organisations that are strategically managed usually have profitability as one of their objectives. It is through profit that they can survive and remain competitive in business. Higher profit also connotes efficient and effective working of an organisation. Firms, which cannot make the desired profit, find it difficult to survive.
Corporate strategies are plans to carryout values and performance objectives of a company. These plans become more specific and detail, the lower the organisational level. Corporate strategy is the art of using organisational resources to render the goals defined by the organisation, with minimum risk. It requires marshalling resources for definite missions, planning alternative strategies in anticipation

of changing contingencies and creating flexible conditions in structure and employee attitudes, so that positions can be altered advantageously.

Corporate strategy is a top management's major tool for coping with external and internal changes. The main intended outcome of strategy at least for all organisations is the successful positioning of the company in the place including satisfactory market share, possible market leadership and adequate profitability.

Statement of the Problem

There has been growing concern about the frequent collapse and poor performance of banks in our country, Nigeria. Banking business operations are becoming more complex due to rapid changes in the environment. It is increasingly becoming more difficult to predict the environment accurately. Many organisations have faced the problem of how their business would survive in the face of unstable government policies and external threats.

As organisations have to provide alternative infrastructural facilities to run their businesses, they are compelled to carry high cost structure which reduces efficiency and results in loss of completeness for their products.

Many business organisations are collapsing. Many of the financial institutions notably have collapsed. The banking industries are not exempted. However, few of these banks have survived. The question now is how does those ones that survived, how are they able to cope and those that did not, what went wrong? It is pertinent to note that effective corporate strategy when properly applied, can be used to enhance business growth and survival.

Objectives of the Study

The two main objectives of the study are;

1. To identify the extent to which corporate strategy enhance the survival and growth in the banking industry in Nigeria.
2. To find out whether corporate strategies contribute to the profitability of the banking industry in Nigeria.

Research Questions

The following two questions were raised to guide the study

1. To what extent does corporate strategy enhance the survival and growth in the banking industry?
2. Does corporate strategy contribute to profitability in the banking industry?

Research Hypotheses

For the purpose of this study, the following hypotheses are considered relevant.

1. Corporate strategies significantly enhance the survival and growth in the banking industry
2. Corporate strategies contribute significantly to profitability in the banking industry.

Scope of the Study

The scope of this study comprised of selected commercial banks in Nigeria namely, Zenith Bank Plc, First Bank Plc, Union Bank Plc, Access Bank Plc, United Bank for Africa Plc and Guaranty Trust Bank Plc.

Conceptual Framework

Definition of corporate strategy: Corporate strategy is a concept of general management. It reflects an attitude a mode of thinking, a style of managing or an approach towards the achievement of corporate objectives. It is basically the task of top management requiring imagination, innovation, creativity and intuitive judgement. Strategy making also demands estimation of external opportunities and corporate strengths and matching of the two.

Corporate strategy is concerned with deciding which business or businesses an entity should be in, and setting targets for the achievement of the entity's overall objectives (Bolajoko, 2012). Isimoya (2013) defines corporate strategy as a grand design for achieving corporate objectives. It can be viewed as the sum total of the processes involved in designing a plan of actions and the skills and resources (physical, financial and human) of an organisation to attain its objectives under the most advantageous conditions.

Aluko et al (2010) views corporate strategy as the art of using organisational resources to render the goals defined by the organisation, with minimum risk. It requires marshalling resources for definite missions planning alternative strategies in anticipation of changing contingencies and creating flexible conditions in structure and employee attitudes, so that positions can be altered advantageously.

Ansolf (2011) explains that corporate strategies are schemes, methods, maneuvers which management hopes to deploy in order to move the organisation from its present position to arrive at its target goal by the end of a specified period recognizing that during the intervening period a lot of challenges are going to take place in the environment.

Benefits of Having a Corporate Strategy

Osaze (2006), identifies the following benefits of having a corporate strategy;

(1) Co-ordination of divisions, subsidiaries and other components parts of the organisation is made easier.
(2) Strategies provide the business with definite criteria against which to evaluate performance.
(3) External threats and opportunities will be identified
(4) Strategy formulation forces management to think through the possible future actions of major competitors and hence prepare reactions to changes in competitors behaviour
(5) The company can decide in advance how it will respond to predictable changes in customers taste and spending patterns.
(6) Strategy is also used to promote understanding of the dynamic nature of the environment and a realistic appraisal of internal capabilities.
(7) A strategy focused organisation is more likely to be a strong bottom-line performance than an organisation that views strategy as secondary and puts its priorities elsewhere.
(8) Without corporate strategies, no yardsticks are available to judge business opportunities.
(9) Long term investment will be properly evaluated.
(10) Strategy formulation forces management to think through the possible future actions of major competitors and hence prepare reactions to changes in competitors behaviour.

McOliver and Fubara (2010) lists the following symptoms of lack of corporate strategies to include

1. such organisations will not only perform poorly in the long run but will exhibit the following characteristics
   a. They will choose poor quality projects and investments because they lack the criteria for making optimal choice
   b. There will be no means of efficiently allocating resources among competing demands.
   c. There will be no clear criteria for determining and dropping loss producing obsolete product lines.
   d. Managers will act at cross-purposes or do nothing because of lack of clear policy making by top management
   e. There will be no rules to guide the search for new exploitable opportunities and the organisation will become a passive waiter for opportunities. The corporate strategy of an organisation will be influenced by the following expectations.
2. Owner's expectation. In a commercial company, the owners are the shareholders. These might expect the company to provide them over time with investment income or with growth of their wealth. Corporate strategy might therefore aim towards maximization of the shareholders wealth.
3. Stakeholders' expectations. The term stakeholder means any individual or group of individuals who have a strong interest (a 'stake') in the organisation and what it does. The chosen corporate strategy should also recognize the rights and expectations of other stakeholders, such as employees, lenders, local communities and the general public.

Types of Corporate Strategies

According to David (2010), the various types of strategies are as follows;

a) Diversification strategies: the aim of these strategies is to diversify so as not to be dependent on any single industry.
b) Market penetration strategy: this strategy is used at the maturity stage of a product or service and also when the market shares of major competitors are declining while total industry sales have been increasing. It seeks to increase market share for present products or services in present markets through greater marketing effort.

c) Market development strategy: this is used when the channels of distribution available are reliable, inexpensive and of good quality. It involves introducing present products or services into new geographic areas.
d) Growth strategy: a growth strategy entails introducing new products or adding new features to existing products. Sometimes, a small company may be forced to modify or increase its product line to keep up with competitors.
e) Product development strategy: this involves substantial investment in research and development expenditures
f) Joint venture strategy: this is used when the distinctive competencies of two or more firms complement each other. It enables companies to improve communication and networking, to acquire capital and technology, to develop new products and enter new products. It arises when two or more companies form a temporary partnership or consortium for the purpose of capitalizing on some opportunity.
g) Retrenchment strategy: this is also called turn around or re-organisational strategy. It is designed to fortify an organisations basic distinctive competence. The organisation applies this strategy by regrouping through cost and asset reduction to reverse declining sales and profits.
h) Divestiture: it involves selling businesses that an unprofitable or that require too much capital, or that do not fit well with the firm's other activities so as to raise capital for other strategic action.
i) Liquidation strategy: this involves selling all of the company's assets, in parts, for their tangible worth.

RESEARCH METHODOLOGY

The target population was limited to the top management teams of Zenith Bank Plc, First Bank Plc, Union Bank Plc, Access Bank Plc, United Bank for Africa Plc and Guarantee Trust Bank Plc. A sample size of 60 was selected from a population of 70 using the Yaro Yameni's formula which is given as

$$n = \frac{N}{1+N(e)^2}$$

Where,

n = sample size sought
e = level of significance = 0.05 or 95%
N = population size = 70

$$n = \frac{70}{1+70(0.05)^2} = \frac{70}{1+0.25}$$

$$= \frac{70}{1.25}$$

= 60 respondents

Applying the formula, the sample size from a population of 70 is 60 respondents at 5% confidence level.

The simple random sampling method was used to select the respondents. The study was conducted using the survey research design. According to Olaitan, Ali, Eyo and Sowande (2000) survey research design is a plan, strategy, structure, which the investigator wants to adopt in order to obtain solution to research problems using questionnaire in collecting, analyzing and interpreting the data. The design is suitable for the study because it uses questionnaire to seek information from respondents. The data used in this study were obtained from both primary and secondary sources of data. The instruments of primary data collected were the questionnaire and face to face interview. The instruments were validated by experts in corporate strategy to authenticate the relevance of the instrument. Secondary data were collected from textbooks and publications on corporate strategy. Data collected were collated and analyse using percentages. In addition, the hypotheses formulated were tested using Kruskal Wallis one-way analysis of variance by rank.

FINDINGS AND DISCUSSIONS

Hypothesis one (1) was tested using Kruskal Wallis one-way analysis of variance by rank.
Test statistic: Kruskal Wallis one way analysis of variance by rank.
Degree of freedom = K – 1 = 2 – 1 = 1
Table value X^2, 0.05 = 3.841
Level of significance = 0.05
Decision rule: Reject Ho if H calculated > X_{tab}^2
Sampling distribution:

$$H = \frac{12}{N(N+1)} \sum_{J=1}^{k} \frac{R^2j}{nj} - 3(N+1)$$

Where,

K = number of samples
nj = number of cases in jth sample
N = ∑nj, the number of cases in all samples combined
Rj = sum k of ranks in jth sample (colum)
K = directs one to sum over the k
$\sum_j$ = samples (column

Computation

Table 1: Corporate strategy and survival and growth in the banking industry

Responses	Frequency	Percentage
Strongly agree	29	48.33
Agree	25	41.69
Undecided	3	5.00
Strongly disagree	1	1.67
Disagree	2	3.33
Total	**60**	**100**

Source: Field survey, 2018

Ranking all the observations for the k groups in a series assigning ranks we have

Table 2: Ranks of groups

Frequency	Percentage
8	10
7	9
4	6
1	2
3	5
Total R_1 = 23	32 = R_2

Source: Computation from table 1

R_1 = sum of 1st column on ran
= 8 +7 + 4 + 1 +3 = 23
R_2 = sum of 2nd column of rank
= 10 + 9 + 6 + 2 + 5 = 32

$$H = \frac{12}{N(N+1)} \sum_{J=1}^{k} \frac{R^2j}{nj} - 3(N+1)$$

$$= \frac{12}{10(10+1)} \left(\frac{23^2}{5} + \frac{32^2}{5} \right) - 3(10+1)$$

$$= \frac{12}{10} \left(\frac{529}{5} + 1024 \right) - 33$$

= 0.10909(105.8 + 204.8) – 33
= 31.3197

Decision:
Since the calculated value of 31.3197 > X^2 table 3.841, we reject the null hypothesis and accept Hi the alternative hypothesis. This implies that corporate strategy enhance the survival and growth in organisations. These findings were supported by the view of Stoner (2010) who stressed that corporate strategy improved organisational growth. Through corporate strategy an organisation is able to understand its major role in the society, such organisation can develop a sense of direction and purpose. This situation can improve organisational survival and growth.

Table 3
Corporate strategy and profitability in the banking industry

Responses	Frequency	Percentage
Strongly agree	30	50
Agree	24	40
Undecided	3	5
Strongly disagree	2	3.33
Disagree	1	1.67
Total	**60**	**100**

Source: Field survey, 2018
Table 4: Ranks of groups

Frequency	Percentage
8	10
7	9
4	6
3	5
1	2
Total R_1 = 23	R_2 = 32

Source: Computation from table 3

$$= \frac{12}{10(10+1)} \left(\frac{23^2}{5} + \frac{32^2}{5} \right) - 3(10+1)$$

$$= \frac{12}{110} \left(\frac{529 + 1024}{5} - \right) 33$$

= 0.10909(105.8 + 204.8) – 33
= 95.123

Decision:
Since the calculated value of 95.123 > X^2 table 3.841, we reject the null hypothesis and accept Hi the alternative hypothesis. This implies that corporate strategy contribute to organisations profitability. This is supported by the view of Sukul and Mishra (2003) who stressed that companies with effective corporate strategy will enhance profitability. It is through profit that they can survival. Higher profit also means efficient and effective workings of an organisation.

CONCLUSION

The study examined corporate strategies as a strategic tool for organisational survival and profitability in the banking industry in Nigeria – an empirical study of selected commercial banks in Nigeria. The study revealed that there is positive and significant relationship between effective corporate strategies and the enhancement and growth in the banking industry.
There is also a significant relationship between effective corporate strategies and the enhancement of profitability in the banking industry.
To conclude, effective corporate strategy is imperative for organisational growth and profitability

RECOMMENDATIONS

In view of the findings and conclusion of the study, the following recommendations were proposed for effective implementation of corporate strategies in organisations.

1. The strategy has to be flexible so that it will give room for maneuverability. It should have reserved capabilities, planned maneuverability, and repositioning so as to enable the manager use minimum resources to achieve organisational goals and objectives.
2. The corporate strategy should be such that the organisational resources are maximally utilized.
3. For strategies to be successful, there must be committed leaders. The leaders selected to implement the strategies should be well motivated so that their own interests and values match the needs of their roles.
4. The strategy should be able to secure resource base and all operating points for the organisation.
5. All the strategic goals to be attained by organisational units must be clear and understood by the people in the organisation and decisive.

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