

Strategic Analysis and Strategic Planning for Commercial Banking (An Analysis based a Commercial Bank operating in Sri Lanka)

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Abstract

This article has been consisted on the basis of an ample interpretation of banking sector strategic planning that, along with the instruments and techniques from which it stems, constitutes the essential condition to operate in competitive markets. The concept of planning is examined in its stages, its importance and the benefits for the banking sector in implementing scheduling. The strategic plan model proposed here for the banking sector is examined in detail through the steps towards implementing a plan leading to business improvement.

Keywords: Commercial banking; Strategy; Strategic Planning

Introduction

In today's fast moving competitive business environment, banking organizations that fail to carefully and strategically plan for the future may not have much of one. The same holds true for acquiring top talent and effectively on boarding them into the organization. Discussions about Strategic Planning on boarding are finding their way onto more Board agendas as Directors seek to better position their organization for the future and work to reduce costs associated with poor retention. Unfortunately, many find themselves unprepared for such discussions. Banking organizations without disciplined approaches to Strategic Planning on boarding is taking unnecessary and easily preventable risks. Ultimately it will cost more, in terms of money and reputation, not to take a proactive approach. Both areas should be Board priorities in an ever-changing and competitive business environment.

Understanding the external environment of the bank

External Environment refers what the firm 'MIGHT CHOOSE TO DO'. Generally, a firm external environment divided into three areas.

- General Environment
- Industry Environment
- Competitor Environment

General environment

General Environment is composed of dimension of the broader society that influences an industry and the firms.

PESTLE analysis for the macro environment

This PEST analysis has been undertaken to understand the dynamics of the external environment in the context of banking sector ('ABC Commercial Bank') which the industry operates in. Generally, External factors are out of the industry's control, the industry needs to be aware of them to adapt it to exploit the opportunities and avoid the threats in the environment [1].

P - Government is responsible for protecting the public interest; Political stability affects business decision, Consumer protection, Regulations of business activities.

E - Competitor activity, Competition for resources. Savings, Unemployment numbers

S - Work life balance, Trends in consumer behaviors', Leisure and Lifestyle.

T- Technological arrange is speeding up, Technology develops now products (internet), Improved communication, Internet business

L - Government rules and regulations, Laws, Tax system, Traffics

E – Environmental Safeguard, Green Products (Green Banking) (Table 1).

Major changes taking place in the external environment

➤ In 2015, Sri Lanka's major export countries such as Europe, UK and US are estimated to have better economic growth – that helped to the 'ABC Bank' to attain a sustainable growth in loans and advances.

➤ Service and Industrial sector had significantly growth in 2015 – that helped to the 'ABC Bank' to increase in business volumes.

➤ Foreign exchange profit was declined in the end of 2015 – because of the higher import demand in the Sri Lanka.

➤ Lower rate of inflation contributed to the fall in the market interest rates – that also helped to the 'ABC Bank' to attain a sustainable growth in loans and advances (Table 2).

Social and economic effects of Sri Lanka's 30 years war disperse, Business confidence has largely recovered. Reconstruction and an island-wide return to business as usual are intensifying economic activity and driving credit demand [2].

Economic liberalization, in particular the removal of exchange controls, provides exciting opportunities for banks and financial institutions. The achievements under review have left Commercial Banks almost ideally placed to profit from these opportunities, provided 'ABC Bank' make the right decisions and carry them through

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Factors	Effects
Political Factors	It refers how organizations and governances mutually try to influence each other and how firms try to understand these influences on their strategic actions. It includes:- Political stability, Tax policy, Tariffs, Environmental laws, Labour laws, etc.
	The 'ABC Bank' has formulated their own defense strategies besides government restrictions and limitations in the country.
Economic Factors	The 'ABC Bank' generally seeks to compete in relatively stable economics with strong growth potential. It refers the nature and direction of the economy in which a firm compete or to may compete. It includes: Interest rate, Inflation rates, Trade deficits/surplus, disposable income level, availability of credits, tax systems, etc.
	Government imposes rules and regulations related to finance
	High numbers of development projects are ongoing across the country – Many development projects are focusing rural areas that have been creating a steady flow of money in the usual laid back markets. There is so many of opportunity to the banking industry to increase their revenues as well as the profits
	Lower interest rates pave the way international players to the market in the recent year.
	In spite of lots of challenges that they meet in many parts of the world, the management of the 'ABC Bank' make what they need to be able to go beyond such challenges and towards a better economic position.
	Being one of the world's leading and complete businesses in conditions of banking and finance, the 'ABC Bank' has a secure and successful economic strength.
Socio Cultural Factors	Socio cultural factors concerned with society attitudes and cultural values. Attitudes and values form the cornerstone of the society.
	Socio cultural factors also drive economic, demographical, political/legal and technological changes and conditions. It includes: - beliefs, values, quality of the work life, religious beliefs, norms, women in the work force, etc.
	As a developing, multi culture country in Srilanka, The 'ABC Bank' is being affected by the circumstances of the society in which they are in use.
	'ABC Bank' has good name and relations in the society that belong to secure that everything will be customary and under control.
	By the side of this, 'ABC Bank' trying harder to make sure that each society is given the same chances to take the benefit of the resources given by the organization.
Technological Factors	In this fast moving world, Information technology and internet has the vital role in the Banking and Finance. Improvement of technology effects are the very important factors to determine how commercial Banks have been working in the past years.
	It refers the activities involved in creating new knowledge and translating that knowledge into new outputs, products, processes and materials
	It makes alert the policy makers to impending challenges and promising opportunities and also estimating their impact on the company and foresees advancements.
	It includes: product innovations, new communication technologies, application of technical knowledge
	Particularly in Srilanka, The 'ABC Bank' search for different systems and used internet to get to their customer, not only within the country and also all over the world and also help them to know the latest trends in the global business.
	The 'ABC Bank' also uses special facilities which help then to advance their productions and operations and also make them to achieve their goal.
	Technological breakthroughs can create the downwards/negative effects in the operations and performance.
Overall, The 'ABC Bank' business strategies to understand the environment that the company is working and also to take the advantages and benefits to minimize the threats and the challenges in the industry.	
Legal Factors	It has been sheltered by the regulations and policies made by governments in the island where they are working.
	It has been able to remain to the policies agreed by each government to make sure that the company will be able to accomplish business operation successfully and effectively.
Environmental Factors	'ABC Bank' is committed to minimizing and measuring carbon footprint and generating the positive impact through projects that preserve natural eco system.
	'ABC Bank' role as a financial service provider and also responsibility to ensure that the projects financed by them assess and minimizes the negative environmental effects or increasing the positive environmental effects

Table 1: PESTLE analysis.

Factors	Major Changes
Political/Legal Factors	New government has imposed new rules and regulations Ex:- recently Government ordered to waive the interest fee for pawing over Rs 200000.
	Foreign Direct Investment has been increased in the recent. This will pave the way to the need for banking services in the island.
Economic Factors	Cross National Saving increased by 8% in 2015.
	Rose in the commodity prices
Socio Cultural Factors	Increased ageing population is a opportunity for banking industry to venture new segments.
	Changes in social trends can impact the demand for salary saving accounts.
	'ABC Bank' CSR receives 1% of post tax profits with the no expectation of financial returns to the bank
Technological Factors	Improvement of each branch IT infrastructure facilities well.
	Modern technology in the context of online banking, mobile banking that facilitate user friendly banking services
	E-Passbook has been introduced by 'ABC bank' before last few days.
Environmental Factors	Environmental Management system
	Environmental Safeguard Policies
	Green Banking

Table 2: Major changes.

effectively. Overall, 'ABC Commercial Bank' is benefited from the macro economic conditions that prevailed throughout last year. The last year did not pass without challenges that predominantly stemmed from conducive external conditions and also affected by adverse global trends, overall reduction in global growth and capital outflows.

Methodology

For this analysis, I have chosen one of the Commercial Bank operating in Sri Lanka for this subjective basis analysis, and named as "ABC Bank" for that particular commercial bank. This study mainly focuses on understanding about the strategic analysis and strategic planning processes in an organization (Only for study purposes).

Summary

According to the above analysis, we can say that the recent situation of the external environment is very favorable to the 'ABC Bank' as well as in the banking industry well in the island and all these favorable factors (Economic stability, stabilized political situation, Technological advancements and the expansion of customer bases) reflects that competitors too will be attracted to do commercial operations.

Overall, currently banking industry is faced with opportunities to exploit resources; challenges from the competitors that may be unavoidable.

Industry environment

Industry Environment is the set of factors that directly influence a firm and its competitive actions and response.

Porter's five force analysis for the 'ABC Bank'

An industry's profit potential is a function of the five forces of competition.

Threats of new entrants – New entrants in the banking industry is Impossible to enter the industry and to offering the trustful and the full range of services. Because they need huge amount of investment and high level of rules and regulations imposed by the government.

Therefore, it is possible to earn higher level of revenue in the industry.

- Capital requirement - must spend a lot of money in order to compete in the market.
- High sunk costs limit competition - Banks have to commit money up front with no guarantee of returns in the end.
- Geographic factors limit competition - If existing competitors have the best geographical locations new competitors will have a competitive disadvantage.
- Industry requires economy of scale.

Bargaining power of supplier: Customer Deposits, Mortgage and Loans, Loan from other institutions.

Bargaining power of supplier of 'ABC Bank' will have a long term negative impact on this entity, which subtracts from the entity's value.

This qualitative factor will lead to an increase in costs. This situation will lead to a decrease in profits.

Bargaining power of buyer: Customers are expecting more profits for their investments and also they are expecting high quality of services from the bank.

And also, if there are large numbers of customers, no one customer tends to have bargaining leverage. It will have a short term negative impact on this entity.

This subtracts from its value. This will lead to an increase in costs and decrease in profits [3].

Availability of product substitutes: There is no high levels threaten from substitute for banking industries in Sri Lanka.

Newest aspirants in Banking sector like HSBC, Seylan, Sampath, other State and private Banks. So, an analyst should put more weight into it. This can lead to a decrease in profits.

Competitors rivalry: Competition is very high in the banking industry. There are Nearly 30+ Local and Foreign banks available all around the island.

'ABC Bank' is unique. It is won customers heart and trust by standing nearly with local customers.

Based on the porter's 5 forces factor, we can conclude that, the 'ABC Bank' Profitability and Stability is high.

Competitor's environment

Competitor Environment is the final part of the External Environment. It refers how companies gather and interpret information about their competitors.

There are nearly 30+ Local and Foreign banks available all around the island. But, commercial bank of Ceylon is unique. It is won customers heart and trust by standing nearly with local customers.

Primary competitors

- BOC
- Peoples Bank NSB
- NTD NDB
- Seylan Sampath DFCC Bank HSBC.

Secondary competitors

- LB Finance
- Alliance Finance, LOLC Central Finance
- Asia Asset Finance.

Possible new competitors

- Insurance Companies Stock Broking Companies
- John kells TKS Securities Rural Banks
- Co-operative societies.

Stakeholder mapping

Need and expectation of the stakeholders: The 'ABC Bank' believes it is vital to align strategies with the expectation of their stakeholders, given the strong and perfect connection between sustainable commitment and their overall objectives.

'ABC Bank' identifies as key stakeholders, all of whom have an expressed interest in their economic, social, environmental performance.

It includes;

- Shareholders, Investors
- Customers
- Employees and Employee associations,
- Government institutions
- Suppliers and other business partners
- Society in general.

It shows the importance of the aspects to specific stakeholder groups and influence on how they assess their relationship with the 'ABC Bank'. Furthermore, the degree of various stakeholder interactions and their level of expectations.

According to the above Figure 1, we can easily understand the level of the power and expectation of the 'ABC Bank's stakeholders.

'ABC Commercial Bank's Current Position in the Banking Industry in Sri Lanka competitive advantage of the 'ABC Bank'

Differentiation and sustaining the brand image: 'ABC Bank' already has created excellent brand image among the customers and that makes them differ from others. Therefore, Customers have trust on 'ABC Bank' name and they feel secure to the financial activities with 'ABC Bank'. Retaining the Brand position is a key policy of the 'ABC Bank' to differentiate themselves from others [4].

Innovative products and services: 'ABC Bank' is a leading private bank to introduce latest new and innovative banking products and Services.

Ex – Recently also 'ABC Bank' has been introduced E- Passbook for their customers for the banking activities.

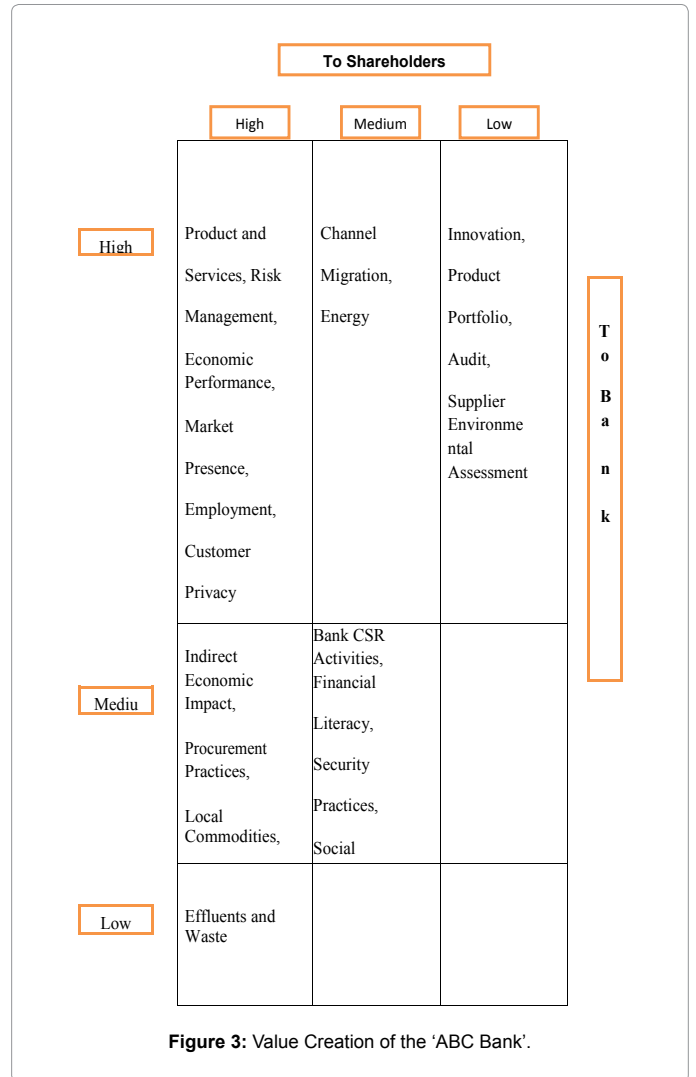
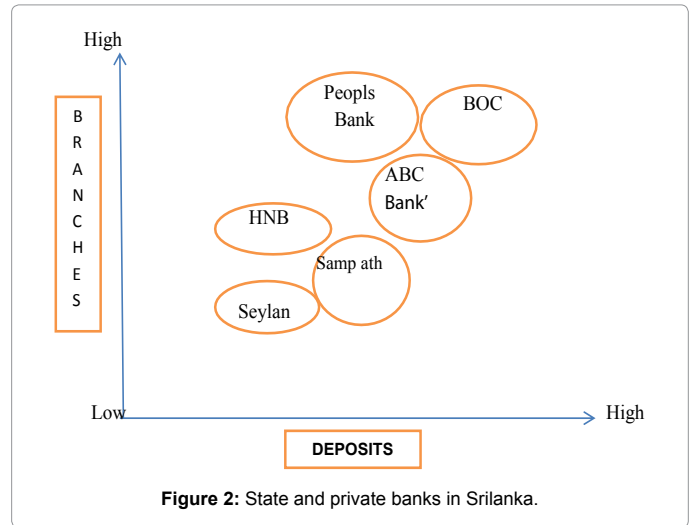
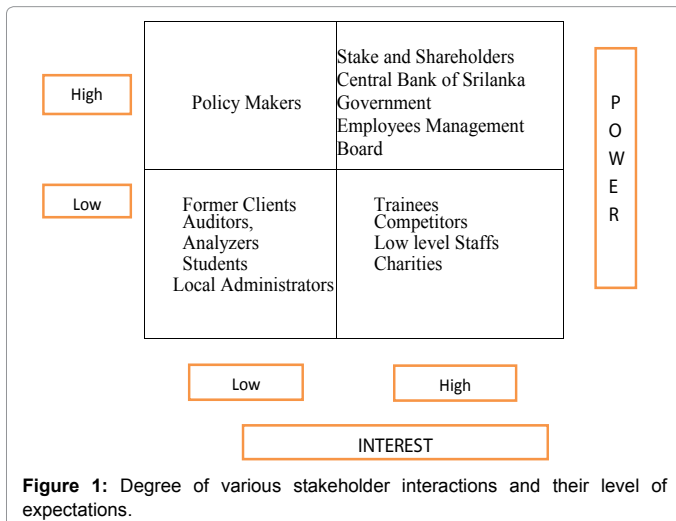
Quality leadership: 'ABC Bank' delivers the same services as its competitors but at the better quality. 'ABC Bank' has an approach to provide the same quality of services to all their customers.

Strategic Group Mapping for the Banking Sector in Sri Lanka.

The above Figure 2 shows, among the number of state and private banks, 'ABC Bank' has a significant place in amount of deposits as well as in the numbers of branches in the country (Figure 3).

Competitive strengths and weaknesses

SWOT analysis for commercial bank of Sri Lanka: This part



elaborates the environment in which the 'ABC Bank' operates and the key challenges faced by the bank in terms of Internal and external environment towards achieving its current business plans.

SWOT analysis has been used evaluate the ‘ABC Bank’ strategic situation in the competitive banking industry.

This will identify the Strengths, Weaknesses, Opportunities and Threats of ‘ABC Bank’ PLC. Strengths and Weaknesses are affected by the internal factors (Controllable) of the Company. Opportunities and Threats are affected by the external factors (Uncontrollable) of the Company.

Analyzing the strengths of the ‘ABC Bank’ will help to find the business opportunities to ‘ABC Bank’ enable to have strong market position? As well as the analysis of the weaknesses of the ‘ABC Bank’ that will help to minimize the threats. Because, threats may reduce the demand of the ‘ABC Bank’ services.

Therefore, this analysis is useful to carve business strategies towards the sustainable share value in the market.

‘ABC Bank’ traits mentioned through Strength and Weaknesses, Competitive factors mentioned through opportunities and Threats of the company. Because, marketing situations of the ‘ABC Bank’ is identified through internal, external strategies analysis based on the firm traits and competitive factors.

This analysis gives the clear picture about the ‘ABC Bank’ key strengths, weaknesses and the potential opportunities and threats are depicted in Figure 4.

This will be helpful to formulate the strategies and for the better understanding about ‘ABC Bank’ Customers, Competitors, Bank current position in the Competitive banking industry [5].

‘ABC Bank’: Internal analysis – (Strengths and Weaknesses)

Strengths

- The core strength of the ‘ABC Bank’ is advanced technology
- Increased financial capacity
- Strong credit culture
- Largest private Bank
- A leading provider of Strategic intelligence on the financial service industry in Sri Lanka.
- AA+(lka) Credit rating. The bank has grown at a rate of 40% compared to previous year (2015) Improved access to variety of financial services to their customers.
- One of the large innovative financial service providers in Sri Lanka
- Strong brand name.

Weaknesses

- High operation cost
- Inadequate deposits mobilization effort
- Sizeable amount of nonperforming loans
- Inadequate access to global financial system
- Structural weaknesses – Lack of industrial support institutions, fragment industry structure.
- Overdependence on the domestic market
- High banking service charges
- Less Credit period

External analysis - Opportunities and threats

Opportunities

- Higher financial value to its customers and employees
- Strategic initiatives – domestic and international business opportunities
- Highly market focused
- Access of international financial market
- ‘ABC Bank’ is planning to open new branches across the country and overseas all well.
- The concept of saving in banks and investing in financial products is increasing in rural areas.
- ‘ABC Bank’ is expected to have growth further 12% in the coming year.
- New innovative products and services can help the bank to expand their business and diversify their portfolio of products and services.

Threats

- Competitors bank in the market – Ex: Peoples Bank, HNB, Seylan Bank, etc. Also the direct competition for the foreign competitors – HSBC, Western Union
- ‘ABC Bank’ has to focus on improving the customer satisfaction in order to sustain the loyal customers
- Global banking failures
- Threats from new rules and regulation are introduce by the government.
- Expansion of financial services to rural areas is too challenging. Because, majority of the population is still in rural areas in the island (Figure 5).

Primary activities

Inbound logistics – Cash, stationeries, Computers, Technology, Customer Database, and High Skilled Human Resources.

Operations – Payments, Trading, Deposits, Treasury bills and bonds, Loans, Clearing and Settlement, Branch bank operations.

Outbound logistics – Branch networks, ATMs, Website, High quality customer service, Customized products.

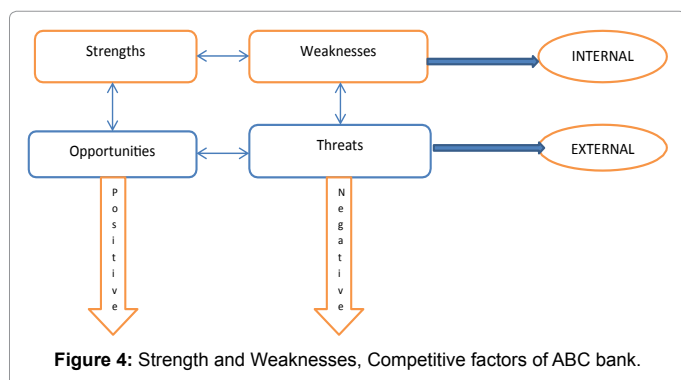
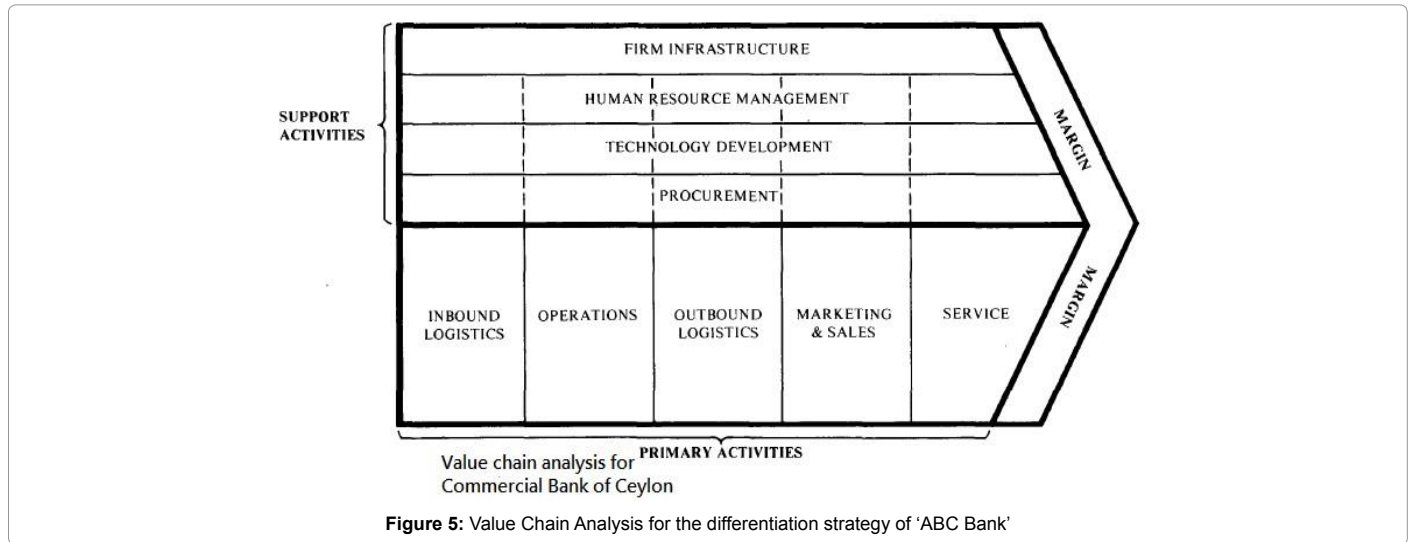


Figure 4: Strength and Weaknesses, Competitive factors of ABC bank.



Marketing and sales – Advertising, Branding, Sales support, Branding, Direct Sales, Sponsorships.

Services – Delighted customer service, Knowledge banking, Account management, Insurance, Others services.

Secondary activities

Firm infrastructure – Finance, Legal, Quality Management, Money monitor, Information technology system,

Human resources – Recruiting, Training and Development Performance Management, Synergy at work,

Technology – Automation of operations, ATMs, Mobile, Internet banking, Outsourcing, IT policy,

Procurement – Supplier Management, Funding.

Review of the 'ABC Bank' position in the current market

Boston Consultant Matrix is a suitable tool to understand the position of the 'ABC Bank' in the current market.

According to the Annual report of the 'ABC Bank, the Industrial growth rate is 15% and the Market share was near to 0.7 in 2015 (Figure 6).

The 'ABC Bank' Comes under the Star -

Which refers; 'ABC Bank' is one of the leaders in the business. That will lead to large amount of cash consumption and Cash generation in the industry.

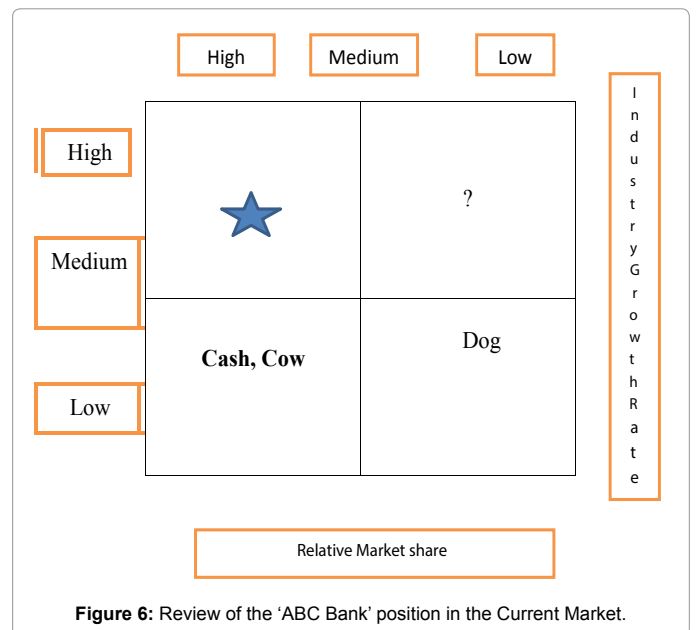
It represents the best profits and growth opportunities in the industry. Therefore, attempts should be made to hold the Market share otherwise the star will become to the cash cow.

Positioning strategies of 'ABC Bank'

'ABC Bank' has positioned with the higher standard of banking services through product innovation that based on the needs and wants of the customers.

'ABC Bank' positioning strategies includes:

- Product Innovation
- Customer Centric



- Service Orientation.

Figure 7 shows, 'ABC Bank' has the Excellent Market Position in the context of Sri Lankan Banking industry.

Life cycle analysis

According to the information reviewed from the annual report 2015 of the 'ABC Bank', that indicates currently 'ABC Bank' Products and Services are in the growth stage in the industry.

Developing options for strategic planning in 'ABC Bank'

'ABC Bank' current policies and strategies has been formulated in order to ensure the rapid growth of business activities towards securing greater market share while mitigating the higher risk exposure associated with further expansion.

Business model of the 'ABC Bank'

Commercial Bank of Ceylon Business level Strategies –

'ABC Bank' has been following Focus strategy for the purpose of providing unique and quality of services with the cost efficiency (Figures 8-11).

Criteria

Number of Transactions - 1

Price Sensitivity - 2

Number of Banking Relationship - 3

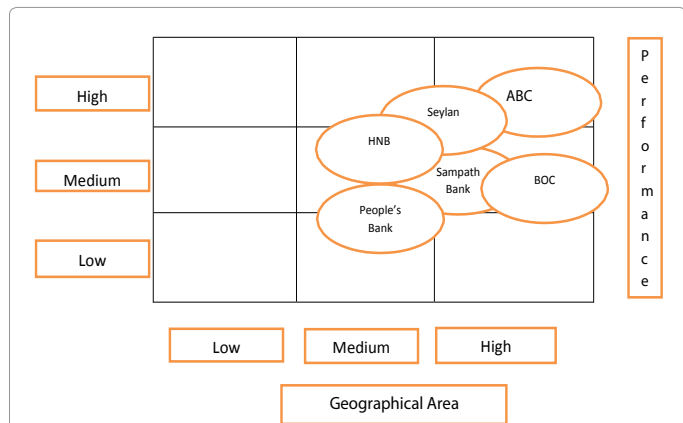


Figure 7: Comparative Market position of Selected Banking Industry in Sri Lanka.

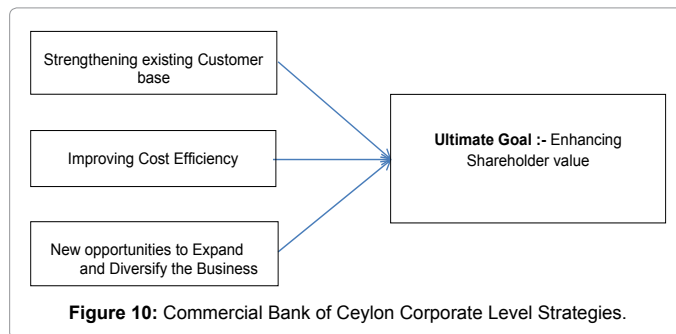


Figure 10: Commercial Bank of Ceylon Corporate Level Strategies.

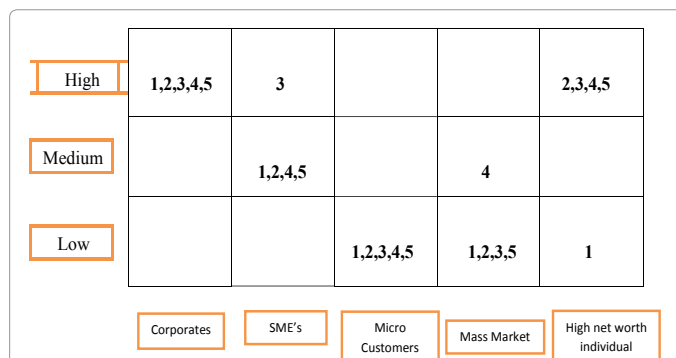


Figure 11: Customer Segmentation and Target Market.

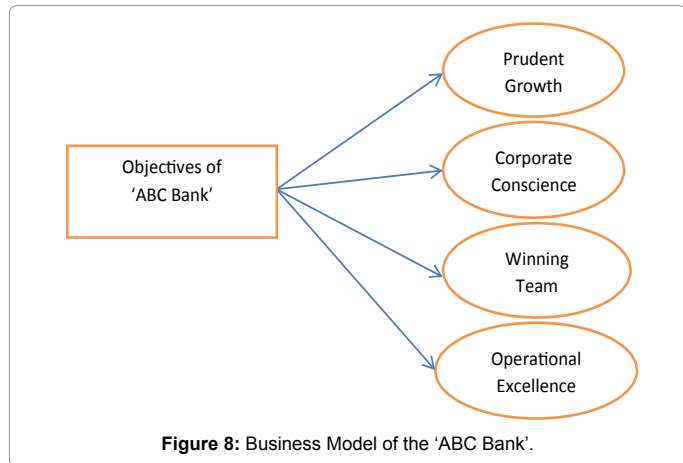


Figure 8: Business Model of the 'ABC Bank'.

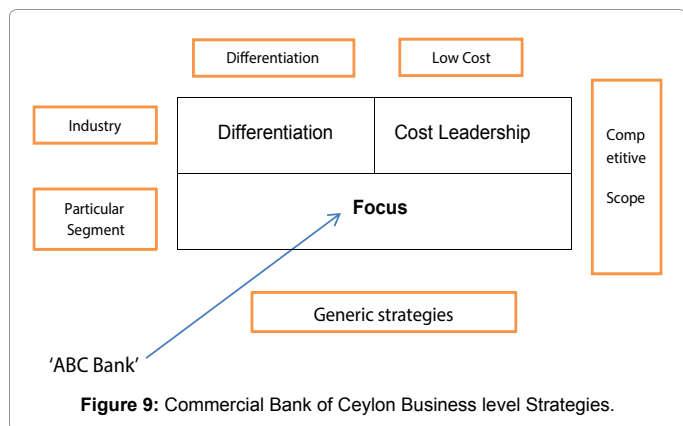


Figure 9: Commercial Bank of Ceylon Business level Strategies.

Level of Competition from Banks - 4

Level of Engagement – 5 (Table 3).

Strategic Group Mapping, Comparative Market position also will be helpful tools for the better comparative understanding about the 'ABC Bank' in the context of Sri Lankan Banking Industry.

RAM rating is confirmed ABC Bank's rating at AA+ with the stable outlook. The rating is based on the strong market position in the banking industry in Sri Lanka. This also reflect the 'ABC Bank's strong financial performance, strong franchise, liquidity and better capitalization level.

Future Strategic Options for the Commercial Bank of Sri Lanka

According to the above extensive strategic analysis and the understandings of the 'ABC Bank, the Bank has excellent position in the banking industry in Sri Lanka. As mentioned earlier, the advance technology is the core strength of the 'ABC Bank'.

But, we can see from the bank records the Operational cost of the bank has been increasing the recent years. Total expenses for the 2015 were up 10.04% to Rs 17.306 billion.

Increase in the Operational cost is the major weakness of the bank in the current situation.

By using the advance technology (technological leadership) it is possible to do innovative banking services in the market to reduce/control the cost of 'ABC Bank' towards increasing the profit of the 'ABC Bank'.

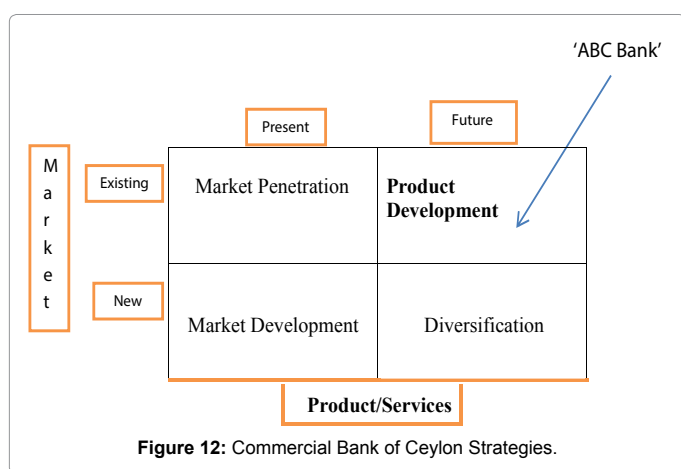
Therefore, I recognize 'Cost efficiency through innovation' as a future strategic option for 'ABC Bank' in 2017 – 2020 and decreasing

	'ABC BANK'	BOC	DFCC	HNB	NDB	NSB	PEOPLES BANK	SAMPATH
Market share by loans (%)	14	22	4	11	3	4	21	8
Market share by deposits	11	20	2	9	3	12	18	6
Capital Ratio (%)	9	5	23	11	11	4	5	8
Risk Weighted Assets (%)	65	48	80	65	79	13	38	62
Credit Cost (% of loans)	2.5	0.9	1	0.9	0.8	0.8	1.7	1.3

Table 3: Comparison between Commercial Bank in the Country.

Where are we now	3rd Highest income in the banking industry in the Total operating income that has grew by 10.44% to Rs 41.282 billion while Total operating expenses for the 12 months was up 10.04% to Rs 17.306 billion in 2015.
Where do we want to go	Becoming leader (1st) in the total operating ratio by reducing the operational cost in coming 3 years (2017-2020).
How do we get there	Cost efficiency through innovation in the industry

Table 4: Structure for strategic plan of the 'ABC Bank' (2017-2020).



the operational cost by 25% towards increasing the 'ABC Bank' market share.

Blue ocean strategy in commercial bank of Ceylon

- Blue Ocean Strategy is widely adopted as a strategic planning tool across the business units and management levels in the 'ABC Bank'.
- Blue Ocean Strategy has become part of the Bank's culture.
- There is separate team for Blue Ocean Strategy that has been involved in the 'ABC Bank'.
- Senior consultants conduct Blue Ocean Strategy seminars as a primary strategic planning methodology used to create sustainable growth in client centric environments.

Ansoffs growth vendor matrix

Ansoff growth matrix is a planning tool that helps to a business to determine its products and growth strategies (Figure 12).

Commercial bank of Ceylon strategies

'ABC Bank' has to use Product Development strategy as a growth strategy towards introduces new products into existing products market through the innovative banking services.

Because, Innovation always will be pave the way to the cost efficiency.

Overall, it will help to the 'ABC Bank' in order to remain competitive advantage in the industry (Being first in the Market) (Table 4).

Assessment criteria for the above strategic plan

The main concern of this strategy is to identifying new ways of doing things both inside the 'ABC Bank' and with external partners. Therefore that will lead to improved banking services.

Model for Cost Efficiency through Innovation towards achieving the targets of the 'ABC Bank' are shown in Figure 13.

'ABC Bank' has adequate resources to continue its operations in the foreseeable future. 'ABC Bank' currently has strong human resources for achieving greater productivity.

Independent judgments on issues of resources, strategy, performance and the standard of business conducts.

Resource Implications

Skills and competencies needed for the above strategy

- Financial stability and strength
- Committees and competent staffs
- Strong corporate and Brand image
- Widespread correspondent network
- State of the art of Information Technology
- Cost effective operations.

Core organizational values and current business of the 'ABC Bank'

Past and present of the 'ABC Bank' has created a unique culture based on values and systems that have evolved over the time and for the future.

The main three core values of the 'ABC Bank'

- **Competitiveness** – 'ABC Bank' is competing effectively in the market striving for excellence in customer relationship to build customer loyalty. Customer engagement is a shared responsibility across the bank and it provides valuable feedback to ensure that, they are responsive to their customers, changing needs and to be prepared for the future.

- **Honesty and Integrity** – 'ABC Bank' is committed to deal fairly with clients, offering most appropriate solutions for customer needs rather than pushing convenient products. That means, they listen to the customer needs and using specialist knowledge to support their progress.

	Present	Future
Vision	To be the most technologically advanced, innovative and customer friendly financial services organization in Sri Lanka, poised for further expansion in South Asia	To be the most technologically advanced, innovative, cost effective and customer friendly financial services organization in Sri Lanka, poised for further expansion in South Asia
Mission	Providing reliable, innovative, customer friendly financial services, utilizing cutting edge technology and focusing continuously on productivity improvement whilst developing our staff and acquiring necessary expertise to expand locally and regionally	Providing reliable, innovative, cost effective, customer friendly financial services, utilizing cutting edge technology and focusing continuously on productivity improvement through innovation whilst developing our staff and acquiring necessary expertise to expand locally and regionally

Table 5: Developing a new Vision and Mission Statement for 'ABC Bank' of Sri Lanka.

Focused Area	Strategies
Prudent Growth	Cost Efficiency via Innovation
	Customer convenience
	Customer Satisfaction Venturing into New Markets Responsible Investment
Corporate Conscience	Community Engagement
	Business Ethics
	Customer Service and Safety Procurement Practices
Winning Team	Employee Engagement
	Employee Relations
	Employee Productivity
	Training and Development Health and Safety
Operational Excellence	Improvement in Productivity
	Reduce operational expenses
	Channel Migration
	Earnings Growth
	Environmental Impacts

Table 6: Future changes for the 'ABC Bank' management objectives.

	Objectives	Measures	Target	Tactics
Financial Perspective	Cost Efficiency	Percentage decline in the total operating expenses	Achieve a 25% reduction in the operating expenses in the period of 2017- 2020	Technology, Technical Support, User and Employee involvement
Customer Perspective	Increase Customer satisfaction and Market share	Repeat visits of the customers	Increase the sales per customers	Customers service and satisfaction
Internal Business Process Perspective	Improving the operational performance	Operational quality control	Reduction in the Operational cost and wastages	Review of operating efficiency
Learning and Growth Perspective	As an Innovative banking service provider	Higher profit margin compare with last years	Achieving the value of operating ratio through cost saving	Investment in Research and Development

Table 7: The Balance Score Card is a best tool to evaluate the strategic plan.

Major Stakeholders	Engagement Activities	Areas of concern
Shareholder, Investors	Annual general meetings, Annual reports, Press conferences, Corporate website (www.combank.lk)	Financial performance, Sustainable growth, Risk management, Shareholder communication policy
Customers	Workshops for customer, Customer satisfaction survey, Relationship management, Media advertisement	Service quality, Customer service, Customer privacy and security, Financial inclusion, Affordability of service
Employees	Review meetings, Special events, Managers conference, Workshops, Training and Development	Work life balance, Recruitment, Retention, Investment in HR, Rewards and Performance management, Career Progression
Society and Environment	Public events, Exhibitions, Information centers, Delivery channels, Press releases	Ethical business conduct, Community investment, Environmental performance
Suppliers and Business partners	General supplier meetings, on site meetings, Supplier relationship management	Future opportunities, Responsible sourcing, Contractual Performance
Government	Annual reports, Press release, Periodic returns, Consultations, Directives and Circulars	Financial sector consolidation, Compliances, rules and regulations, Local and overseas business expansion

Table 8: Dissemination process to gain commitment from Stakeholders.

Basis	Aspects
Strategy	Pursuit of Cost Efficiency through Innovation
Structure	Functional department, Line and Staff Distinction, Job specialization
	Hierarchical monitor and control Standard, formalized operating procedures,
Control	Short term performance target
Incentives	Financial incentives for individual performance, other financial, non-financial incentives, Promotion opportunities

Table 9: Monitoring.

Focus of Evaluation	Evaluation Question
Efficiency	Did method used in this cost efficiency through innovation lead to similar numbers of participants as previous or other strategies?
Relevance	Does the topic and contents meet the information needs of the target group?
Effectiveness	To what extent did the cost efficiency via innovation lead to increased community support?
Outcome	To what extent has the strategy led to more sustainable behavior?
	Were there any other unintended positive or negative outcomes from this strategy?
Sustainability	To what extent has the project led to the long-term behavior change?

Table 10: Evaluation questions.

Inputs	Financial, Human, Technical Expertise Equipment and material resources used for innovation idea/product/services in the industry.
Activities	Actions taken. Training and Development, workshops conducted for employees, waste Management
Outputs	Products and services that result from the innovation, Number of people trained and Number of workshops conducted for innovation, Increased positive operational cost ratio.
Outcomes	Achieve short-term and medium-term effects or changes of the strategy Increased skills implementation, employment opportunities
Impacts	The long-term consequences of the cost leadership may be positive and negative effects. Ex : Competitive Advantage

Table 11: Evaluation strategies.

profitable and stable in the banking market. They have average threat from its competitors and also they have excellent brand image and trust that is giving more benefits to them in the industry. Overall, it is also in the excellent market position in the banking industry in the island. The main negative think of the bank is, higher operational cost compare with the recent years and compare with revenue. As I mentioned earlier, it is possible to get the cost advantage through the innovative banking services in coming years (Cost Efficiency through Innovation). Therefore, 'ABC Bank' can achieve more with above mentioned innovative products and services to easily win the future challenges.

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