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Functional Policy Implementation and the Growth of Deposit Money Banks in Port Harcourt, Nigeria

OSHO, Adesina A.

Department of Management, Rivers State University, Port Harcourt, Nigeria

Abstract: **The study examined the relationship between functional policy implementation and the growth of deposit money banks in port Harcourt Rivers State, Nigeria. The study design is a survey/cross-sectional. The basic research instrument was the questionnaire. The population of study comprises of all the 21 deposit money banks operating in port Harcourt as at December, 2018. Banks growth was measured via increase number of staff and revenue generation of the banks. Pearson Product moment Correlation analysis (PPMC) was used to determine the extent of the relationship between the two variables of study with the aid if the statistical packages for social sciences (SPSS0 version 20. The findings of the tested hypothesis indicated that there is a low negative relationship between Functional Policy Implementation and growth of the Deposit Money Banks in Port Harcourt. Deriving from the findings, the researcher recommend among others that Banks should focus and align their executive teams, business unit, human resources, information technology, and financial resources to their organization's strategy. To achieve best result (growth) banks should capitalize on capabilities and assets-tangible and intangible-that existed already within their organizations and that Banks tangible assets such as skilled, motivated employees and customer information systems should be transformed into tangible outcomes such as customer retention, revenues from new product and services, and ultimately profit and that Banks should make sure that all employees understand the strategy and conduct their day to day business in a way that contributes to the success of the chosen strategy.**

Keywords: **Strategy Implementation, Functional policy Implementation, Bank's Growth, Resource Deployment, Functional Strategies.**

1. INTRODUCTION

Successful strategy execution depends greatly on good internal organization and competent personnel. Building a capable organization is thus always a top strategy implementation priority. Three organizational issues stand out as dominant according to Glueck (1980);

- leadership implementation which Simply involve an attempt by the organization to make sure the right leaders are in the right position.
- Organizational implementation which involves developing the right organogram for a given strategy and
- Functional policy implementation; which is developing the strategy that has been formulated into specific policies at the functional level and resource deployment. This implementation procedure is done to upgrade organizational performance and growth.

The subject matter of growth has in recent years dominated the thought of many managers. Though growth has long been considered the natural course of development of the basic production unit in the economy, it has also greatly featured as a vital force in the survival programmes of most business organizations. Most firm, particularly banks need development in other to flourish, not just to stay alive. Certainly there are many factors a bank can select to calculate its growth. Mainly significant measure is the one that shows improvement with deference to bank established goals. The ultimate goal of most banks is profit, so net profit, revenue and other financial data are often utilized as bottom-line indication of growth. Other business owners may use sales figure, number of employees, physical expansion or other criteria to judge organizational growth.

Banking subsector continues to show signs of flexibility in the countenance of different global and local instability (Ndung'u, 2009). Banks increasingly need to have cost effective and innovative products, as well as improved access to financial services.

Given the important role banks play in the economy, it is important that in order to do well, the whole process of functional policy implementation need to be successful. The key areas identified in the strategy revolve around banking infrastructure, quality of customer service, innovative products to capture the targeted market, and the acquisition of the right skills and creating new organizational structure. Empirical studies have revealed strategies that the banks have adopted over time (Aaltonen &Ikavalko,2002; Bourgeois & Brodwin, 1994).

Thus, there exist a knowledge gap existing in a developing economy such as Nigeria, where there is limited theoretical and empirical study about functional policy implementation in the banking industry in relation to growth. This study therefore, sought to explore the relationship between functional policy implementation and growth in Deposit Money Banks in Port Harcourt, Nigeria**.**

2. REVIEW OF RELEVANT LITERATURES

Functional policy implementation

During strategy implementation, the strategy must be made operational or set for exploit thus making it prepared for ultimate execution. This Operationalization of strategy engages splitting long-term business objectives to ready short-term objectives and expanding precise functional, unit or departmental strategies and drawing achievement plans to achieve the objectives (Pearce & Robinson, 1996). Policies to guide decision making must also be established, programs developed and procedures on how things will be done determined. Furthermore, task should be assigned to precise people, individual bring into line to strategy and strategy helpful budgets instituted.

A. Functional Strategies

A functional strategy is essentially a strategy confined to a particular functional group of bank like marketing, operation, administration, and detail out blue print of grand strategies. These translate the grand strategies decided at corporate level into specific action plans for each function within a bank. The functional strategies must be coordinated at various functional level and must support the grand strategies. These are specific to function of the organization and provide specific guidelines for each business. Since functional strategies are developed by the functional heads through participation of other managers, successful implementation and operationalizing of strategies is simpler due to the onus of the managers involved (Lomash et al, 2008).

Functional strategies in key areas.

Marketing- we can fragment the total marketing function in various components like market research, customer search, market segment, sales of banks products and ideas etc and a bank design strategies in each of these areas by asking specific questions and searching for their answers.

Finance- Finance is the blood stream of any bank since the ultimate objective is also to generate profits and create surplus to permit continuation of bank. Financial strategies can be viewed in time frame reference as immediate and long-term. For immediate future, the Financial strategies are based on immediate financial resources. The long term strategies account for investment for longer periods of time, customer satisfaction, allocation of surplus and using finance as a leverage for bank's performance in competitive environment.

Research and Development- we observe that today rate of change is quite fast and R&D has assumed a role of key functional area and has also become one of the core areas of thrust, requiring strategic decisions. The strategic decisions involved in a typical bank are, whether it would go into basic research or product development or it would go for collaboration. It must however be appreciated that in certain fields even collaboration may not be available and even if they are made available they would be either too expensive or would be available only for second-grade technology. The business strategies on relationship between product managers and marketing managers, strategic posture of which is adopted and vigorous offensive or defensive strategies which a bank may adopt need special mention here. A bank may adopt offensive strategies it would strive hard to develop new technologies and would innovate because it would be the basis for future success of the bank. Bank may also choose a combination of offensive or defensive strategies.

operation- operation is the key function where value is added to the raw materials(banking services) to create a product(customer request). This value addition process in any bank should be cost effective, fast and without quality problems like rejection, reworks etc. the technology followed would reflect on profit and total operation of a bank. The business strategies to reduce cost and enhance quality are the prime concern of the functional head.

Personnel- human capital has gained considerable importance in recent years. The personnel function effectively helps in integrating the strategies in various functional areas for accomplishing the objectives. This is done through identification and development of required managerial skills and design of proper remuneration system to motivate employees and also retain them. The strategies in personnel function concentrate on effective utilization of manpower for achieving the set targets. The personnel function consist of recruiting, selecting, orienting, developing, counseling, evaluating, compensating and maintaining good industrial relations, discipline and control, and these should be performed keeping the organizational objectives and selected grand strategies in focus. The motivating function of personnel strategies is an important aspect for developing a challenging attitude in employees for surpassing the set standards of performance and for this purpose timing of promotions, transfers, channels of promotion, incentives, benefits, seniority policies are some of the important ingredients of personnel strategies.

B. Resources Allocation

Without allocation of resources to various SBU's, implementation of strategies becomes quite difficult. The resources may be existing with a bank or may be acquired through capital allocation. The redistribution of resources is pretty decisive when there are main changes and moves in strategic position of business. Redeployment of resources may arise due to strategic decision of a bank to grow in certain areas and withdraw from the other. In fact redeployment of resources is a strong way of communicating the shift in strategies of a bank.

Usually bank have been following system of allocation of resources by percentages, which may not serve much purpose these days, although the percentages may be used on their ease of use or lack as it may show to be counterproductive. The resource allocation should be made with regard to strategies of a bank for its future competitive position and growth. The decisions of resource allocation are also closely connected with the objective of a bank.

(1) Methods of Resource Deployment

Let us turn back to BCG growth matrix for illustration on effective deployment of resources. The cash cows are those SBUs which have matured products and generate cash surplus. The cash surplus generated can be allocated to star and question mark. Dogs do not need any investment and these are to be drawn out.

Banks usually make budget. The preparation of budget can take into account the facts revealed by BCG matrix, product life-cycle charts, balance sheet, profits and loss accounts income statements etc. we know that financial consideration vary at different stages of product life and this fact can be used for allocating investments. When retrenchment or turn around strategies are been implemented, zero base budgeting has been found to give good results. When new investments like mergers, acquisition, and expansion are carried out, capital budgeting techniques would be of great help. Other method like residual income, net present value, and return on investments may also be used for analysis of investment patterns. Fixed budgets may lead to non-efficient utilizations whereas flexible budgets may lead to slackness in achieving objectives. It must be appreciated that resources allocation cannot be purely a rational exercise and a lot of behavioral process is involved in the total activity. One should make efforts to deploy the resources based on rationality, as far as possible.

C. Communicating Policies

Policies are choices taken to direct thinking and behaving course and guiding the deeds of employees of a bank in Operationalizing and implementing strategies for meeting the set objectives. Policies thus increase effectiveness of managers. The policy documents are given different names in various organizations; however, they contain the standard operating procedures for the personnel. It is a method design to optimally use human resources. The policies also speed up the decision-making due to laid down guideline because of which the decision making process become simplified. Policies emerge from functional strategies or corporate strategies.

Objective of policy according to lomash,(2008) will include control, uniformity of procedure, quick decision ,organization behaviour, reduction in uncertainty ,guide against flouting of strategy ,ready made solution to problems, guide to correct decision.

Empirical review

Njagi & Kombo (2014), studied the offshoot of Strategy Implementation on Performance of Commercial Banks in Kenya. The primary aim of the study was to investigate the upshot of strategy implementation on performance of commercial banks in Kenya. The explicit objectives of the study were to investigate the effect of Operationalization of strategy on performance of the banks and to investigate the effect of institutionalization of strategy on performance of the banks. To accomplish these objectives, the study takes on correlation research design. The target population was the forty three commercial banks in Kenya. Given the small number of money deposit banks, a census study was undertaken. The data gathered was examined using descriptive statistics such as percentages to sum up the data. Pearson's correlation coefficient was used to establish the character and strength of the correlation between strategy implementation and organizational performance. To investigate the upshot of strategy implementation on organizational performance, a multiple regression model was used. The results disclose that there is a moderately strong relationship amid strategy implementation and organizational performance.

Ogunmokun (2005), study Strategy implementation and organizational performance using private hospitals as its case study. The study found that the extent to which these private hospitals carry out their strategic implementation activities are related to the level of their organizational performance. The claim by the respondents that their organizations carried out to a great extent (1) changes to the organization's structure; (2) communicated to employees when and how the strategies will be carried out; (3) provided inducements for employees to carry out the strategies successfully, and (4) assigned people who are able to be responsible for implementing these strategies were cited more frequently by organizations with high level of performance compared to organizations with low level of performance.

3. METHODOLOGY

The study is a co-relational survey as it sought to describe data and characteristics about the population or phenomenon being studied. The population for this study were all the 21 commercial banks operating in Port Harcourt, Nigeria . The study used primary data collected through the use of questionnaire administered by the researcher to designated managers who were conversant with the Banks and Growth level. Increase in the numbers of employees and increase in revenue generation were used as measures of growth in the banking industry. The study adopts the use of factor analysis in selecting the right indicators of the study variables. Descriptive statistics such as percentages to summarize the data. Using Statistical Package for Social Sciences (SPSS) version 20, Pearson's product-moment correlation coefficient was used to calculate and to establish the direction and strength of the relationship that exists between functional policy implementation and the growth of deposit money banks in port Harcourt.

4. RESULTS

Hypothesis 1.

H_{01}-; there is no significant correlation between Functional Strategies and increase in number of employees.

Operationalization of strategy Vs increase in number of employees

Correlations

		Functional Strategy	Increase in employee
	Pearson Correlation	1	-.539*
	Sig. (2-tailed)		.017
	N	21	21
	Pearson Correlation	-.539*	1
	Sig. (2-tailed)	.017	
	N	21	21

*. Correlation is significant at the 0.05 level (2-tailed).

The table above presents a Pearson product coefficient r of -.539. By interpretation, there is a substantial negative relationship between Functional strategies and increase in numbers of employee. The correlation is significant at the 0.5 level (2-tailed). The decision is therefore to reject the null hypothesis and infer that there is a significant correlation between Functional Strategies and increase in number of employees in Deposit money Banks in Port Harcourt **.**

Hypothesis 2

H_{02}-; There is no significant correlation between Functional Strategies and increase in revenue.

Functional strategies and increase in Revenue of the Banks

Correlations

	Functional Strategies	Increase in Revenue
Pearson Correlation	1	.014
Sig. (2-tailed)		.955
N	21	21
Pearson Correlation	.014	1
Sig. (2-tailed)	.955	
N	21	21

Source-; research desk, 2019.

The table above presents the Pearson correlation coefficient of .014. By interpretation, there is a negligible positive relationship between Functional Strategies and increase in revenue of the Banks. The finding is not statistically significant. The decision is therefore, to accept the null hypothesis and infer that there is no significant relationship between functional strategies and increase in revenue/earnings of the bank.

5. DISCUSSION

With a mean score of (3.10), the respondents agreed that in order to implement the organization long term strategy, the strategies needed to be broken down to functional/departmental strategies. This is in support of the view of Pearce and Robinson (2006). The respondents further agree that the banks develop action plan to achieve their target objectives. Furthermore, with a mean score of (3.10), the respondents moderately agreed that the banks develop policies to guide decision making. They further agreed that the banks develop program and procedure on how things will be determined. On the issue of strategy support budgets, the respondents moderately agreed that strategy support budget are always established and finally the respondents agreed that for strategy implementation, proper allocation of resources is always carried out.

With a mean score of (3.21), the respondents agreed that in order to implement strategy the banks communicate strategic intentions. They also agreed that the bank normally synthesize strategy with structure. Furthermore, with a mean score of (3.15), they moderately agreed that the banks matches strategy with culture and that for every process of implementation of a new strategy , the bank select effective leadership. This affirmation is in line with the view of Davies,(2012), Pearce and Robinson (2006), and Thompson and Strickland (2006). However, with a mean score of (2.36), the respondents disagree that banks design effective reward system. And finally, the respondents moderately agreed that the bank normally strike a balance between management process and organizational structure. All the aforementioned is part of the administration of strategy under the strategy implementation processes established by Davis (2012) and Pearce and Robinson (2006).

Suffice to say that, as a prelude to the responses to the questionnaire item on organizational growth vis-à-vis increases in the number of employees, respondent were acquainted with the last statistical publication of the Central Bank of Nigeria on the growth trends of the banks within the last 5 years. Base on this fact, respondents were asked to respond to the questionnaire item indicating whether the indicators in the questionnaires contributed to the growth of the banks in the year under study. With a mean score of (3.94), the respondents strongly agreed that increase in number of employees has contributed to a very large extent the growth of commercial banks within the period under study. But they are undecided (0.9) as to whether the increase in number of employees has contributed moderately to the growth of commercial banks within the period under study. The respondents strongly disagree (1.42) that growth in the number of employees has nothing to do with bank growth rate. That is they strongly believe that the more staff the banks employees the better for the bank. They equally disagree that increase in number of staff is a liability to the bank. Furthermore, with a mean score of (1.57), they moderately disagree that increase in number of employee is an impediment to strategy implementation. Finally, they strongly agree that increase in number of employee support successful functional policy implementation.

Respondents were acquainted with the CBN publication on the banks earning for the year under study and base on that they were to show their level of agreements on the indicators of increase in banks revenue/earning from the options in the questionnaires. With a mean score of (4.00) the respondents strongly agree that new orders and sales lead are leading indicators for increase in revenue (order trend) .For example, if a bank can generate higher sales leads and convert a higher proportion of these leads into firm orders, its revenues are likely going to be higher. For Banks, service renewal rates are a leading revenue indicator (KYC & BVN). Conversely, if customers are not renewing at the average rate and are switching to other service providers, it may indicate declining revenues for the bank. A bank order backlog also indicates future revenue strength. If the instruction that need to be done is growing and fewer clients are delaying or canceling requests, the revenue view is good. The respondents equally agree that a growing market share usually mean revenue growth (market share) . This means that the trend in a bank market share may indicate whether it is gaining or losing ground against its competition. A intensifying market share usually means increase in revenue growth. Conversely, a declining market share usually means decreasing revenues, which could start a severe cycle of cutbacks, further market-share decreases and possibly even liquidation. Furthermore, they equally strongly agree that satisfied customer are always repeat customers who will bring family and friends to kick start the virtuous circle of customer retention and revenue growth .

The result of the tested hypothesis1 indicates that there is a substantial negative relationship between functional strategies and increase in numbers of employee. The findings show that even though the relationship is negative it is still significant. Base on this we have to discard the null hypothesis and accept the alternative which states that there is a significant relationship between functional strategies and increase in number of employees. Testing hypothesis 2, it was revealed that there is a negligible positive relationship between functional strategies and increase in revenue. The finding is not statistically significant. Therefore, we accept the null hypothesis which states that there is no significant relationship between Functional strategies and increase in revenue/earnings of the bank.

6. CONCLUSION AND RECOMMENDATIONS

The result of this study has shown that there is a low negative relationship between Functional Policy Implementation and growth of the Deposit Money Banks in Port Harcourt.

From the findings of the study, the researcher recommends that-;

- Banks should focus and align their executive teams, business unit, human resources, information technology, and financial resources to their organization’s strategy.

- To achieve best result (growth) banks should capitalize on capabilities and assets-tangible and intangible- that existed already within their organizations.

- Banks tangible assets such as skilled, motivated employees and customer information systems should be transformed into tangible outcomes such as customer retention, revenues from new product and services, and ultimately profit and that Banks should make sure that all employees understand the strategy and conduct their day to day business in a way that contributes to the success of the chosen strategy.

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