# A Five Year Strategic Management Plan for ABC Banking Corporation

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**EXECUTIVE SUMMARY**

This paper is a five year (2014-2018) strategic plan for ABC Banking Corporation. The bank welcomes the new face of challenges as it enters the next level of business competition in the industry of commercial banks from a mere savings bank. The trust of the shareholders to manage with prudence and the core human resource are key factors towards the rapid growth of the bank for the past 16 years. The company is currently in the midst of reaping the success of mergers and acquisition of two banks; noticeably the financial standing of the company is awash with cash due to high volume of deposits from clients, positive capital structure, tight controls and conservative management style.

ABC Banking Corporation is a remarkable fast growing Commercial Banking Institution focused on consumer lending, micro-lending, e-banking services and deposit taking. The bank aims to focus its business in the consumer and micro-lending sector where business opportunities are highly viable. Infrastructures are the tools to complement the strategy to strengthen and anchor the services offered by the bank to its customers.

The bank ranked 26th in terms of assets and loan portfolio and 22nd in terms of capital and volume of deposits in the 1st quarter of 2013. To date, the

total assets stood at Php 41.7 Billion, capital at Php 5.8 Billion, loan portfolio at Php 17.1 Billion, volume of deposit at Php 33.9 Billion and 7.3% return on equity. The average annual growth rate for 5 years in terms of assets is 32.7%, in terms of deposits is 39.6% and in terms of capital is 43.6%.

The financial objective of the bank is to achieve 248.95% growth on assets, 268.95% growth on deposits and 278.06 increase in net income at the end of 2018. The projected average annual growth of total loan portfolio will be 36.88% to generate 66.47% average annual projected interest income. Also, the payback period of newly acquired Core Banking System will be on the 4th year as compared with the depreciable life of seven years and estimated economic benefits of at least 10 years.

The plan puts forth an overarching mission for the bank: "to build a lasting relationship with their customers through excellent service satisfaction and will remain responsible at all times; to help the aspiring entrepreneurs on how to manage their financial needs and to continue developing quality and innovative products and services to address the ever-changing market demands".

These goals will be achieved despite the declining market interest rates in investment and corporate accounts. The bank only needs to response and shift the concentration into retail type to capitalize the opportunity and gain competitive advantage. The bank has inherited expertise as a savings bank as well as existing client based within X Conglomerate, however the initiative needs focus and connectivity, 1) specifically, focus on strong or potential products and services that are strategically important to the bank and maintain the excellence within each profit centers Housing Loans, Personal loan Program, Micro Lending, Motorcycle loan and Jewelry loan and 2) build connectivity among Business Unit's Account Officers, operations and community.

This paper pertains to immediate installation of a lending group unit in each branch, apart from the existing manpower complement of the branch that focuses only on deposit taking. The new team consists of five members or a total 475 personnel for 95 branches that will cost an annual average of Php268.72 million branch expansion (BSP approved 21 branch licenses), and relocation of seven existing branches to more visible locations that will cost Php140.0 million or an annual depreciation of Php 28.0 million. Another is to lower the interest rates on consumer loans and intensify marketing campaigns. The top priority for 2014 implementation plan was formulated using the Quantitative Strategic Planning Matrix (QSPM).

The top priorities emanated from careful analysis of corporate strategy techniques such as: the Competitive Profile Matrix (CPM) model which showed that despite the 9% market share in the industry there are several opportunities to grow the business, the Porter's Five Forces Model which emphasized the influence and significance of the results on external and internal environmental forces, and EFE key success factors for economic, political, legal, socio-cultural and environmental analysis, revealing a 3.25 and 2.96 weighted averages rate above the 2.95 and 2.64 midpoints respectively. The assessments supported the bank's initiative to intensify the implementation of value-chain-management to capture the target markets and effective delivery of services through proper utilization of newly acquired core banking system.

Likewise, the researcher evaluated the bank's profile using the integrative Strategy Formulation Analysis model to put emphasis on the results of strategy formulation together with the corresponding summary of strategic implications using: Threats-Opportunities-Weaknesses-Strengths (TOWS), Strategic Position and Action Evaluation (SPACE), Internal/External (IE) and Grand Strategy. The results of the analyses have relative outputs leading recommendations for the company to expand its network and market presence, increase the volume of products and improve the quality of services, manage the appropriate manpower complement, and support the immediate implementation of newly acquired advance technology.

The researcher recommended developing series of specific strategies and actions to increase the loan portfolio, volume of deposits and effective value-chain-management. Five profit centers were identified to generate and increase the loan portfolio, volume of deposits and fee based facility to sustain the financial growth and stability, these are stated in details in the departmental objectives. The Human Resources recruitment requirements have to farm-out vacancies of manpower complements to support the expansion programs and effective delivery of services. The Operations Group needs to be equipped with advanced technology, proper technical training and rigid customer care training program. The Marketing Group should intensify the campaign to re-launch or launch the wholeness of the bank to penetrate community awareness. The Support and Control Units need to keep abreast of necessary tools to align the entire systems flow by drafting or amending the policies and procedures to avoid clogging disorientation.

Budget allocations of each segment will be integrated in the entire strategic plans subject for approval by the Management Committee and Board of Directors of the Bank. The Strategic Plan will be cascaded down to the departments and units of the bank in order to align and ensure the effective delivery to its respective unit.

This Strategic Plan will serve as the road map of the Bank towards the attainment of five year operating milestones.

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