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Strategic Responses as a Predictor of Performance of Banque de Credit de Bujumbura, Burundi

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ABSTRACT:- The study set out to examine the effect of strategic responses on performance of Banque de Credit de Bujumbura. in Burundi Banking Industry focusing on BCB Bank. The specific objectives of the study were to evaluate the effect of staff training strategy on organizational performance; to examine the effect of focus strategy on organizational performance; to ascertain the effect of expansion strategies on organizational performance; and to assess the effect of Agency banking strategy on organizational performance. The study employed a descriptive and correlational research design and opted for quantitative approach. The study used 47 employees from the Headquarter that gave the sample size of 45 employees. Simple random sampling was used to select respondents. The study used both primary and secondary data. The primary data was collected through questionnaire while secondary data involved other sources of evidence such as articles, books, internal company documents and company websites. Questionnaires were administered to the respondents through a drop and pick method. The researcher left the respondents to fill the questionnaire at their own time and collect the completed questionnaire within two weeks. The data obtained from the field was analysed using Pearson correlation and regression to examine the relationship and effect between study variables. From the findings, the performance of Banque de credit de Bujumbura is significantly predicted by the strategic responses. It was recommended that the management of the Bank should engender policies that can improve focus strategy, expansion strategies, agency banking strategies and staff training strategy.

Key Words:- Strategic responses, Staff training, Focus strategy, Expansion strategies, Agency banking strategy, and Performance.

I. INTRODUCTION

Strategy is the organization’s scope over a long period of time to gain a competitive advantage in case the environment changes (Johnson, 2015). It enables an organization to reorganize its resources in the long-run in order to gain a competitive advantage and fulfil what the stakeholders expect. Ansoff and McDonnell (2000) define strategic response as the art of formulation, evaluation as well as implementation of specific key decisions which aim to enable an organization be sustainable and achieve its targets even in a turbulent environment. It involves a clear specification of company’s objectives, policies as well as plans. Generally, it surrounds the changes in the behaviour of an organization with regard to the environmental changes. Ansoff (2008) argues that strategic responses may vary from diversification of the prices, products, markets and services, coming up with new ways of customer management, innovations such as information technology as well as mergers and acquisition. Strategic responses cannot work where there is poor analysis of the company’s internal and external threats and strength. There is a need to relook at the strength, weaknesses, opportunities as well as the political stability, environmental factors, technological changes, economic environment as well as social environment (Thompson & Strickland, 2003). Grant (2011) argue that the outcome of strategic responses highly depends on the environment surrounding the business. The social context, political context, environmental context, social context and economic context which an organization operates in influences the success rate or implications of its strategic response. There are also internal determinants of the success rate of a strategic response such as the resources that a company has, the total assets allocated towards implementation of strategies, the employee’s capabilities, the organizational systems and technology (Peteraf& Barney, 2003).

Performance is a notion connected to the phenomenon being studied Hofer (1979). Each perspective of performance of the organization are argued to be distinctive making measurements of performance fundamentally situational (Cameron and Whetton, 1983). Bernadin (1995) points out that ″performance should be defined as the sum of the effects of work, because they provide the strongest relationship with the organization’s strategic objectives, the customer’s satisfaction and the economic contributions″. As the author says, performance must take into account both inputs (the effort put in) and outputs (the result of the effort put in). This definition equates performance with the “sum of the effects of work”. Performance is achieved when all efforts are focused towards achieving the set objectives and meeting customer’s satisfaction. Objectives and customer satisfaction cannot however be accurately measured. A more comprehensive definition of performance is given by Brumbach (1988), which refers to both behaviour and results. ″Performance means both behaviours and results. Behaviours are emanating from the performer and turn the performance of an abstract concept into a concrete action. Not being just tools of obtaining some results, behaviours are by themselves outcomes - the product of the physical and cerebral exercise submitted for the execution of tasks and can be judged apart from results″. Thus, the author defines performance closely related to behaviour and outcomes. When we talk about the performance of teams and individuals, we must take into account both inputs (behaviour) and outputs (results).

Organizational performance (OP) lies at the heart of a firm's survival. In business and management research, OP is recognized as a central outcome variable of interest, ranging from such disparate areas as human resources (HRs) and marketing to operations management, international business, strategy and information systems (Hult, et al., 2008; March and Sutton, 1997; Richard, et al., 2009). The ultimate aim of research across all of these areas is centred on explaining how OP can be enhanced, shaped and sustained so as to help businesses improve their profitability and long-term survival (Bititci, et al., 2012; March and Sutton, 1997). Various scholars found the relationship between strategic responses and organizational performance such Porter (2000) who contended that higher performance can be attained in a competitive industry through the pursuit of a generic strategy, which include development of an overall cost leadership strategy, differentiation strategy, or focus or niche strategy to industry competition. The above strategies if pursued results in performance of an organization.

In Burundi, the Banking industry comprises of twelve commercial banks, namely Banque Commerciale du Burundi (BANCOBU), Banque Burundaise de Commerce et d'Investissement (BBCI), Banque de Crédit de Bujumbura (BCB), Banque de Gestion et de Financement (BGF), CRDB BANK , ECOBANK, Interbank Burundi (IBB), Diamond Trust Bank (DTB), Kenya Commercial Bank (KCB), Banque d'Investissement pour les Jeunes (BIJE) and Banque Communautaire et Agricole du Burundi (BCAB), one Development Bank "Banque Nationale pour le Développement Economique (BNDE)" and one Housing Fund "Fond de Promotion de l'Habitat Urbain (FPHU)". According to the financial stability Central Bank Report 2020, at the end of 2020, the activities of the banking sector are generally oriented towards the financing of the government and the economy as well as in the provision of means of payment. The banking sector's loans to the economy represent 19.6% of GDP in 2020 from 17.1% in 2019. The banking sector has four banks of high systemic importance and three banks of medium systemic importance (Burundi Central Bank Supervision Report, 2021).

The total assets of the Burundi banking sector have reached 3, 894.25 MBIF against 3,262.1 MBIF in 2019, an increase of 19.2%. The banking sector assets are mainly composed of loans to the economy (33.7%) and financing to the Government (42.1%) (Against 32.8% and 39.8% respectively in 2019). Banks of high systemic importance contribute for about 67.7% to the financing of credit to the economy and 75.4% to the financing of the government while banks of medium systemic importance contribute for 23.6% to the financing of loans to the economy and 8.6% to the financing of the government. The loans are mainly concentrated in particular in the trade (30.4%), miscellaneous (27.7%), housing (17.2%), industry (8%) and transport (6.5%) sectors. The majority of loans distributed by banks are mostly short-term (45.7%) while medium- and long-term loans represent respectively 27.1% and 27.3% in 2020 from 31.5% and 21.5% in 2019 (Burundi Central Bank Financial Stability Report, 2020).

The financing of the government was done through the purchase of Treasury securities (Treasury bills and bonds). Treasury bills have a maturity of between 13 weeks and 26 weeks, while Treasury bonds have had a maturity of between 2 years and 10 years. The heading "other" includes in particular fixed assets (4.9%) as well as cash in hand and credit institutions deposits in the BRB (8.5%). The liabilities of the banking sector in 2020 are mainly composed by customer deposit (60.4%) against (56.7%) in 2019, capital (9.7%) against 8.9% in 2019 as well as BRB refinancing (7.5%) against (13.1%) in 2019. High systemic importance Banks hold 71.9% of customer deposits and receive 87.5% of BRB refinancing while Medium Systemic importance Banks hold 20% of customer deposits and receive 3.4% of refinancing (Burundi Central Bank Financial Stability Report, 2020).

Banque de Credit de Bujumbura, the first Bank created in Burundi in 1922 as well as many other financial institutions in Burundi are not performing as expected because they are facing with many challenges these days. The studies done in Burundi banking industry in the past showed that many banks failed because of poor management and political issues (Nkurunziza, et al., 2012). In Burundi, the researchers have not assessed the relationship between strategic responses and organizational performance of banking industry, resulting in a gap. Therefore, the study sought to determine the effect of strategic responses on performance of Banque de credit de Bujumbura.

II. CONCEPT OF STRATEGIC RESPONSES

Strategic responses have been associated with an improvement in performance of organizations. Nganga (2014) as well as Mugo (2014) identified a positive relationship between strategic management practices such as visible leadership, effective customer service, customer awareness, 4 strategic positioning, strategic outsourcing, market segmentation and mergers and acquisition to good performance (Sohl, 2012). One of the strategic responses to a competitive environment is strategic positioning which is involved with how the external environment, resources of a company and capabilities as well as stakeholders influence. These factors collectively decide the strategic position of a firm (Johnson & Scholes, 2005). It is relative to the competition available, other players available and the constituents of an industry. It helps to create the identity of an organization and distinguish it from the rest of the competitors. In short, it creates a presence which enables a firm to attain its goals easily (Johnson & Scholes, 2005). Another strategic response is outsourcing the core or non-core activities which are a strategic decision for banks, as it can affect the quality and cost of services and above all the bottom-line of a bank. The maintenance of information technology emerges as a major activity to outsource the world over. There are e-business suites on demand offering a complete and cost- effective package for administering, managing and maintaining information technology (Drozdenko & Drake, 2002). An example of outsourcing core activities in the banking sector is where banks decide to focus purely on loan origination and pass on loan management to other companies through securitizations. Another example is the emergence of asset reconstruction companies, which exclusively focus on delinquent loan collections, while banks concentrate solely on origination and servicing of loans. In the private sector we also see outsourcing of customer servicing activities through call centres.

Thus, strategic responses are a reaction to what is happening in the economic environment of organizations. Porter (1998), views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies for utilizing the resources of a firm to best support its long-term competitive strategy. Sababu (2007) argues that the challenges presented by the changes in the external environment necessitates a business to design strategies that appropriately respond to the challenges and ensures the business has got a competitive edge in the competitive external environment. Pearce & Robinson (1997) defines strategic responses as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objective. Aosa (1998) says that strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategic problem. Strategic problem is a mismatch between the internal characteristics of a firm and changes in the external environment, thus there is always a need to formulate a set of actions and decisions that match these changes.

Due to challenge presented by the ever-changing business environment, businesses should always modify their strategies to match the challenges from the environment. According to Grant (2000), survival and success occurs when an organization creates a match between the strategy and the environment, and also between its internal capability and the strategy. If an organization’s strategy is not matched to its environment, a strategy gap arises. The strategy helps firms to get hold of new customers and markets, to cut costs of operation as well as be able to come up with new products as well as technologies for production (Welch & Welch, 2005). The strategy can be used to penetrate new markets, develop new markets, penetrate products into the market as well as diversify the operations of a company to other sectors (Ansoff, 1965). Therefore, in this study, strategic responses were measured using elements such as staff training, focus, expansion strategies, and agency relationships. Johnson and Scholes (1997) postulate that organizational strategies exist at three levels: corporate level, business or competitive level and operating level. Corporate level strategies involve the overall structural scope of the organization while business level strategies use strategic business units (SBU‟s) to compete successfully. Operational level strategies deal with internal procedures and standards. The four possible corporate strategies are; market penetration, product development, market development and diversification as strategies that managers could consider as ways to grow the business via existing and/or new products, in existing and/or new markets. However, Porter (1980) points out that a diversification strategy stands apart from the other three strategies. The first three strategies are usually pursued with the same technical, financial, and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques and new facilities. Therefore, diversification is meant to be the riskiest of the four strategies to pursue for a firm. According to him, diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit or at the corporate level.

At the business unit level, it is most likely to expand into a new segment of an industry in which the business is already in. At the corporate level, it is generally entering a promising business outside of the scope of the existing business unit (Ansoff, 1980). The company's corporate strategy should help in the process of establishing a distinctive competence and competitive advantage at the business level. There is a very important link between corporate-level and business level. According to Johnson and Scholes (2002), corporate level responses is the first level of strategy at the top of the 18 organization, which is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major stakeholders and add value to different parts of the enterprise. This includes issues of geographical coverage, diversity of product / services or business units and how resources are to be allocated between the different parts of the organization. Porter prescribes three generic competitive strategies. These are cost leadership, differentiation and focus. Cost leadership aims at being efficient in production and operations to reduce costs by having controls to this effect. Differentiation means targeting different market segments and catering for each individually to gain maximum value. Focus involves concentrating on one particular market niche to position oneself in the market. Hill and Jones (1999), argue that focus strategy concentrates on serving a particular market niche, which can be defined geographically, or through the type of customer or by segment of the product line. It differs from the first two because it is directed towards serving the needs of a limited customer group or a segment. Hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovate product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger. According to Johnson and Scholes (2002), operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Therefore, the study used staff training strategy, focus strategy, expansion strategy, and agency strategy as determinants.

III. ORGANIZATIONAL PERFORMANCE

It has been defined as a set of both financial and non-financial indicators capable of assessing the degree to which organizational goals and objectives have been accomplished (Kaplan and Norton, 1992). The definition of organizational performance is a surprisingly open question with few studies using consistent definitions and measures (Kirby, 2005). McCann (2004) views organization performance as relating to the efficiency and effectiveness of the firm. According to Hofer (1983) performance is a contextual concept associated with the phenomenon being studied. Dess and Robinson (1984) posit that regardless of the framework chosen to conceptualize organisational performance, it is apparent that organisational performance is a complex multidimensional phenomenon. March and Sutton (1997) suggest three sources of variation in firm performance; information about apparent determinants of differences in performance, the theoretical ideas and analytical models that are normally used and the data that are used to record organizational histories often rely on retrospective recall of informants, recall that is likely to reconstruct the past to make it consistent with subsequent performance results. Financial measures of organizational performance include profit, profit ratios, market share and revenue growth (Pandey, 1999). According to Gill (1990), liquid funds consist of cash, short-term investments for which there is a ready market, short-term fixed deposits and trade debtors. Higgins (2001) contends that activity ratios such as inventory turnover are used to assess the efficiency with which firms manage and utilize their assets. Dissatisfaction with the exclusive use of financial performance measures led. Kaplan and Norton (1992; 1996) to develop the balanced score card. The balanced score card framework addresses the perceived shortcomings of financially-oriented performance measurement. As customers are also the backbone of any business, firms without customers would not be able to sustain their performance.

Staff training and Organizational Performance

It is also believed that to achieve the organizational goals employee performance is important that depends on a variety of factors but training receives high importance as it improves the skills, capabilities, confidence and competencies (Naveed, et al., 2014). Training generates benefits for the employee as well as the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behavior (Benedicta and Appiah, 2010). It is obvious that training plays an important role in the development of organization, improving performance as well as increasing productivity, and eventually putting companies in the best position to face competition and stay at the top. According to the study of Alazar (2012), the absence of proper job training will affect a person's expertise. This will probably affect their motivation, and quite likely their opportunity to progress. Conversely, the absence of opportunity to develop may have a negative impact on their motivation, and thus their desire to learn or apply themselves.

Expansion Strategies and Organizational Performance

Expansion strategies offer numerous advantages to the organizations operations working in the sector, however there are numerous intricate issues connected with worldwide extension. Some of these issues have been recognized by Dymsza (2008), who highlights the accompanying as the most important: firm should manage different political, monetary, lawful, social and social situations and also different rates of progress inside each of them. Further, national and outside situations are mind boggling in light of national sway issues and broadly varying financial and social conditions. Bonaccorsi and Gobbi (2001) noticed that detachment, culture and national contrasts, and variations in business practices every one of all tend to make correspondence amongst central station and abroad partners troublesome. Balassa (2014) further posit that formulating a good expansion is a great and noble process but unless it is well communicated to all employees in the organization the chances of successful strategy implementation is almost impossible. An organization that seeks to achieve any strategy in order to attain a key success factor such as growth will need to define its concept of the strategy and communicate it in an effectively and timely manner.

Focus Strategy and Organizational Performance

Organizations can make use of the focus strategy by focusing on a specific niche in the market and offering specialized products for that niche. This is why the focus strategy is also sometimes referred to as the niche strategy (Lynch, 2003). Companies employ this strategy by focusing on the areas in a market where there is the least amount of competition. Increased competition in the banking industry threatens the attractiveness of the industry thereby reducing commercial banks' profitability. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Therefore, to remain competitive and outperform their competitors, commercial banks have to develop appropriate strategies to drive their performance. In order to use the focus strategy, commercial banks have to identify a market niche they wish to serve as this enables them to customize their financial services to the needs of that market niche (Pearson, 1999). Thompson, et al. (2002) argue that for the focus strategy to be attractive the target market niche should be wide to enable be profitability and should offer good growth potential. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do not see presence in the niche as crucial to their own success. The strategy aims at growing the market share through operating in narrow markets or niche markets that are commonly overlooked by the larger competitors (Obasi, et al., 2006).

The Agency banking strategy and Performance

An Agency relationship is an arrangement by which licensed institutions engage third parties to offer certain banking services on their behalf. A study conducted by Allen, et al. (2011) indicated that Equity bank has been one of the leading commercial banks that take closer access to financial and banking services to the unbanked and the rural poor through mobile branch establishment, mobile and agency banking and tailor-made financial services. This has increased financial deepening and financial inclusion. Mwando (2013) conducted a study and established that agency banking strategy has had a positive impact on the performance of commercial banks in Kenya especially by increasing their market share thus greater scale of operational costs that translate to increased profitability. A study by Nefa (2013) on Agency banking operations as a competitive strategy of commercial banks in Kisumu City found that the control policies and procedures, technological advancement and regulations put in place by both the agents and commercial banks had made the agency banking operations viable but was facing challenges such as reputational risk, consumer protection and legal risk. Service delivery by the agents had made it cheap to offer banking services like cash deposits and withdraws which was the most common type of transaction noted. Therefore, the focus of the literature is primarily on how other researchers have done in relation to how strategic responses affect organizational performance. Based on the literature review, given that most studies exploring the association between strategic responses and organizational success have been undertaken primarily in industrialized countries with a few exceptions in Africa. As a result, this study will fill up this gap by looking into the effect of strategic responses on organizational performance on Burundian banking industry.

IV. METHODOLOGY

The study applied correlational survey research design in order to collect data from the study samples. Self-administered questionnaire was used to collect data from a sample size of 45 respondents selected from different departments of the Bank. Stratified sampling and simple random sampling were used to select sample. In this study, both primary and secondary source were employed. The collected data was analyzed using Statistical Package for the Social Sciences (SPSS) Version 25.0. Inferential statistics was used. Pearson correlation was used to examine the existence of the relationship between variables, while linear regression analysis was used to explain how the independent variables affected the dependent variable (See table below). The items/questions selected for the study were deemed relevant to the study variables since all content validity indices for all experts and Alpha coefficients were above 0.7.

V. RESULTS AND DISCUSSIONS

This section presents the respondents' views on effect of strategic responses on Organizational performance of Banque de Credit de Bujumbura. Table 1 shows a summary of participants' responses. The inferential statistics were based on variable relationship as given by correlation analysis, coefficient of determination, analysis of variance and regression coefficients.

Correlation Analysis

Correlation was computed to determine the relationship between each aspect of strategic responses and organizational performance. The results were shown in the table below (Table 1) as follow:

Table 1. Relationship results of Strategic responses Aspects and Organizational Performance in Banque de Credit de Bujumbura.

Correlations		
		Organizational Performance
Staff Training Strategy	**Pearson Correlation**	**.425****
	Sig. (2-tailed)	**.004**
	N	**45**
Focus Strategy	**Pearson Correlation**	**.509****
	Sig. (2-tailed)	**.000**
	N	**45**
Expansion Strategies	**Pearson Correlation**	**.504****
	Sig. (2-tailed)	**.000**
	N	**45**
Agency Banking Strategies	**Pearson Correlation**	**.380****
	Sig. (2-tailed)	**.010**
	N	**45**
****. Correlation is significant at the 0.01 level (2-tailed).**		

Table 1 shows that all variables were found to be positively correlated to the organizational performance. Organizational performance had correlation index of .425; .509; .504; and .380 for staff training strategy, focus strategy, expansion strategies, and agency banking strategies which were all significant at 0.01 significant level which implied that use of strategic responses aspects such as staff training strategy, focus strategy, expansion strategies, and agency banking strategies determines organizational performance. The results in (Table 1) were in agreement with Naveed, et al. (2014); Benedicta and Appiah (2010); Balassa (2014); Thompson, et al. (2002); and Mwando (2013).

Coefficient of Determination

Coefficient of determination (R^2) was used to determine the extent to which predictors explained any change in the predicted variable. That is, the degree to which change in organizational performance by 1 unit is explained by strategic responses.

Table 2. Summary model

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.640[a]	.410	.351	.565
a. Predictors: (Constant), Agency Banking Strategies, Staff Training Strategy, Expansion Strategies, Focus Strategy			

Results in Table 2 show an R-Square of 0.410 with standard error of estimate being 0.565. This implied that Strategic responses (through Agency banking strategies, staff training strategy, expansion strategies, focus strategy) explain changes in organizational performance up to 41%. The remaining 59% is explained by other factors that are not considered in this study.

Analysis of Variance

Analysis of variance (ANOVA) was generated to determine the spread of the mean of variables and in particular spread between variables and spread within data.

Table 3. Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.871	4	2.218	6.944	.000[b]
Residual	12.774	40	.319		
Total	21.644	44			
a. Dependent Variable: Organizational Performance					
b. Predictors: (Constant), Agency Banking Strategies, Staff Training Strategy, Expansion Strategies, Fucus Strategy					

As shown in Table 3, F-Calculated (4, 40) =6.944 at 2-tail test and 95% confidence level. The results show p-value<0.05. This implied that Strategic responses significantly explain organizational performance.

Regression Analysis

This was done to generate a regression model as shown in table 4.

Table 4. Regression coefficients

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	1.045	.549		1.902	.064
Staff Training Strategy	.145	.156	.139	.927	.360
Focus Strategy	.220	.144	.245	1.528	.134
Expansion Strategies	.194	.108	.263	1.804	.079
Agency Banking Strategies	.170	.086	.247	1.967	.056
a. Dependent Variable: Organizational Performance					

From the findings, when all the predictors (Staff training strategy, focus strategy, expansion strategies, and agency banking strategies) are held constant, organizational performance would remain at 1.045. In addition, when staff training strategy increases by 1-unit, organizational performance increases by 0.145 units. The same case happens when focus strategy, expansion strategies, and agency banking strategies separately increase by 1 unit leading to increase in organizational performance by 0.220; 0.194; and 0.170 respectively. The model can be summarized as follows: $Y=1.045+0.145X_1+0.220X_2+0.194X_3+0.170X_4$. Where Y is the dependent variable (Organizational performance), X_1=Staff training strategy, X_2=Focus strategy, X_3=Expansion strategies, X_4=Agency banking strategies. The organizational performance will vary because the conditions under which strategy responses are employed within the Bank.

VI. CONCLUSION AND RECOMMENDATIONS

In conclusion, the performance of Bank de Credit de Bujumbura is significantly influenced by the strategic responses employed by the Bank. Given the findings of this study, the researchers recommend that:

- The management should make a clear training policy within the bank and execute it effectively.
- The leadership of BCB ought to identify the areas where this institution is greater and the category of customers it serves better in order to concentrated its efforts and should extend its operations beyond the current location by opening new branch networks.
- There is a need also for the institution to promote Agency banking strategy in its management style.

AUTHORS` DECLARATION

We declare that this study is original research by our research team and we agree to publish it in the journal.

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