



# INNOVATIVE STRATEGIES TO WIN THE FUTURE

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## Developments in banking and financial environment

Banking industry is considered a very important sector which influences the stability of the economy including the interest rates, exchange rates, financial market developments and other related financial matters. At present the banking industry is not only functioning as intermediary but has developed to focus on all the areas of the financial industry including insurance, advisory services, investment banking and Treasury management. The decisions originating from the banks directly impact on the economy of the country.

Due to the development of the banking industry including the expansions of the services rendered to its customers, competition among financial institutions has grown immensely. Therefore to conquer this new competitive situation, the banks have to adopt the perfect innovative strategies which cannot be copied by their rivals.

## Structure of the financial system in Sri Lanka

The financial system in Sri Lanka comprises the major financial institutions, namely the

- Central Bank of Sri Lanka
- Licensed commercial banks (LCBs)
- Licensed specialised banks (LSBs)
- Registered finance companies (RFCs)
- Specialised leasing companies (SLCs)
- Primary dealers (PDs)
- Pension and provident funds
- Insurance companies
- Rural banks, merchant banks
- Unit trusts
- Thrift and credit co-operative societies

The major financial markets, such as the foreign exchange market, money market, capital market and the informal financial market, financial infrastructure are the legal frameworks related to the financial system and the payment and settlement system may be considered as part of the financial industry.



To survive in the field, the banks should adopt appropriate innovative strategic approaches without delay to win in the competitive market. This is very important for all banks as they face the problems of decreasing profit margins, liquidity issues, huge competition and having to function within a heavily regulated framework. Therefore strategies such as the blue ocean strategy or any other appropriate one should be adopted immediately to surmount these problems.

This paper discusses several innovative strategies which could help to overcome the above mentioned problems, especially the competition confronting the banking industry.

Before identifying and applying these strategies, the understanding of the strategy management is important as it gives clear guidelines to be followed in the implementation stages.

## **Strategic approach and strategic management**

Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. Because it involves the making of long term, future oriented, complex decisions and requires considerable resources, top management participation is essential.

Strategic management can be used to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.

## **The origin of strategic management**

The increasing importance of strategic management may be a result of several trends. Increasing competition in most industries has made it difficult for some companies and banks to compete. Modern and cheaper transportation and communication have led to increasing global trade and awareness. Technological development has led to acceleration of changes in the economy.

Regardless of the reasons, past two decades witnessed many organisations being attracted to strategic management. As a result, many perspectives on strategic management and the strategic management process have emerged. They can be identified as follows:

- The traditional perspective
- The resource based view of the firms.
- The stakeholder approach



Descriptions of three perspectives on strategic management can be mentioned as follows.

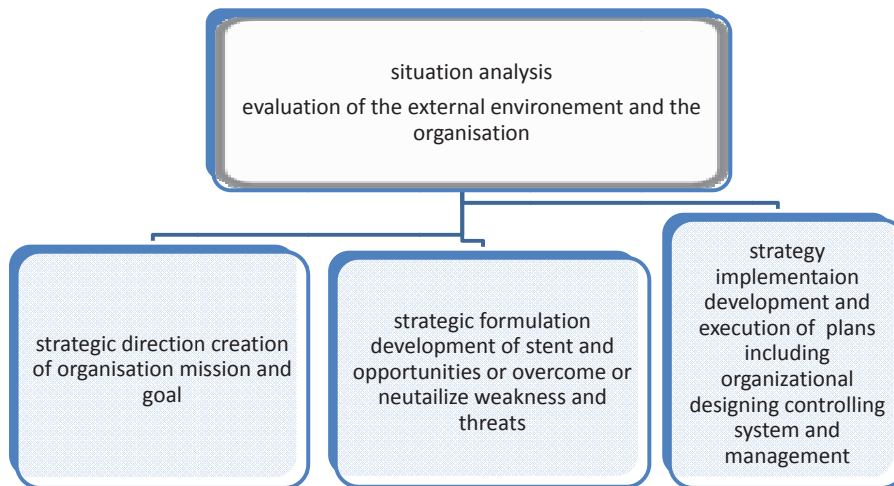
|                                  | Traditional Perspective   | Resource-based view  | Stakeholder view  |
|----------------------------------|---|--|---|
| Origin                           | Economics, other business disciplines, and consulting firms   | Economics, distinctive competitions and general management capability  | Business ethics and social responsibility   |
| View of firm                     | An economic entity  | A collection of resource, skills and abilities   | A network of relationships among the firms and their stakeholders   |
| Approach to strategy formulation | Situation analysis of internal and external environments leading to formulation of mission and strategies                                 | Analysis of organisational resources, skills, and abilities acquisition of superior resources, skills, and liabilities | Analysis of the economic power, political influence, rights, and demands of various stakeholders  |
| Source of competitive advantage  | Best adapting the organisation to its environment by taking advantage of strength and opportunities and overcoming weaknesses and threats | Possession of resources, skills, and abilities that are valuable, rare, and difficult to imitate by competitors        | Superior linkages with stakeholders leading to trust, goodwill, reduced uncertainty, improved business dealing and ultimately higher firm performance |



## The strategic management process

The key activities in the strategic management process include the following.

- A situation analysis of the broad and operating environments of the organisation, including external resources and both internal and external stakeholders.
- The establishment of strategic direction, redirected in mission statements and organisational visions.
- A formulation of specific strategies
- Strategy implementation, which includes designing an organisational structure, controlling organisational processes managing relationship with stakeholders, and managing resources to develop competitive advantage



Strategic planning is a management tool. It is similar to any management tool, and important to the organisation in many ways. Such as,

- To do a better job
- To focus its energy,
- To ensure that employees of the organisation are working toward identical goals,
- To evaluate and adjust the organisation's direction in response to a changing environment.

*"The strategic planning is a discipline that effort to produce fundamental decisions and actions to shape and guide an organization more focused to , what it does, why it does it, and with a focus on future".*

A word by word separation of this definition provides the key elements that underlie the meaning and success of a strategic planning process: The process is strategic because it involves



preparing the best way to respond to the circumstances of the organisation's environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments.

Strategic planning can be complex, challenging, and even disorganised, but it is always defined by the basic ideas outlined above, and an organisation can always return to these basics for the organisation's strategic planning process.

Many banks use these terms interchangeably. Strategic planning and long-range planning differ in their emphasis on the expected environment.

Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the plan's reliability over the duration of its implementation.

On the other hand, strategic planning assumes that an organisation must be responsive to a dynamic, changing environment.

Strategic planning is only useful if it supports strategic thinking and leads to strategic management, the basis for an effective organisation.

Strategic thinking means asking, "Are we doing the right thing?" Perhaps, more exactly, it means making the assessment using three key requirements.

- A positive purpose be in mind;
- An understanding of the environment, particularly of the forces that affect or delay the fulfillment of that purpose; and
- Creativity in developing effective responses to those forces.

In strategic planning it is critical to formally consider how the organisation will accomplish its goals. The answer to this question is a strategy. There are a variety of formal definitions for strategies, but everyone fundamentally agrees that a strategy is the answer to the question, "How?"

"Strategies are simply a set of actions that enable an organisation to achieve results."

Essentially, there are three different categories of strategies:

- Organisational,
- Programmatic,
- Functional.



The difference among these categories is the focus of the strategy.

Organizational strategy outlines the planned avenue for organisational development. Programmatic strategy addresses how to develop, manage and deliver programs. Functional strategies articulate how to manage administration and support needs which impact the organisation's efficiency and effectiveness

Strategy development follows the creation and assertion of the organisation's purpose statement, environmental and program data collection and analysis, and identification of critical issues. It is critical that strategy development follow these steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection. Each of these steps provides the following.

- The purpose statement,
- The statement of the organisation's ultimate goal,
- The direction to which the strategies should ultimately lead.

External market data and program evaluation results provide critical data to support strategy development. Without this information and insight, the organisation's strategies will not be in alignment with or effective in the market. Strategy formulation is a combination of rational, scientific examinations and educated, intuitive best guesses. Many individuals are overwhelmed by the idea of developing strategies, but it can be a fun and refreshing process.

## **The future of banking**

Within the world of banking, customer's needs have not changed nor has the basic nature of the banking services they require. However the way banks meet these needs and the framework within which services are delivered have altered beyond recognition in the last few years.

Bank has had to adapt to a host of new phenomena ranging from regulatory issues, risk management and new technology to globalisation, consolidation and branding.

Therefore retaining the existing customers and increasing the new customer base is a very important matter as it operates within the competitive market. Therefore to identify the new situation as a bank and to create innovative strategies to retain the customer base is very important especially for the commercial bank

The question one must ask is how do we identify the problem and if found, what kind of innovative strategic approach should the bank use to remedy the situation.



## **The innovative strategies and future commercial banking business**

### **-Customer relationship management (CRM)**

Customer relationship management (CRM) is a broad concept for creating retaining and expanding customer relationships in banking which can be used as an innovative strategy. The market becomes much clearer for the customer because of innovative communication.

It is observed that the pressure of competition and customer demand are gradually increasing. Therefore a binding and long term customer relationship seems to be necessary in banking sector. These days, the ability to maximise customer reliability, consistency and durable relationship is critical to creating and managing of customer relationships.

It is believed that CRM is not a product or service; it is an overall business strategy that enables an organisation to effectively manage relationship with their customers. CRM is the business strategy that aims to understand, anticipate, manage and personalise the needs of customers.

At present, many businesses such as banks, insurance companies and other service providers realise the importance of CRM and its potential to help them to acquire new customers, retain existing ones and maximise their life time value.

The reality is that most of the internal customers do not realise this truth or they ignore it without considering its importance. The traditional mentality should be changed if banks are to survive in this competitive market.

Banks individually must be prepared to contribute comparatively better service to its customers as they struggle in the same hostile environment.

The primary reason for the emergence of CRM is the need to transform the marketing environment. By applying CRM, banks can focus on the following objectives.

- To assess the awareness of CRM in banking sector
- To evaluate the service quality offered by banks.
- To analyse decision making activity of banks
- To motivate long-term reliability in the terms of relationship with customer.
- To evaluate the effectiveness of complaint/request management of banks.
- To increase life time value of individual customer through CRM
- To increase instant action to keep hold of the most valuable customers.



## The critical success factors that commercial banks have to adopt in CRM

Critical success factors are very important to success the CRM in banking sector.

The state and private sector banking customers have different views on critical success factors of CRM in banking sector due to the traditional thinking and technical variations of the customer. Some of the factors banks need to consider are given below.

- Continuous innovations
- Behaviour with customer
- Attention towards customer
- Guidelines about facilities
- Reliable assurance
- A good business plan
- Ability to sense, respond quickly, empathy

The state owned banks' customers are more concerned on guidance about facilities, a good business plan and reliable assurance as the first three factors and private sector banking customers are more interested in good business plan, continuous innovation and guidance about facilities. In response the critical success factors guidance about facilities, and a good business plan and reliable assurance act as stronger critical success factors of both the public and private banking customers. It is very important to appreciate the importance of these factors for banks to innovate future banking activities to win the market.

The public and private sector bankers view the critical success factors of CRM on banking differently.

### Critical success factor (Bankers' views)

| Critical success factor customer analysis | Public banking customer | Private banking customer |
|---|-------------------------|--------------------------|
|   | Rank                    | Rank                     |
| Continues innovations                     | 6                       | 4                        |
| Behaviour with customer                   | 4                       | 7                        |
| Attention towards customer                | 5                       | 2                        |
| Guidelines about facilities               | 2                       | 1                        |
| Reliable assurance                        | 4                       | 5                        |
| A good business plan                      | 1                       | 3                        |
| Ability to sense & respond quickly.       | 3                       | 6                        |





The banking business consists of

- Lending, credit facilities
- Issuance and acceptance of cheques
- Providing trade finance facilities
- Issuance of credit cards and debit cards
- Monthly reporting/statement
- Creating new services in timely basis and market the products
- Helping the customers to benefit with online banking and mobile banking
- Treasury services
- And any other services which can be provided by banks

The customer relationship management is the base of the banking services as the banking product can be easily imitated by the competitors.

## **Recommending use of customer relationship management**

Customer relationship management in banking is concerned with

- Attracting
- Maintaining
- Enhancing

The innovative ideas in banking business will help increase the customer service which includes the following factors.

- Supports sales and service composition, and design a concept stores to enact scenarios and capture desired actions and behaviours of customers. Some leading banks used these concepts stores to test new products, service concepts, often involving the customer in the co-creation process.
- Enabling tools and technologies that support customer recognition, welcoming as well as queue management, sales advisor tasks and 'less paper more digitized'
- Design a privilege of the nearest approach that addresses sales and service response paths to customers who visit branches for transaction information and service fulfillment service.
- Support multi branch format and the ability to customise key elements linked to place footfalls and nature of products service request.

Leading banks should adopt the Concepts Stores to enhance the CRM and the Retail Store Concept to overcome the future competition.

If banks apply new "Retail Store" concept they can focus more on featuring interactive advice areas, touch screen technology and more open space in their respective bank branches.



The objective is to change the bank's client experience from "banking" to "shopping" by transforming a traditional branch space into a retail environment.

The concept is described as a hybrid of best-in-class retail shopping and financial services, designed to "support customers' life events." Customers are able to select from a range of self-, assisted- and full-service options and it should be able to offer an approachable environment where customers can interact with banks employees and bank's technology on their terms.

At the end of the day, the banks goal is to ensure its clients are equipped to make informed decisions to help meet their financial goals.

The following photos will give some idea as to how we can adopt/plan the retail store concept. This innovative strategy will create a better image in the mind of the customers. In addition they would get better banking service in the competitive market.

This is the future of the banking. Any commercial bank cannot survive without adopting innovative strategies in future. The following images present the idea how this concept can apply to the bank to provide better service for the existing customers as well as new customers. In future the customer service will become the key factor in doing business in a highly competitive environment.





Bankers have three sources of competitive advantage.

- The ability to learn more about their customers faster than the competitors.
- The ability to turn their learning into action faster than the competitors.
- Delivering a branded customer experience

Finally we can consider CRM as an innovative business philosophy. CRM is the discipline of profitability acquiring and retaining customers in such a way as to consistently improve the customer experience.

Marketing, sales and service are viewed as an ongoing proactive process to satisfy customer needs, exceed customer expectations and increase customer life-time value.

When done properly it provides a WIN-WIN position for both parties.

## **Neighbourhood branch concept**

The “neighbourhood branch” concept would help us to face the competition in emerging banking market of the future.

Recent studies tell us that brand experience and physical convenience are the primary factors when customers select financial institutions. This motivates the banks to make substantial investments in rebranding the customer experience.

Neighbourhood branch concept is a new innovative trend in the banking field. This new market concept supports the customer, and fulfils their banking requirements conveniently. As technology continues to replace branch transactions, the new branches must be lean and highly productive. Neighbourhood branches are smaller with less highly knowledgeable staff. The bank expects staff to develop an intimate knowledge of each community and use the neighbourhood branch as a platform for referral of high value services.

The purpose of the store is to support relationship building. Attitude change is the most important factor that the bankers should understand. And this is the one of the core factors that bankers have to adopt to win the future competition.

## **Core branching principles/strategies that can be adopted**

What makes a neighbourhood branch successful? There has been a significant shift in branching over the past years. Whether it is a large, freestanding bank or a small neighbourhood branch, it is no longer about designing about the product; instead, it's about designing around relationship, convenience and customer experience.

The secret lies in blending and organising all delivery channels. This concept can be one of the solutions if it becomes a platform for connecting all other delivery channels to customers and communities.



Some of the key observations about successful neighbourhood banking are,

- Retail banking has been organised around product based silos, but needs to shift to a delivery philosophy that is integrated across products and channels and is consistent in brand and actions.
- A focus on the customer means that banks need to improve the customer experience by shifting from thinking of themselves as just retailers to becoming providers of a complete customer service model.
- The right people, trained in and passionate about the service must be on the ground to deliver on the brand promise.
- Branches must have adequate space for communications and increased interaction.
- Deep and accurate market intelligence must be used to drive decisions about all aspects of operations, including branch siting and service choices.
- Branches should be positioned to meet community need rather than simply to locate at the most available sites.
- The most effective way to drive innovation is to develop select branch labs to experiment, train and evolve.

This concept also focuses mainly on the customer relationship. Therefore to overcome the future competition, the bank has to adopt new concepts like this.





## Talent and how bank employees leverage their time

There is a saying that successful bankers are the ones who use their time most wisely.

What does productivity mean for commercial bankers? What resources give them the biggest improvement?

When considering technology twenty to thirty years ago, the fax machine was essential for banking business. At present, the innovation such as laptop, blackberry and cell phone are the tools of banking business. In the past networking consisted of different clubs meetings, local fairs and other gatherings. Today, social networking is widespread though as yet unconfirmed.

But we need to understand that the time factor is not change. But the requirements of the customers are changing continuously based on several factors.

Then as now, the effective use of time as a scarce resource differentiates average performers from great ones. Yet time as a strategic resource is often overlooked. We as bankers react to time, but we don't plan for it.

Days and weeks fly by in a flurry of activity, a barrage of e-mails and onslaught of unanswered phone calls. Urgency has taken the place of reflection. Speed has taken the place of caution.

Through all this intensity of activity, time remains constant. There is always more money, but there is never sufficient money. It cannot be stretched or slowed down. Time cannot be borrowed or bought. So the successful bankers are the ones who use this limited resource most wisely. In this competitive market the employees should use time wisely in regard to the services, if not the competitor without any hesitation will seize the market immediately.

The problem is how time is allocated. What does the banker know about where all the time goes? The bankers will spend time for several activities from the beginning of the day. But the problem is whether they use the time wisely.

As found the bankers use their time mostly for following activities.

- Searching, generate sales , marketing
- Provide customer service , solve problems
- Credit review, assessments, monitoring
- Build relationship, meet and contact customers
- Commercial loan selling , processing
- Complete administration task
- Coaching, training, giving feedback
- Conduct annual reviews and meetings



- Complete administrative activities
- Maintaining current business and retention activities
- Any other work related to banking business

## Major priorities

Some time management experts classify tasks into urgent or important activities. Looking backwards it is easy to decide which activities need more attention and planning requirement. Therefore the recommendation for the bankers is to consider different approaches for daily planning which can be divide into

- Priorities
- Responsibilities
- Requirements
- Items that should be deleted, delegated or delayed

The most important thing is to listen to the customers. The bank must plan its work in a proper manner. Successful results begin with thorough planning. Davis Sullivan mentioned this as follows.

*“Planning time is that Holy Grail, where you take a deep breath and exhale and close the door and let the world go by while you thoughtfully spend time thinking about each of your client/customer, each of your prospects, and what are the steps involved to either deepen a relationship or bring one in.”*

Bankers face to four major planning types in their daily business activities.

- The first is strategic or territory planning
- The second type of planning is daily scheduling, often done early in the morning.
- The third type of planning involves preparing for clients visits.
- Finally, sales management deals with forward thinking.

## Service

Once the customer enters the bank, the banker is responsible for delivering a better service to the customer. These services can be cash management services, exception funding, account maintenance, retail banking, international banking, corporate banking, investment banking, insurance services, treasury services or any other related banking service.

There are significant opportunities to increase sales time at the branch level. Call centre support or any computer based application can be used to improve the services of the banks. This strategy could be applied according to the banks requirement and for the benefit of the customers based on their needs.



The challenge for the bank is how the bank should personalise the service to the individual customers. This question has to be addressed by the bank. There is a correlation between the customer loyalty and the bank service. Therefore the customer service will become the key factor in future banking industry. Therefore managing time is the most vital factor in delivering the best service to the customers all the time. The use of technology will make a significant contribution in this matter.

## **Creating Blue Oceans to overcome competition in the banking industry**

Blue Ocean Strategy is a set of tools and techniques which would enable us to develop a strategy that makes competition irrelevant and creates high profit growth.

We knew that the future banking business is very competitive. We also know that the market requirements are progressively increasing at a higher rate. Therefore bankers should realise the importance of innovative strategies that they need to adopt to face this trend. And it should be realised that to win the future, the banks must stop competing with each other.

The financial market can be divided into two categories of oceans. Such as,

- Red oceans
- Blue oceans

Red oceans represent all the industries (banks) in existence today. This is known as the existing market space. Blue Ocean denotes all the industries (banks) not in existence today. This is unknown market space.

In the red oceans, the industry boundaries are defined and accepted, and the competitive rules of the game are known. In this market banks try to beat their rivals to grab a greater share of the existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Due to the huge competition among rivals, the market gets bloody.

Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond the prevailing boundaries, most are created from within red oceans by expanding prevailing banking industry boundaries. Therefore in blue oceans, competition is immaterial as the rules of the game are waiting to be set.

A banker should always be careful to swim in the red ocean. Banks have to go beyond competing. To grab the new profit and growth opportunities of the business, the banks need



to create new markets, which is in the blue oceans. But creating the blue ocean without taking on the proper strategies is a risky endeavour. But this strategy enables banks to face the future challenges or changes in the industry.

## Comparison of the Red ocean and Blue ocean strategies

| Red Ocean Strategy   | Blue Ocean Strategy  |
|--|--|
| Compete in existing market space   | Create uncontested market space  |
| Beat the competition   | Make the competition irrelevant  |
| Exploit existing demand  | Create and capture new demand  |
| Make the value-cost trade off  | Break the value-cost trade off   |
| Align the whole system of a firm's activities with its strategic choice of differentiation or low cost | Align the whole system of a firm's activities in pursuit of differentiation and low cost |

*(Blue Ocean strategy)*

## Six Principles of Blue Ocean Strategy

1. Reconstruct market boundaries. Identify the direction that leads to blue ocean opportunities. Look across industries, groups, buyer groups, product and services, and time.
2. Focus on the big picture, not the numbers. Use a visualising approach to focus on the big picture.
3. Reach beyond existing demand. Businesses concentrate on their current customers. Real growth can lie beyond your existing customers. Focus on potential future customers. Identify the similarities in what the customers and noncustomers value.
4. Get the strategy sequence right.





5. Overcome key organisational hurdles. Identify how your leaders can overcome the cognitive, resource, motivational, and political hurdles in executing your blue ocean strategy.



6. Build execution into strategy. Reduce your risk by beginning blue ocean implementation into your ongoing processes.



Value innovation is the cornerstone of blue ocean strategy. It pursues both differentiation and low cost. It makes the competition irrelevant.

## Conclusion and recommendations

Financial services like banks must provide effective, efficient and reliable service or quickly lose customers to competitors. To avoid huge labour costs, the banks must develop innovative approaches to manage their service delivery process.



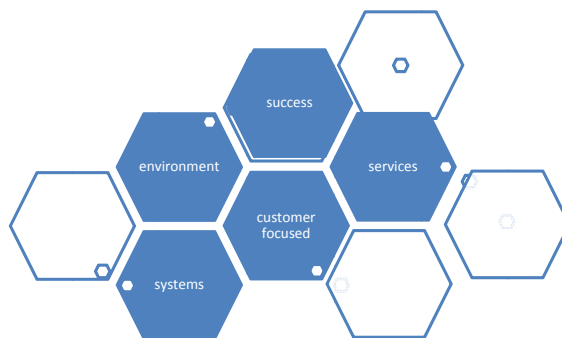
A customer's impression of the bank is influenced greatly by every transaction done with a professional employee of the firm. These professionals create the perceptual realities of the bank to its customers.

Integrating effective management of human resources with the use of new data collection and analysis technologies is one of the most challenging tasks managers face.

- Managing part time and flexible personnel in back room operations
- Bank teller scheduling and management
- improving the psychology of customer queueing experiences
- the design and operation of call centres to take into account cross selling , cross training and learning

On the other hand the creation of valued service to the customer is very important in facing competitive bank environment of the future. Value creation is both an outcome and process. This is the smoothly running business which has four key elements. Therefore all employees should focus on the strategy very much. Such as,

- customer value focused strategies
- customer value focused services
- customer value focused systems and
- customer value focused measures of success



It is unquestionable that the banking industry has changed to an extraordinary extent since the morning in 1851 when Johann Konrad Fischer visited a London bank to cash a cheque. Banks are considerably more than simple custodians and lenders of money nowadays.

They not only have their pulse on the world's finances, but, in a very real sense, are that pulse. The banking profession has also changed to an enormous extent-management within this rich technological banking era.



It is foreseeable that banking business will in future be completely taken over by computers. The need for the human touch in banking will be minimised. Followings are the few changes that can be anticipated in the banking field.

- Cheques are going to disappear
- A electronic purses will take the physical cash duties
- The branch network will continue to shrink as the bulk of the population switch over to internet banking
- The only branches that will survive will be those that satisfy normal retail business hurdles, such as sales per square feet or metre. The idea of a branch as a place that a bank provides to allow its customers to carry out simple banking transactions will seem laughable.
- Much greater depth of on line functionality.
- The traditional investment banking model is dying
- The underwriting will be less important
- The current wholesale banking professions are going to be de-emphasised or even eliminated by new technological applications. For example the forex desk will be replaced by web-based tools, whereby bank customers can carry out forex transactions through their on-line banking systems
- Bank develops partnerships with supermarket chains.
- The business model will change in the future banking.
- New technology forces traditional banks to rethink the roles that the banks play now.
- The new intermediaries will come from all industries. Could certainly envision a future where technology is the intermediary.
- On line consumer banking will seize the traditional market

Delayed in the present as we are, the future is something we can only glimpse and make inspired guesses about. Even those of us who make our living from the banking industry are ultimately, is restricted to inspired guesswork rather than certain knowledge of what will happen.

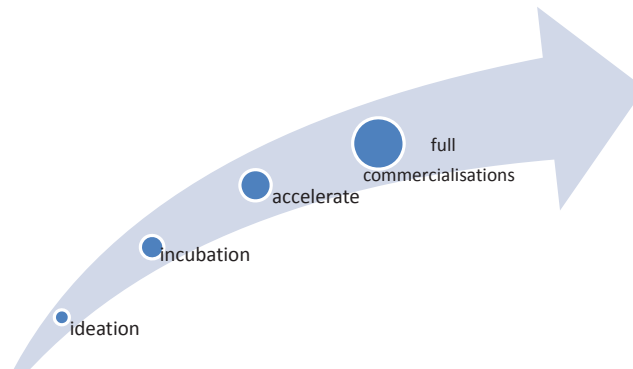
Ultimately, the future of banking is the future of human society and nobody knows exactly how society will turn out. The only absolute certainty is that people will need banking services, will want those services delivered quickly, conveniently, at a time of their choosing and on a format they can understand and can use.

Banks that make real, creative and concerted efforts to respond to this need have every right to expect profitability and success- and are likely to wind up enjoying them.

This reality should be understood by the employees of the banks. Otherwise even if they apply any of the aforementioned strategies the struggle for survival will be a nightmare.



The client - driven innovation in banks can follow the four steps given below.



On the other hand if it is intended to recreate the business model to face the competition threat, it should be followed by strategic study. The effectiveness of a business model is relative to the environment in which it operates, greatly influenced by culture, religion, politics, regulations and many other factors.

That said, new business models offer fresh perspectives on how to enhance significantly the existing banking offering and introduce new services.

As retail banks establish strategic initiatives to reshape the organisation, redesign its products and realign technology to provide higher levels of service to their customers and a greater return to shareholders, the bank must remember the fundamental characteristics of successful transformation. Such as

- Leaders must embody the transformation ethic
- The management team must be emotionally united
- Employees need a rallying cry to action
- Hierarchical organisational structures must be minimised
- Simple performance measures must be established to report on the effectiveness of the initiatives.
- At least one core competency must set the firm apart from its competitors.

The key to generating long-term value with strategic is for management teams to create mechanisms to push decisions down to the lowest level within the organisation that can effectively handle the problem. A strategic initiative must be definition of an expressed goal of the management team, encapsulated in measurement that disseminates the mechanisms of control to the business process.

Effective strategic initiatives place the management as a resource in the organisation, not a control point in the process.



Finally the future banking industry will change tremendously. This will happen with the amazingly advanced technology which will create the customer experience .Therefore the customer requirements will change and to face this challenge banks must adopt a perfect and correct strategy as discussed above.

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