Dimensions Used in the Development of Banking Strategy in Romania and China

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Abstract. Due to the dynamics of the market and the financial crisis, the banking system has experienced different stages of development. In order to identify the important dimensions to be assessed and taken into account in the development of a strategy, the questionnaire-based survey was used. The questionnaire was applied to Romanian participants. Respondents consisted of bank managers or directors. Following the application of this questionnaire the data have been interpreted and outlined actions to be taken into account for the Romanian banking competitiveness. Researching the literature hypotheses for Romania and China has been assessed.

Introduction

Dynamics of the business environment and globalization has led to changes in customer behaviour and to the intensification of marketing actions [1, 2]. This is also felt in the banking industry. In this industry, competition, technology, innovation, security and safety are among the important dimensions to be integrated into strategic actions [3, 4, 5]. Banks in Romania have recorded an upward trajectory over the last period. The economic crisis has put its mark on this field initially, after which banks have begun to develop and adapt their products to the needs and desires of their customers [2, 3].

The paper aims to identify the important dimensions that need to be integrated in the formulation of a growth strategy. The situation from Romania is presented. At the end of the paper the characteristics of the banking system in China are presented.

The Banking System in Romania

Market Study in Romania

The present study aims to study and identify the most important criteria for developing a strategy following the financial crisis for banks in the Western region of Romania. The target group consisted of 50 bank managers in Romania. The questionnaire was applied face to face and in the online environment as well.

The hypotheses of the study were suggested by the numerous research of the literature, the banking experience and the interviewing of managers and bank directors from the Western region of Romania.

Hypotheses:

Hypothesis 1: Strategic planning is present in the banking system (validated)
Hypothesis 2: The level of competition is high in the banking industry (validated)
Hypothesis 3: The bank's competitiveness is directly proportional to innovation, costs and security of services and products (validated)
Hypothesis 4: Corporate social Responsibility (CSR) activities contribute to increased loyalty (validated).
Hypothesis 5: Customer relationship management is very important in this banking industry (validated).

The tool used in this market research was the questionnaire. The target group consisted of 50 bank managers in Romania (30 retail banks). This questionnaire is structured on 3 important parts. The first part refers to the organizational environment, the second part to the banking activities and the third part to the respondent's identification. The structure of this questionnaire is presented in Table 1. The questionnaire was applied predominantly face to face to evaluate the respondent's para-verbal language and thus the recorded results are correct and real and avoids the respondent's predisposition for certain answers. This questionnaire was also implemented in the online environment using Google Form.

<table>
<thead>
<tr>
<th>Section</th>
<th>Criterion</th>
<th>Interpretation</th>
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<tr>
<td>I. Organizational Environment of Strategic Planning (3 criteria)</td>
<td>Current planning</td>
<td>What is the current approach to strategic planning</td>
</tr>
<tr>
<td></td>
<td>The importance of strategic planning</td>
<td>By scalar appreciation (from 1 to 5)</td>
</tr>
<tr>
<td></td>
<td>Bank Features in Strategic Planning</td>
<td>Team, Defined Goals, Engaged Employees, Motivation, Employee Culture, Learning, Stimulation</td>
</tr>
<tr>
<td>II. Banking activities (5 criteria)</td>
<td>Current competition</td>
<td>Level appraisal</td>
</tr>
<tr>
<td></td>
<td>Competition in the future</td>
<td>Level forecast</td>
</tr>
<tr>
<td></td>
<td>Competitiveness of the bank</td>
<td>Customers, products, innovation, security, safety, accessibility, quality, management, human resources, new technologies, privacy.</td>
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<tr>
<td></td>
<td>CSR activities</td>
<td>The importance of these activities</td>
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<td></td>
<td>Assessing the degree of innovation</td>
<td>Identifying 5 products and services</td>
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<td>III. Identification</td>
<td>Products and services held</td>
<td>Identifying the market segment</td>
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<td></td>
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<td>Channels for sale</td>
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<td></td>
<td>Current strategy</td>
<td>Presentation</td>
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<tr>
<td></td>
<td>Personal data</td>
<td>Respondent data</td>
</tr>
</tbody>
</table>

The results obtained from the study are presented on the three categories existing in the structure of the questionnaire. Each category contains a series of responses that are evaluated and interpreted in this section. In the process of interpreting the answers, no reference will be made to the bank from which the respondent comes, the performance of certain banks is not evaluated and none of these are promoted in order to avoid conflicts of any kind.

Results obtained for Section I. Organizational Environment of Strategic Planning

a. The current state of strategic planning

The 50 respondents replied 98% affirmatively when interviewed about the existence of a strategic plan within the bank they run. Only one respondent said there was no well-defined strategic plan. Of the survey respondents, 98% besides the strategic plan also have strategic planning processes so that the result obtained contributes to the achievement of the objectives.

From the perspective of the instruments used for strategic planning, the following numerical results (number of respondents) were recorded: More than 45 of the interviewed have strategic plan, risk management process, investment plan and political norms and national procedures. 35 of the interviewees use the general business plan. This question allows for multiple answers.

b. The overall impact of strategic management

It has been obtained that over 90% of managers appreciate all stages of strategic management. All respondents, 100%, consider that the planning and implementation phases are very important. No moderate / not important scale responses were recorded.

c. Considerations on strategy development
Considerations on the strategy relate to a number of elements that are or must be included in the development of a strategy. It is noted that 80% of managers are responsible for the developed strategy, while only 5% are sometimes considered responsible. Strategic objectives and vision are presented in 85% of the cases, and in 10% of the cases they state that employees do not consider these concepts important, and that the employees consider that important is just work.

In all analysed banks, employees are motivated to record the best financial results. There are opportunities for development, but the fluctuation of personnel leads and contributes to the inefficiency of this approach. Sometimes the side effects are also known, i.e. for the 90% of the interviewed managers.

From the perspective of customers, it is observed that market studies are being carried out to identify new customers' wishes, i.e. in 78% of the interviewed cases. Due to the large flow of clients and operations, team learning is replaced, in isolated cases, by self-learning.

Managers say all employees are being stimulated to bring new and innovative ideas. This activity, in some banks, is awarded.

The results obtained for Section II. Banking activities

Bank managers appreciate 70% that the banking industry has a very high degree of competition. Of the respondents, 20% say that the level is high, while only 10% specify that the level is medium. Appreciations in the low and very low area were not recorded. Respondents believe that the level of competition will experience a noticeable decline, saying that the level of bank transactions has now reached a high level, and a steep decline will follow. 70% of managers predict this situation, while 25% of managers believe that there will be growth.

In order to assess the competitiveness of a bank, we have included to discuss / select with the respondents elements related to: customer relationship management, quality, customer expectations, innovation, product marketing, safety and security, bank processes, IT evolution and other adjacent elements. Therefore, the description of bank competitiveness contributes, according to the respondents, to the situation below. It can be seen that 100% of the following categories of success factors have been achieved:

- Marketing
- Customer relationship management
- Quality of processes / operations
- Organizational / bank management
- Customer loyalty
- Safety provided to customers
- Security of products and services
- Adaptation to technological advance.

This section includes a range of CSR activities that can be addressed or implemented by bank managers. Because this question allows for multiple answers, I have chosen the numerical representation of the answers obtained from the interview process. After interpreting the answers received, it is noticed that all managers, 100% of the respondents, published a CSR report and the whole activity contributes to the image of the bank in the business environment. 44 respondents say they have been granted recognition as a result of this activity. 46 of the 50 interviewees believe that these CSR activities are important to the bank.

The results obtained for Section III. Identifications

This section of the questionnaire applied to bank managers or directors includes 4 categories of information. The information contained refers to: the products and services held, the sale, the current strategy and the personal data. Each category is presented below.

Respondents say for the banks they run, 100 percent include banking, corporate banking, investment banking. With products for more market segments and tailored to needs and desires, the level of competitiveness can grow.
Respondents present banks that have subsidiaries and agencies in Romania. The number of agencies and branches exceeds 100 in the analysed cases. Money transfer services, current account, term deposits, loans, investment services and insurance are present in all the assessed banks.

Respondents claimed 78% that their bank strategy is based on the principles of sustainable development and includes the three dimensions: social, economic and environmental, based on technological advances.

Of managers, 16%, include social practices in the strategy that it develops and implements. 4% of the interviewees say that the strategy is based on environmental, social and not only principles. Only 2% consider the concept of sustainable development a myth, without concrete actions.

China's Banking System

In the study [5, 6, 8], the fuzzy modelling presents the importance of factors that contribute to increasing the quality of services. It is specified that products and services need to be constantly improved and technologically updated, to strengthen the customer relationship and to satisfy the needs and wishes of the clients. In this industry, competition is fierce in China.

Discussion

Among the results obtained by applying the questionnaire to 50 managers from the Romanian banks some are expected. These results were reinforced by solid arguments obtained during the application of face-to-face questionnaires. Following the study, we can conclude that:

a. Managers know the importance of strategic planning taking part in strategic management in real terms;

b. There is a very high degree of appreciation for the importance of strategic planning;

c. Banks in Romania use updated tools for strategic planning;

d. Employees know the goals and banking vision and are supported in the ideas they share;

e. The development process can be improved and reassessed as the hiring flow is continuous as a result of the resignations;

f. There is a high level of competition in the banking system;

g. This competition tends to decline over the next 3-5 years;

h. Banking competitiveness leads to the use of new technologies, the use of marketing and the enhancement of security and safety;

i. CSR activities are considered important and contribute to improving the image of the bank;

j. Strategies and activities need to be developed on the basis of a number of factors, which integrated and engaged, lead to positive financial results.

Evaluating the results obtained can validate or invalidate the initial assumptions. Their situation is presented in the following table, Table 2. Validation or invalidation of these are using qualitative data presented and interpreted in the previous section. For each hypothesis the sections that participated in the validation process and the arguments of the decision taken by the author are presented.
Table 2. State of initial hypotheses.

<table>
<thead>
<tr>
<th>Hypothesis - state</th>
<th>Section covering the hypothesis</th>
<th>Results and arguments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1: validated</td>
<td>Section I I.1. The current strategic planning phase I.2. General impact on strategic management I.3. Considerations on strategy development</td>
<td>98% of managers have an appropriate strategic plan, processes and tools 100% of respondents say that strategic planning is very important 80% of managers are responsible and apply the developed strategy</td>
</tr>
<tr>
<td>Hypothesis 2: validated</td>
<td>Section II II.1. Current competition II.2. Competition in the future</td>
<td>70% of managers say that there is a very high degree of competition in the banking industry. Of the respondents, 20% say that the level is high, while only 10% specify that the level is medium. A decrease in competition is expected among respondents.</td>
</tr>
<tr>
<td>Hypothesis 3: validated</td>
<td>Section II II.3. Business Competitiveness</td>
<td>100% was obtained for the following categories of success factors: marketing, customer relationship management, process / operations quality, organizational / bank management, customer loyalty, customer safety, product and service security, adaptation to technological advance</td>
</tr>
<tr>
<td>Hypothesis 4: validated</td>
<td>Section II II.4. CSR activities</td>
<td>100% of the respondents published a CSR report and the entire activity contributes to the bank's image in the business environment. 44 respondents say they have been granted recognition as a result of this activity. 46 of the 50 interviewees believe that these CSR activities are important to the bank.</td>
</tr>
<tr>
<td>Hypothesis 5: validated</td>
<td>Section II II.3. Competitiveness of the bank II.4. CSR activities</td>
<td>100% respondents said that customer relationship management contributes to the bank's competitiveness. 100% of respondents appreciated that the customer communication process is very important.</td>
</tr>
</tbody>
</table>

Following the study of the literature, the hypotheses 2, 3, 5 are validated. CSR activities are not a priority for many banks in China. Activity planning is sometimes performed over short periods of time [5, 6, 8].

Conclusions

Competitiveness in the banking industry is influenced by technological advances and is built on customer needs and desires. The banking strategy must be based on the 5 validated assumptions that contribute to the systematization of the strategy's actions.

References


