The relationship between strategic thinking and peak performance in branch banking

by

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First and foremost, I thank God, my creator. He empowers me daily through his love and grace. Because of Him, I am able to achieve anything.

To my late Mother, for sacrificing the small pleasures that she could have enjoyed so that I could have so much more.

To my wife and children, Pranitha, Alikah and Mikhail, thank you for your unconditional love. You are the reason why I strive to be better.

To Lucas Luckhoff, thank you for your encouragement to pursue the MBA, and for your support during difficult times. You are a good friend.

To Camy, my friend, for the help you have afforded me in this journey.

To my supervisor, Prof Jan Kotze, thank you for the ongoing guidance and support that enabled me to produce this paper.
DECLARATION

I, RAJIV SINGH, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the North West University, Potchefstroom. It has not been submitted before for any degree or examination in this or any other university.

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Rajiv Singh

Signed at DURBAN on the 22nd day of September 2010.
ABSTRACT

This study was undertaken within the Branch Banking business unit of YY Bank, a major player in the South African financial services industry.

Following the need to drive superior overall performance within branch banking, while creating an aspiration element for top managers who are career orientated, selected branches were grouped into the Associate model. The Associate model can be described as the formalisation of an “owner-manager” model that empowers the Associate Manager through a defined mandate with broader or higher discretion relating to aspects of its operations.

During the recruitment and selection process, it became evident that while candidates maintained a sound operational perspective of the business, their strategic thinking ability was in some instances, somewhat and in others, seriously lacking.

The research objective of this study was to determine the relationship between strategic thinking and overall peak performance among Associate Managers. The Stratified Systems Theory (SST), composed by Elliott Jacques (1989) formed the basis and guiding principle of this study. The study constituted a dependant variable – the potential capability score (CPP) and four independent performance measurement variables.

A literature study was pursued to establish the relevance of strategy and the contribution of strategic thinking towards overall performance. The view of Thompson Jr, Strickland & Gamble (2010: 17) holds that a strategy-focused business is more likely to be a strong bottom-line performer than a company whose management team does not take strategy-making responsibilities seriously. A further notion about strategic thinking is that it implies thinking “outside the box” and it precedes strategy formulation. Another citation by Allio (2006: 4), points out that the prime objective of strategic thinking is to place the organisation in a competitive position.
The study sample constituted all incumbents who were successfully appointed as Associate Managers. The results of a multivariate statistical analysis suggests no relationship between CPP and overall peak performance. Within the context of branch banking and Associate Managers, certain inherent factors point to this outcome – a key aspect being the largely operational nature of a bank branch. Despite the result and, taking into cognisance certain study limitations, we cannot conclude that strategic thinking does not contribute towards peak performance and recommendations are made for further explorative study.

A decade of shifts within the industry has promoted an increase of new entrants. These banks are now, with the aid of technological advancement, becoming sophisticated in their product and service offerings and are able to target and penetrate complex markets. Clearly, competitiveness has heightened which, demands of Branch Banking and the Associate Manager, a new and refreshed perspective towards the business outlook.

Associate Managers must now, to a greater degree, interact and adapt to ongoing changes in an increasingly complex and challenging market. This requires an integrated, holistic approach towards business planning and strategy execution. No longer can Associate Managers sustain profitable returns purely through an operational orientation but must adopt a balanced approach in their strategic insight, operational and risk management, resource management as well as strategy execution.

For Branch Banking, it becomes increasingly necessary to develop and harness strategic thinking skills among individual managers which, in turn, will facilitate strategic insight and bode well for strategic planning. Further, the business unit should continue to apply the CPP assessment tool in the recruitment process – particularly for managerial appointments - in order to determine individuals’ cognitive potential and identify skills development opportunities among incumbents.

In an effort to encourage strategy formulation among Associate Managers, the responsibility for certain functional strategies (sales and service) should be decentralised thereby encouraging strategy formulation at local and branch level.
Associate Managers have been generally good at executing strategy but the future, in all its possibilities, demands a certain level of strategic insight in order to enable a competitive positioning within the local market.
Table of Contents

TITLE PAGE ......................................................................................................................... 1

ACKNOWLEDGEMENTS .................................................................................................... 2

DECLARATION ..................................................................................................................... 9

ABSTRACT ........................................................................................................................... 4

CHAPTER 1 – NATURE AND SCOPE OF STUDY ............................................................... 9

1.1 Introduction .................................................................................................................. 9

1.2 Background to study .................................................................................................. 10

1.3 Problem statement ..................................................................................................... 14

1.4 Objectives of the study .............................................................................................. 17

1.4.1 Primary objective .................................................................................................... 17

1.5 Scope and Demarcation of field of the study ............................................................. 17

1.5 Research Methodology .............................................................................................. 18

1.5.1 Literature Study .................................................................................................... 18

1.5.2 Empirical Study .................................................................................................... 18

1.6 Limitations of the study ............................................................................................ 19

1.7 Layout of the study .................................................................................................... 20

CHAPTER 2 – LITERATURE STUDY .............................................................................. 21

2.1 Introduction ................................................................................................................ 21

2.2 The Associate Managers’ Job Profile and the relevance of Strategy ....................... 23

2.3 The Associate Manager as a Strategic Leader ......................................................... 25

2.4 Strategic Planning and the Associate Manager ......................................................... 28

2.5 Strategic Thinking ..................................................................................................... 32

2.5.1 Strategic Thinking – A Cognitive /Mental Process .............................................. 34

2.5.2 Elliot Jaques’ Stratified Systems Theory (SST) .................................................... 36

2.5.3 Organisational Learning ...................................................................................... 40

2.6 Performance in the context of Branch Banking ....................................................... 41
2.6.1 The Balanced Scorecard (BSC) in the context of an Associate Branch.......................... 42
2.6.2 The Associate Out-Performance Bonus (OPB)............................................................... 43
2.6.3 The Associate Leadership Index.................................................................................... 44
2.7 Strategy and Performance................................................................................................. 45
2.8 Conclusion ....................................................................................................................... 46

CHAPTER 3 – EMPIRICAL RESEARCH FINDINGS AND DISCUSSION .................................. 47
3.1 Introduction...................................................................................................................... 47
3.2 Participants...................................................................................................................... 47
3.3 Measuring instruments.................................................................................................... 50
3.4 Statistical Analysis.......................................................................................................... 53
3.5 Results ............................................................................................................................ 53
3.6 Conclusion ...................................................................................................................... 56

CHAPTER FOUR – CONCLUSIONS AND RECOMMENDATIONS ........................................ 58
4.1 Introduction...................................................................................................................... 58
4.2 Conclusion...................................................................................................................... 60
4.3 Recommendation ......................................................................................................... 62
4.4 Action Plan Matrix ....................................................................................................... 64
4.5 Summary ....................................................................................................................... 65

REFERENCES ...................................................................................................................... 66
CHAPTER 1 – NATURE AND SCOPE OF STUDY

1.1 Introduction

A country’s economy is influenced by socio-political changes, developments in technology, the promulgation of different legislation and shifts in both domestic and international markets. These changes have recently occurred with increasing regularity. Market conditions are, in turn, influenced by supplier and consumer behaviour, competitor activity including the threat of new entrants as well as technology enhancements which spur innovation and the creation of substitute products (Kotler and Armstrong, 2001). These external factors, as well as internal dynamics within an organisation require different and varying approaches in the strategic direction that organisations adopt. As stated by King and Solomon (2004:1), for organisations to acquire or retain a sustainable competitive advantage under dynamic conditions, there is a need for their business models to transition from one organisational stage to another.

The strategic direction of an organisation would be informed through a process of strategic planning. The strategic planning process, in turn, is guided by a critical element of influence and cognitive thinking ability that lies in the leadership of an organisation. According to Eggers and Leahy (quoted by King and Solomon, 2004) different managerial leadership capabilities are required at each organisational stage. According to King and Solomon (2004:2), leaders of organisations must have the capability to view their businesses in a future state and possess the strategic insight that will contribute towards the organisation’s performance.

This paper sets out to determine the relationship between strategic thinking and peak performance within a business unit. The paper will focus on Branch Banking, a business unit in YY Bank, a major player in the South African financial services industry. As a basis of study, we will use the Associate model (hereinafter also referred to as Associate branches) that was recently introduced in Branch Banking. The remainder of this chapter provides a background to the study, discusses the problem statement, sets out the objectives, describes the scope of the study and discusses the research method to be adopted.
1.2 Background to study

YY Bank is a major player in the South African financial services industry. YY Bank’s business model is based on market segmentation and comprises six business units, each operating autonomously within the strategic scope of the greater Group. The high-level structure of YY Bank is depicted below:

**Figure 1.1**

High-level structure of YY Bank

Branch Banking is one such business unit and serves as the delivery channel for YY Bank’s market segmented business units. Comprising six-hundred and ninety branches throughout South Africa, YY Bank is not only highly represented but also widely located to cater for different local market needs. Varying market conditions have given rise to different representation models within Branch Banking. The Associate model was born out of a need to drive superior overall performance within the branch banking business unit, while creating an aspiration element for top
managers who are career orientated. The Associate model can be described as the formalisation of an “owner-manager” model that empowers the Associate Manager through a defined mandate with broader or higher discretion relating to aspects of its operations.

The Associate branches constitute two hundred branches represented throughout South Africa. Associate branches cater for mixed markets within the corporate, business and consumer segments. To identify branches qualifying for Associate status, a classification model was applied to the entire population of branches utilising the following variables to determine branch complexity:-

- Market demographics
- Market growth potential
- Number of employees
- Total Revenue
- Transaction Volumes

An internal company strategy document prepared in 2009, listed the following characteristics as prevalent among associate branches:-

- Markets representative of Corporate, Business and Consumer segments with proportionate growth potential in all segments;
- Opportunities to market and sell diverse products and services requiring high-advice and handle high complexity transactions;
- Number of employees greater than twenty-five;
- Total revenue greater than R14 million per annum;
- Average financial transaction volumes greater than 15,000 per month.

Given the aforementioned and the objective of superior overall performance, an extensive recruitment process was employed with stringent selection criteria. Over and above minimum qualification and experience requirements, competency in the following areas was also a requirement among others:-
• Strategic Planning to achieve a sustainable competitive advantage in the local market;
• Sound Business acumen and understanding of financial reports;
• People development.

The Associate Manager is responsible and accountable for the overall performance of the branch, the measurement of which is based on the Balanced Scorecard and entails the following:-

• Agreed profit growth;
• Efficiencies - measured through Cost to Income ratio;
• Growth in profitable market share through quality new sales and cross-selling;
• Customer Service;
• Acceptable audits in processes and procedures;
• People training and development.

The hierarchal structure of an Associate branch is depicted below:-

Figure 1.2
Typical Organogram of an Associate Branch

Source: Internal Company document (2010)
The diverse nature of markets served and the resultant complexity of services and transactions handled at branch level would necessitate a relatively balanced view of the business in terms of leadership, strategic planning and operations management. An associate branch would render a wide range of service offerings in the following categories:

- Transacting bank accounts
- Savings and Investments
- Credit facilities
- Insurance products
- Foreign exchange services, and
- Financial planning

The Associate Manager’s role is to effectively deploy, lead and manage skilled and specialist resources towards achieving the branch’s objectives. Further, the incumbent will anticipate future market developments and trends through an integration of strategic planning and market insights. The Associate Manager’s capabilities in strategic thinking and operations management can be regarded as critical success factors. Given the visionary-leadership nature of the role, we would propose that the strategic thinking capability be emphasised and further predict that it is through strategic thinking that the branch attains a competitive market position which enables peak overall business performance.

During the selection process, it was established that while candidates may have demonstrated an in-depth knowledge of operational and routine functions, their strategic thinking ability or ability to view the business holistically was in some instances, somewhat and in others, seriously lacking.

We also know that in cases where managers possess strategic thinking ability, they are able to identify and capitalise on wider opportunities and position their businesses far more effectively within their local market thus ensuring overall peak performance.
Our interest in this topic spurs from the need to develop and promote this competency which, we believe, will enable managers to engage in strategy formulation and execution thus differentiating their businesses to ensure sustainable overall peak performance.

1.3 Problem statement

Given that the objective of business is to deliver and improve shareholder wealth, it is imperative that we understand the drivers or levers (both internal and external) that contribute to overall performance. It is also worthwhile to obtain an understanding of how performance is perceived within the organisation. Does performance entail achieving or exceeding against set targets within a given reporting period or does it go further to include elements of sustainability, effectiveness, efficiency and people-organisation goal-alignment? In other words, should we rather not be referring to the concept of peak performance which constitutes the optimal use of all resources which are goal-aligned? Currently, the balanced scorecard, which is used to measure and rate overall business performance, encompasses largely four key result areas (KRAs) that require management focus: –

- Financial
- Customer
- Operations
- People

The balanced scorecard distinguishes between financial performance and strategic performance, the latter being leading indicators of a company’s future financial performance. (Thompson Jr, Strickland & Gamble, 2010: 34). It has been observed that managers tend to focus on each element of the scorecard in isolation with the aim of achieving or improving individual KRA scores. This approach which drives performance in “compartments” omits the element of balance and demonstrates a major shortcoming in management’s holistic view of the business. In other words,
there is a gap in their ability to think strategically. Strategic thinking entails three elements – dialogue, creativity and holistic thinking (Bonn, 2001: 64).

**Figure 1.3**

**Elements of strategic thinking**

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Source: Adapted from Bonn (2001) Developing Strategic thinking as a core competency, *Management Decision Journal*

The competency of strategic thinking is a prerequisite to the foundation of the strategic planning process (Bonn, 2001:64). Strategy assesses the current state, projects the desired future state and entails addressing the gaps to achieve the desired future state. Strategic thinking is a synthesising process utilising intuition and creativity which outcome is an “integrated perspective of the enterprise” (Mintzberg, 2005:37). Clearly, the absence of a strategic plan or a strategic path would lead a business aimlessly. Being subjective to market and competitor forces such a business remains vulnerable and at greater risk whilst in existence.

One could assume that a significant contributor to this shortcoming is an historic one, where branch managers were mandated to manage the operations while general managers and executives were solely responsible for the strategic direction of the organisation. Further, prior job descriptions that were assigned to branch managers constituted largely routine and operational tasks with little or no element relating to strategy formulation and execution. Branch Managers’ orientation therefore directed
largely towards operational and routine functions. In the case of the associate model, the job role of the Branch Manager has transitioned from largely operational to that of Associate Manager which requires a degree of strategic capability. King and Solomon (2004: 2) makes mention of an organisations transition from one stage to another progressive stage which demands that capabilities and skills also transition from lower level processing to higher order of thinking.

The strategic thinking competency gap has never been considered a problem until now. With the creation of business units where performance is measured at cost centre level, each business unit should engage in strategy formulation and establish plans to interrelate with other units while defining its position in the marketplace. Todays major leadership challenge is to remain strategic while seemingly everyone else focuses on a vast array of reactive tactical thoughts and actions (Paparone & Cruc, 2005: 38).

The lack of strategic thinking ability or this competency gap, presents the following questions within the Branch Banking context:-

- What is the role of strategic planning at branch level, specifically an associate branch?
- What is the actual competency level or gap among Associate managers?
- Does strategic thinking relate to or influence performance, in this case peak performance?
- Is there a need to build and harness this competency within Branch/Associate Managers?

With the introduction of the Associate Model within Branch Banking and the formalisation of the business unit’s “owner-manager” approach, Associate Managers now assume responsibility for strategic planning and strategy execution within the parameters of the national strategy however confined and differentiated to their local markets. According to the Stratified Systems Theory by Elliot Jaques (1989) (as quoted by Grobler, 2005: 1), the complexity of work increases as one progresses up
the hierarchy. Further, the ability of an individual to change and acquire new skills and knowledge may be based on their potential capabilities and cognitive ability.

This evolution of strategy engagement at all levels within Branch Banking presents an ideal opportunity to explore the relevance of strategic thinking as a competency and its interrelatedness or relationship with overall peak performance.

1.4 Objectives of the study

The objectives of this study constitute only a primary objective.

1.4.1 Primary objective

The primary objective of this study is to establish the relationship between strategic thinking and overall business performance also referred to as peak performance.

Further, a list of recommendations will be drafted and provided to YY Bank as a guide to addressing the shortcoming in the Associate Model.

1.5 Scope and Demarcation of field of the study

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Management and Economic Sciences (Business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject</td>
<td>Strategy Formulation and Implementation</td>
</tr>
<tr>
<td>Geographic Demarcation</td>
<td>South Africa – Countrywide</td>
</tr>
<tr>
<td>Industry</td>
<td>Financial Services</td>
</tr>
<tr>
<td>Organisation</td>
<td>First National Bank – Branch Banking</td>
</tr>
</tbody>
</table>

The study will focus on the Branch Banking business unit of YY Bank, specifically the Associate Model, which branches are represented nationally.
1.5 Research Methodology

The methodology followed in this study constitutes both secondary and primary research. (Kumar, 2005: 119-141)

1.5.1 Literature Study

This involves the collection of secondary data from the following sources:

- Peer reviewed Journal articles
- Consult library catalogue for relevant books and journals articles
- Electronic bibliographic databases for management literature eg. EBSCO
- The internet eg. Google scholar for full text articles etc.
- Theses and dissertations for previous research

1.5.2 Empirical Study

The empirical study involves the collection of primary data and will be assimilated through application of the Cognitive Process Portfolio assessment tool (CPP). The Stratified Systems Theory (SST), composed by Elliott Jacques (1989) will form the basis and guiding principle of the empirical research. SST proposes that, at individual level, strategic thinking competency can be measured on a continuum with level one being the least strategic (largely operational) and level five being strategic.

As the complexity of job roles progress from largely routine functions towards unified holistic systems, SST purports that individual competency should grow and progressively increase in degree and level of judgement and discretion, from pure orientation to pure strategy.

A research sample comprising seventy Associate Managers will be assessed using the Cognitive Process Portfolio assessment tool (CPP) to establish their potential
capability score (PC) which correlates to the SST hierarchy of complexity and work orientation.

The respective balance scorecards, financial reports and index scores will be used as a measure of overall performance.

The relationship between strategic thinking and performance will be established through a statistical multivariate analysis.

1.6 Limitations of the study

- Associate Managers performance history is limited to one year
- Study only within Retail Bank cannot be generalised to other industries and countries
1.7 Layout of the study

This research study is divided into four chapters, the layout of which is depicted below:

- Chapter One provides the nature and scope of study - presents a background to the study, states the problem and objectives of the study, briefly describes the scope of study, its limitations and the research method to be applied.

- Chapter Two will focus on the Literature review and will explore the concept of strategic thinking, planning and performance from a theoretical perspective with the discussion alluding to these concepts with the Branch Banking environment.

- Chapter Three discusses research methodology, delves into the empirical research and involves the presentation and discussion of results.

- Chapter Four provides a list of conclusions and recommendations.
CHAPTER 2 – LITERATURE STUDY

2.1 Introduction

Within most organisations, management’s objective is to maximise shareholder wealth. Management, in turn, commit to pursuing a particular set of actions which aim to improve overall financial and market performance. (Thompson Jr, Strickland & Gamble, 2010: 6). In its quest to move from “good to Great” and become known as the fastest profit growing bank in the industry within three years, YY Bank directed its focus on the following strategic “pillars” of success:-

- Enduring, rewarding relationships
- People
- Efficiencies
- Innovation

The importance of the “people” pillar is emphasised here as it is through people, their abilities, skills, competencies and experience that the organisation’s “knowledge institution” is developed. This “knowledge base”, in turn, defines and paves the organisation’s strategic path. Collins (2001:13) states that “good to Great” companies first ensure that the right people are on the bus, the wrong people off the bus and the right people in the right seats. Collins (2001:13) also refers to “first who then what”, implying that the right people in the right roles create the platform to formulate and pursue the organisation’s strategy. Grobler (2005: 3) points out that the appointment of managers with the necessary cognitive capabilities at different levels within the organisation may impact the overall effectiveness of the organisation. According to Bass (as quoted by Grobler, 2005:2), cognitive skills include analytical ability, logical thinking, concept formation, inductive and deductive reasoning and there is strong evidence that conceptual ability is related to managerial effectiveness, specifically in managerial and leadership roles. By ensuring that the different roles within the organisation are occupied by people with the required mental complexity, the overall organisation is enhanced (King and
Nicol, (1999:239). King and Nicol, (1999:239), also refer to Elliot Jaques’ Stratified Systems Theory (SST) and point out that organisations can measure individual potential capability (PC) to more effectively align individuals and their roles.

Within the Branch Banking business unit, the following strategic drivers were adopted in order to pursue the overall “good to Great strategy”:-

- Sales
- Service
- **People and Knowledge**
- Risk Management

The people component which represents the “knowledge base” or “capability resource pool” facilitates or enables operational and strategic decision making within Branch Banking which, in turn, influences overall performance of YY Bank. The aforementioned is aptly relevant to the associate model where Associate Managers are responsible and accountable for overall performance of their respective Branches. The Associate Branch is characterised by a higher degree of difficulty and greater complexity (ie. serving diverse markets, wider products and services on offer, wider branch functionality) than a normal branch. It is therefore, of equal importance that the Associate Manager be effectual in viewing the business from a holistic and integrated perspective, thus demonstrating insight in both the operational and strategic realms that influence the business.

In determining the relationship between strategic thinking and peak performance within Branch Banking, we will explore the different elements relative to strategy and performance. First, we briefly introduce the Job Profile of an Associate Manager compared to that of a Branch Manager. Next, we pursue a discussion on the concept of leadership and it’s relevance to the Associate Manager. We then discuss the concepts of strategy, strategic planning and strategic thinking and relevance thereof to the Associate Manager. We allude to the “reasoning process” associated with strategic thinking and provide some insight into learning organisations. This chapter then covers the elements of performance, particularly peak performance and
productivity. Accompanying the performance discussion, it is necessary that we discuss the measures of performance, with emphasis on the tools applied within the Branch Banking environment (ie. the Balanced Scorecard, Associate League Table and Leadership Index Score). Finally, we will draw the link between strategy and performance.

2.2 The Associate Managers’ Job Profile and the relevance of Strategy

The Job Profile of an Associate Manager constitutes the following:-

Table 2.1
Job Description of an Associate Manager

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Operations Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Acquire and place resources.</td>
<td>• Drive efficiencies in processes.</td>
</tr>
<tr>
<td>• Aligning resources to address market opportunities.</td>
<td>• People Management.</td>
</tr>
<tr>
<td>• Local market understanding and analysis for competitive positioning.</td>
<td>• Infrastructure and security.</td>
</tr>
<tr>
<td>• Formulate and execute a “local” business strategy – including tactical plans.</td>
<td>• Ensure adherence to procedures.</td>
</tr>
<tr>
<td></td>
<td>• Compliance.</td>
</tr>
<tr>
<td></td>
<td>• Financial Budgets and monitoring.</td>
</tr>
</tbody>
</table>

Source: Associate Job Profile – Internal Company Document (2010)

The strategic component of the Associate Managers’ Job Profile is necessitated by the complexity in planning and decision-making involved within an Associate Branch and its environment.
When compared to the Job Profile of a normal Branch Manager, where key activities relate mainly to operational and routine tasks, the Associate Manager clearly fulfils a strategic leadership role in the associate branch.

The Job Profile of a Branch Manager constitutes the following:

*Table 2.1*

**Job Description of a Branch Manager**

<table>
<thead>
<tr>
<th>Financial</th>
<th>Ensure Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ensure Branch is managed within budget</td>
</tr>
<tr>
<td>Customer</td>
<td>Institute a sales and service plan to deliver on customer needs and meet expectations of targets</td>
</tr>
<tr>
<td>Process</td>
<td>Adhere to documented processes and procedures to minimise risk</td>
</tr>
<tr>
<td></td>
<td>Ensure compliance in all operational processes.</td>
</tr>
<tr>
<td>People</td>
<td>Recruitment, Selection and Performance management – including Coaching.</td>
</tr>
</tbody>
</table>

**Source:** Branch Manager Job Profile – Internal Company Document (2010)
2.3 The Associate Manager as a Strategic Leader

In order to steer strategy implementation efforts in the right direction, companies utilise several strategy implementation drivers, leadership being top of the list (Ehlers & Lazenby 2010: 281). The authors further state that leadership is found at all levels of the organisation. This further implies that successful strategy implementation and strategic change also depends on leaders and managers throughout the company. Ehlers and Lazenby (2010: 283) point out that strategic leadership involves managing through others and influencing human behaviour in order to achieve certain goals. Reflecting on the Associate Manager, some key responsibilities would include:-

- Developing an appropriate vision or strategic direction for the branch within the respective local market;
- Communicating the chosen strategic direction to employees and other stakeholders (eg. segment and product houses);
- Motivating employees towards achievement of strategic goals;
- Together with the Associate Coach and Provincial Executive, design appropriate reward systems and organisational structures;
- Ensure the incorporation of good corporate governance into the branch business.

Louw and Venter (2006: 365) point out certain key characteristics common among strategic leaders:-

- Have a synergistic combination of managerial and visionary leadership;
- Emphasise ethical behaviour and value-based decisions;
- Oversee operating (day-to-day) and strategic (long-term) responsibilities;
- Formulate and implement strategies for immediate impact and long-term sustainable growth;
- Use strategic and financial controls with the emphasis on strategic controls;
- Use, and interchange, tacit and explicit knowledge on individual and organisational levels;
- Use linear and non-linear thinking;
- Believe in strategic choice, that is, their choices make a difference in their organisation and environment.

The role of the Associate Manager constitutes both, strategic and operational elements, necessitating a broad and integrated perspective of the Branch business on their part. Hill and Jones (2007:32) state that the key strategic role of both functional and general managers is to use all their knowledge, energy and enthusiasm to provide strategic leadership in order for subordinates to develop peak-performing organisations.

Louw and Venter (2006:352) further mention that leadership occurs at all levels within the organisation, with the best organisations having leaders at all levels. For an Associate Branch to compete successfully within it’s local market, the choice, formulation and execution of strategy is important. Leadership is needed to drive all aspects of the branch strategy as documented in the Branch Business Plan. The Associate Manager, as a strategic leader, should therefore posses strategic thinking capability – a precursor to strategy formulation.

The following model illustrates the capabilities and tasks of strategic leadership. The tasks have been adapted to reflect relevance within an Associate Branch.

**Figure 2.1**

**Capabilities and tasks of strategic leadership**

![Figure 2.1](image)

Source: Adapted from Louw and Venter (2006:355)
According to Coetsee (2002:63), successful manager-leaders create motivating visions and inspiring goals which they wish to achieve. Coetsee (2002:55) further states that management-leadership comprises two core aspects – what and who the person is (character) and what the person can do and how effective he or she is in the given role. Leadership is a process whereby an individual influences others to achieve a common goal (Kreitner & Kinicki, 2007:509). Kreitner and Kinicki (2007:511) further list leadership characteristics as follows:

- Motivating, influencing and changing behaviour;
- Inspiring, setting the tone, and articulating a vision;
- Managing people;
- Being Charismatic;
- Being visionary.

In order to achieve the branch’s overall objectives, there is a need for aligned-commitment of the Associate Manager and employees. The Associate Manager must not only understand and communicate the overall performance benchmarks and expectations for the branch but must institute a goal-aligned strategy that can be “cascaded” at individual level in the form of tactical plans.

According to Jacques and Clement (as quoted by Grobler, 2005:10) managerial leaders are characterised by the following:-

- **Cognitive ability** to execute tasks effectively;
- Relevant skills, knowledge and experience;
- Sound knowledge of people and the leadership of other;
- Sound emotional and temperamental characteristics.

Of the one hundred and ten associate branches selected for the research study, fifty-two percent have staff assessments in excess of forty employees. Thompson _et. al._ (2010:6) point out that strategy formulation is not restricted to the position of CEO. The quality of leadership and strategy is instrumental in maintaining and improving
competitive performance (O’ Regan & Ghobadian, 2004:76). It is imperative that the Associate Manager possess the required leadership attributes – particularly the ability to illustrate what success would like for the branch and define the road-map towards getting there.

2.4 Strategic Planning and the Associate Manager

Abraham (2006:9) defines strategic planning as the process by which one develops a strategy to achieve certain purposes. The author states that in addition to establishing the vision (where the business is going) and strategy (how it will get there), other valid purposes include:-

- Increasing company shareholder value;
- Increasing market share;
- Increasing sustainable profits.

Khumalo (2004:23), points out that strategic planning is well understood as a management tool that has the capacity to assist in setting the direction of the business thereby also enabling control. The author also points out that strategic planning serves as a link between the organisation and it’s environment, ensuring that all its activities are in keeping with the external milieu. The aforementioned would suggest that businesses must plan to allocate and align resources towards optimising opportunities presented in the local market.

McNamara (as quoted by Khumalo, 2004:23) indicates that the development of a strategic plan greatly helps to clarify the organisation’s plans and ensures that key role players are “in sync” with where the business is heading. Further, strategic planning is viewed as a structured approach to anticipating the future and “exploiting the inevitable”. Abraham (2006:9) refers to strategic planning as an “art” which constitutes creativity and discipline and draws on individuals’ know-how, experience and intuition.
During facilitated local market strategy workshops, Associate Managers undertake a SWOT analysis to determine their branch strengths and weaknesses and to identify opportunities and threats that are prevalent in their local environment. After understanding the gaps between the current state and desired future state, key strategic drivers are identified, upon which, a business plan is formulated. The business plan contains detailed tactical plans as well as action dates and names of “owners” accountable for execution or implementation thereof. It would be appropriate that employees participate in the preparation of the branch business plan as this constitutes the “what” and “how” of the overall strategy. In driving the business towards improved overall performance, the Associate Manager and his team could adopt a strategy, incorporating one, if not all, of the following “strategic drivers”:-

- **Knowledgeable and skilled employees** leading to overall effectiveness;
- **Market awareness** by anticipating future changes in the local market and responding before the competition;
- **Service Excellence** which would serve to attract new clients and retain existing ones;
- **Efficiency** through prudent management of the operation
The aforementioned process is consistent with the Strategic-Analysis Model – That Works (SAM™) illustrated below:

**Figure 2.2**

A Strategic-Analysis Model- That Works (SAM™)

Source: Adapted from Abraham (2006: 55)

The Associate Manager is considered to be the “market owner” wherein the branch is located. It follows, that the Associate Manager should acquaint himself with local market trends and developments in order to anticipate current and future changes and respond competitively. Further, as a “business owner”, the Associate Manager must possess a very good understanding of the branch operation in order to realise greater effectiveness and efficiencies within the business. In formulating the Branch Business Plan, the Associate Manager identifies key strategic drivers and directs focus towards these in order to align the branch towards achieving set targets and objectives.
The table below illustrates the high-level Strategy-Making, Strategy-Executing process for a typical Associate Branch.

**Table 2.2**

The Strategy-Making, Strategy-Executing for an Associate Manager

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>Develop Strategic Vision</td>
<td>Grow profitable market share of branch within the respective local market.</td>
</tr>
</tbody>
</table>
| Phase II | Set Objectives | In line with the balanced scorecard measures, set objectives to:  
- Grow profits;  
- Grow Sales;  
- Improve Operational efficiency;  
- Manage Risk;  
- Improve Service delivery;  
- Develop and Lead people. |
| Phase III | Crafting Strategy to achieve objectives and vision | Formulate a business plan incorporating a Sales and Service plan, People Development Plan, Efficiency and Risk Management Plan. |
| Phase IV | Implement and Execute the Strategy | Contract with employees and include tactical plans respective and aligned to the job role and branch objectives. |
| Phase V | Monitoring, Evaluating and applying remedial action | Use of management reports and strategic review sessions to inform progress and actions required. |

Source: Adapted from Thompson et al. (2010: 24)
2.5 Strategic Thinking

Koontz & Weikrich (as quoted by Khumalo 2004: 22), argue that for strategic planning to be most effective, the exercise must go beyond just resource allocation but accompany strategic thinking relative to:-

- Market and competitive positioning;
- Organisational structure;
- Management information;
- People rewards.

Strategic thinking is deriving alternative viable strategies or business models that deliver customer value (Abraham, 2006: 12). The author elaborates further by stating that strategic thinking is applicable to many levels and not restricted to executive job roles within the organisation. The value of strategic thinking is often evolving, latent, or conditional and may thus be diluted considerably. Abraham (2006: 16) further states that strategic thinking implies thinking “outside the box” or having the ability to view things from a holistic and integrated perspective, implying “big picture” thinking. A further notion about strategic thinking is that it precedes strategy formulation.

According to Allio (2006: 4), strategic thinking involves the systematic analysis of the current situation of the organisation or business and the formulation of its longer-term direction. Allio (2006: 4) also states that the prime objective of strategic thinking is to place the organisation in a competitive position.

Katz and Khan (as quoted by Grobler, 2005: 14) state that effective managers should have adequate “external perspective” to assist them in making complex, unstructured decisions and to develop or create processes to address business needs and formulate strategy to ensure objectives and goals are achieved.

Allio (2006: 4) makes reference to the ten cornerstones of strategic thinking, four of which are relevant to the Associate Manager and listed below:-
Table 2.3
Strategic Thinking: the Four Big Ideas

<table>
<thead>
<tr>
<th>Long-Range Planning</th>
<th>Associate Managers should contemplate the allocation of resources beyond the current year, consider relevant external factors and integrate the various functional strategies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Analysis</td>
<td>Involves a market analysis (market segments within a local market), SWOT analysis and competitor analysis (five-force analysis)</td>
</tr>
<tr>
<td>Scenario Planning</td>
<td>Refers to the formulation of alternative possible futures for the branch and its environment as a means of exploring different strategies.</td>
</tr>
<tr>
<td>Metrics that Matter</td>
<td>The use of the balanced scorecard, financial reports and associate league table.</td>
</tr>
</tbody>
</table>

Source: Adapted from Allio (2006:4)

Strategic thinking derives the ‘right” strategy for a company that might increase shareholder value and improve it's competitiveness (Abraham, 2006: 16). The author mentions five principal dimensions of strategic thinking for consideration.
Table 2.4
Principal Dimensions for Strategic Thinking relative to Associate Managers

<table>
<thead>
<tr>
<th>How to be different</th>
<th>Differentiation through service excellence and convenience, skilled and knowledgeable employees and operational effectiveness.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being entrepreneurial</td>
<td>Associate Managers operate within a defined mandate with higher discretion in terms of branch operations. Rewards are aligned to performance.</td>
</tr>
<tr>
<td>How to find more opportunities</td>
<td>Associate Managers should explore and analyse their local markets to identify and optimise growth opportunities.</td>
</tr>
<tr>
<td>Being future orientated</td>
<td>Associate Managers should anticipate future trends and local market developments in order to respond with a competitive advantage.</td>
</tr>
<tr>
<td>Whether to be collaborative</td>
<td>Associate Managers should collaborate with other business units and segments within YY Bank in order to optimise resources and ensure sustainability.</td>
</tr>
</tbody>
</table>

Source: Adapted from Abraham (2006: 17)

2.5.1 Strategic Thinking – A Cognitive /Mental Process

Current research has grown steadily on cognitive biases in strategy making and on cognition as information processing, knowledge structure mapping, and concept attainment – the latter important for strategy formation (Mintzberg & Lampel, 1999: 23). The author also refers to another view of the strategy process which maintains that cognition is used to construct strategy as creative interpretations, rather than simply map reality is some more or less objective way, however distorted.

In order to determine a strategic path and implement strategic action plans, the manager-leader needs to engage in a strategic reasoning process which, in the main, comprises mental or cognitive activities required to define and solve problems (Louw & Venter, 2006:356). Cognitive complexity entails a paradigm shift from the
predictable and controllable to a model of complexity. The following model represents the strategic reasoning process:

**Figure 2.3**

Mental or Cognitive activities of the strategic reasoning process

Source: Louw and Venter (2006: 356)
The following table illustrates the applicability of the above model to an Associate Manager:

<table>
<thead>
<tr>
<th>Mental or Cognitive Activities relative to an Associate Manager/Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identifying the problem or objective</strong> To ensure sustainable profit growth within a competitive and complex market.</td>
</tr>
<tr>
<td><strong>Diagnosing the nature of the problem</strong> Market constitutes competitors offering similar products and services.</td>
</tr>
<tr>
<td><strong>Conceiving how the problem should be addressed</strong> Establish key strategic drivers – Service, People</td>
</tr>
<tr>
<td><strong>Realising what action should be taken</strong> Implement tactical action plans</td>
</tr>
</tbody>
</table>

Source: Adapted from Louw and Venter (2006:356)

2.5.2 Elliot Jaques’ Stratified Systems Theory (SST)

As competitor and market dynamics continue to influence organisational strategies and structures, managers are required to grow and acquire new skills. In its response to competitor and market forces as well as people development, YY Bank instituted the associate model. This development in the business model necessitates a transitioning from one level, Branch Manager (mainly operational) to the next level, Associate Manager which constitutes a strategic orientation. The Elliot Jaques’ Stratified Systems Theory suggests that managers’ ability to change and assimilate new skills and knowledge may be based on their potential capabilities and cognitive ability (Jaques & Clement, 1991:3; Grobler, 2005:1).

**Role Complexity**

The notion that managerial leadership behaviours and/or capabilities will determine the organisations’ performance outcome remains relevant and applicable to the Associate Manager and his or her branch. Consistent with the (SST), King and
Solomon, (2004:2) point out that a manager-leader is required to organise, resolve problems and provide meaning for his or her subordinates. Given the aforementioned, individual potential capability should be aligned to the respective levels of work within an organisation in order to deliver or achieve desired outcomes. This leads to the problem of finding conditions where the managers’ capabilities will contribute to the organisation’s performance and finding a measure for an individual's capability (King and Solomon, 2004: 2).

The (SST) proposes that an organisation should be structured in such a manner so that managerial roles, task complexity of each level and an individual's potential capability (PC) are aligned (King and Solomon, 2004: 2). Further, as the organisation grows, managerial layers also increase. These layers or levels enhance in complexity and therefore pose new conceptual challenges for decision making within organisations.

*Time-span of Discretion*

The (SST) defines the “time-span of discretion” as “the targeted completion time of the longest task or sequence in a role” (Jaques and Clement 1991: 97; King & Solomon, 2004: 3). Elliott Jaques developed a system for measuring executive roles, using the time-span discretion as a measure for role complexity. The following illustrates:-

<table>
<thead>
<tr>
<th>Time-span Discretion and level of Complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day to 3 months</td>
</tr>
<tr>
<td>3 months to 1 year</td>
</tr>
<tr>
<td>1 year to 2 years</td>
</tr>
<tr>
<td>2 years to 5 years</td>
</tr>
<tr>
<td>5 years to 10 years</td>
</tr>
</tbody>
</table>

Source: Jaques and Clement (1991: 100)
Further to the time-span of discretion, Jaques noted that complexity progresses from one stage to the next higher at each managerial level. The (SST) postulates that in order for individuals to perform tasks at different levels of complexity, the individual should be capable of applying certain mental processing capabilities at that level in order to be effective (Jaques and Clement, 1991:116).

*Mental Processing*

Jaques (as quoted by King and Solomon, 2004:4) states that “mental processing is the individual’s “mental working processes by which an individual analyses and interprets information, assimilates and reorganises it, judges and reasons it, makes conclusions, plans and decides, and takes action”.

The Stratified Systems Theory (SST) maintains that an individual’s potential capability to perform work at a certain level is determined by his or her level of complexity of mental processing (King and Solomon, 2004:4).

The SST model works on a continuum, with level one being the least strategic (largely operational) and level five being strategic. As the complexity of job roles progress from largely routine functions towards unified holistic systems, SST purports that individual competency should grow and progressively increase in degree and level of judgement and discretion, from pure orientation to pure strategy.

The SST purports that at Level 1, goals and tasks are clearly defined and dealt with one by one. Level 2 comprises broader goals that are clearly defined with eighty percent of tasks being routine. Level 3 entails work that consists of a variety of familiar and unfamiliar contexts. Whilst goals are specified at this level, methods of achieving them are not. Level 4 entails open and ambiguous contexts where goals are not specified. At this level there is a need to develop plans and policies. At level 5, contexts are complex and unstable. There is a need to construct whole new rules and systems at this level (Jaques & Clement, 1991:93; King and Solomon, 2004:5; Grobler, 2005:34; King, Solomon & Fernald, 2001:6).

The following describes the involvement of an individual with a Level 3 potential capability (PC) within an organisation:-
- Be involved in self-directed activity within broad guidelines;
- Has full responsibility for the nature, quality and quantity of outcomes, processes and teams;
- Uses informed judgement to evaluate alternatives and anticipate outcomes;
- Communicates up and down the ranks with ease.

**Figure 2.3**

SST Level Five Hierarchy


Within the context of the Associate Manager, we pointed out that the associate model is characterised by branches that have a higher degree of difficulty and greater complexity than a normal branch. Given that Associate Managers work within the framework of defined, broader goals, these individuals would need to formulate localised strategies within the current strategic scope of Branch Banking. The
context of the work or tasks executed by an Associate Manager can be regarded as relatively stable with opportunity to optimise existing models and methods to achieve the set goals. Further, the Associate Manager’s time-span for operational and strategic planning will rarely exceed five years, five years being for the most complex task. The individual fulfilling this middle management role, according to the SST should possess a potential capability relative to, at least, a Level 3 in the hierarchy.

2.5.3 Organisational Learning

In order to proactively respond to market and competitor opportunities and challenges, there is a need for innovative thinking within the Associate Branch. Further, improved performance is, in part, the result of efficiency. One could safely attribute both innovative thinking and efficiency to the process and culture of “continuous learning”. According to Davis and Daley (2008: 51), a company’s ability to learn and innovate is a key strategic driver of the company’s capability to improve overall performance. The authors further state that conquering new markets and achieving a sustainable competitive advantage requires applied learning. Noble (2007: 220) refers to the following action imperatives that contribute towards harnessing the organisational learning concept.

- Connect the organisation to its’ environment;
- Promote inquiry and dialogue;
- Create continuous learning opportunities;
- Establish systems to capture and share learning;
- Empower people towards a collective vision;
- Encourage collaboration and team learning.

The local market wherein the Associate Branch operates is continuously transforming. Changes in socio-political and economic factors contribute to ongoing changes in the local market. The Associate Manager must anticipate future trends
and developments through an understanding of the local market and through ongoing analysis and assessment of the local environment. This “knowledge” will serve to inform operational and strategic decision-making in support of achieving the Branch’s end objectives.

**2.6 Performance in the context of Branch Banking**

Coetsee (2002: 139) defines performance as the realisation of goals and meeting of expectations. In order to understand what performance entails for Branch Banking, the question to be posed is “How does Branch Banking define success?” Emanating from the organisations’ strategic intent (to be the fastest profit growing bank within three years) and the related strategic drivers (*Enduring Rewarding Relationships, Efficiency, People and Innovation*), we deduce that success will constitute elements of sustainable profit growth, loyal customers and motivated and energised people through effective leadership. The measurable objectives are listed as follows:-

- Growth in Sales
- Profit growth
- Cost to Income Ratio
- Leadership capability (LEI Score)
- Customer Service (CSI score)

The above measurable objectives are applicable to the Associate Branch and are encapsulated in the Branch Balanced Scorecard.

Based on the size, complexity and market potential of an Associate Branch, achievement hurdles and benchmarks are “stretched” as compared to a normal Branch. Given the aforementioned and the importance of Leadership capability towards achieving set goals and objectives, perhaps the following definition of performance as stated by Coetsee (2002: 139) is more apt in the context of the Associate Model.
“Peak performance is seen as the realisation and utilisation of the potential of team members and the realisation of goals and expectations”

2.6.1 The Balanced Scorecard (BSC) in the context of an Associate Branch

According to Thompson et. al. (2010: 35), the balanced scorecard (BSC) proves the optimal measure of performance in that it tracks the achievement of both financial and strategic objectives. Kaplan and Wisner (2009: 38) state the balanced scorecard was developed, in part, for multidimensional performance measurement and constitutes a set of measures within broad categories. The four traditional categories relate to financial, customer, internal processes and the people development perspectives. More specifically, the BSC serves to link long-term strategy with short-term actions. Broady-Preston and Hayward (1998: 283) state that the BSC is a performance measurement framework with two key objectives, converting strategy into specific goals and communicating the strategy throughout the organisation.

Within Branch Banking, the Financial perspective constitutes a thirty-five percent weighting, Customer perspective including Sales, thirty-five percent, Internal perspective, fifteen percent and People perspective fifteen percent. Benchmark hurdles are applied to each key performance measure and multiplied by the respective weighting. Branches are scored out of five hundred points and ranked accordingly. The balanced scorecard results are published on a monthly basis, as part of the Associate national league table.
The applicability of the BSC in the context of an Associate Branch is illustrated below:

### Table 2.6

Branch Banking Balanced Scorecard Dimensions

<table>
<thead>
<tr>
<th>Strategic Perspective</th>
<th>Key Performance Indicator</th>
<th>Strategic Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>Sales Index</td>
<td>Sales Revenue/ Income</td>
</tr>
<tr>
<td></td>
<td><strong>Profit growth</strong></td>
<td>Product Mix ratio</td>
</tr>
<tr>
<td></td>
<td>Cost: Income</td>
<td><strong>Revenue Growth</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expenditure Growth</td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td>Sales Index</td>
<td>Cross-sell ratio</td>
</tr>
<tr>
<td></td>
<td>Customer Experience</td>
<td>Migration to Electronic channels</td>
</tr>
<tr>
<td></td>
<td>Migration</td>
<td><strong>Voice of Customer Score</strong></td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td>Audit Ratings</td>
<td>Internal Audit score</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>People Index</td>
<td>Performance Management</td>
</tr>
<tr>
<td></td>
<td>Leadership Index</td>
<td></td>
</tr>
</tbody>
</table>


2.6.2 The Associate Out-Performance Bonus (OPB)

The Associate national league table comprises all the BSC key performance measures as well as growth in Asset and Liability values.

An additional performance or success measure for Associate Branches is the out-performance bonus (OPB) which is the desired reward for an Associate Manager. The OPB is directly linked to performance which measurements are as follows:-
- Profit Growth
- Customer satisfaction
- Internal Audit Ratings
- Leadership Index Score

Figure 2.4
Elements of the Associate National League Table

2.6.3 The Associate Leadership Index

As part of a broader “culture climate survey” (BBCM) undertaken in Branch Banking, a list of questions has been compiled to evaluate the effectiveness of leaders within Branch Banking in the following categories:-

- Communication;
- People Motivation;
- Performance Management

The Leadership Employee Index (LEI) is used as an individual indication of leadership performance for each person in a leadership role. The questionnaire is applicable to Associate Managers and will be incorporated as part of the empirical study in chapter four.

### 2.7 Strategy and Performance

Thompson *et. al.* (2010:6) state that a company's strategy constitutes management's action plan for running the business and conducting operations. Strategy addresses the “how” in the following contexts:-

- How management intends to grow the business
- How it will build a loyal customer base and out-compete the rivals.
- How each functional area will operate?
- How performance will be boosted.

Thompson *et. al.* (2010:6) further point out that strategy involves adopting a combination of competitive and operational approaches that would direct a company in the desired direction which, in turn, strengthens its market position and competitiveness and boost overall performance.

Strategic choices are seldom easy decisions (Thompson *et. al.*, 2010:6). This would imply that the respective job role carries a degree of complexity which necessitates that the incumbent at the respective level possess the required cognitive ability in order to execute effective decision-making.

Thompson *et. al.* (2010:6) also points out that strategy consists of competitive moves and business approaches that managers employ to grow their businesses and to achieve the targeted levels of performance. Strategy, on one hand, requires a
proactive stance and a **good strategy boosts company performance** (Thompson *et. al.*, 2010: 11). A clear and reasoned strategy is management’s prescription for doing business, its road map to competitive advantage, its game plan for pleasing customers and improving financial performance (Thompson *et. al.* 2010: 17). The authors continue to emphasise the contribution of strategy towards performance in that a **strategy-focused business is more likely to be a strong bottom-line performer** than a company whose management team does not take strategy-making responsibilities seriously.

The Associate Managers’ Job Profile clearly indicates the strategic as well as operational nature of this role. Instituting a sound strategic plan is a critical success factor towards achieving overall peak performance.

### 2.8 Conclusion

Strategy formulation and strategic planning provide the working framework to determine where the associate branch is going, what needs to be done to get it there and then devise the supporting plans to achieve or accomplish the desired end-state.

The Associate Managers’ precursor to strategy formulation and strategy implementation is strategic thinking, a cognitive ability to identify and resolve the strategic problem (competitive positioning to achieve a competitive advantage) within the respective local market. Strategic thinking was defined as a complex cognitive or mental process and provides the scope and context for an empirical study in the next chapter.
CHAPTER 3 – EMPIRICAL RESEARCH FINDINGS AND DISCUSSION

3.1 Introduction

The aim of this chapter is to describe the research process that was pursued to determine the relationship between strategic thinking and peak performance among Associate Managers within Branch Banking. Further, a statistical analysis was performed and results thereof are reported and interpreted.

3.2 Participants

The study was undertaken within Branch Banking, a business unit of YY Bank - a major player in the South African financial services industry. The research population focused on the associate model and constitutes all applicants who completed the CPP assessment as part of the application process for the position of Associate Manager.

A non-probability judgemental sampling method was followed. (Page & Meyer 2005:98). The sample constitutes all individuals who were successfully appointed as Associate Managers and represents sixty-three percent of the research population.

<table>
<thead>
<tr>
<th>N</th>
<th>111</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>70</td>
</tr>
</tbody>
</table>
The sample gender, age, work experience and qualification distribution tables are presented below:

Table 3.1
Gender Demographics

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>Male</td>
<td>49</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.1 indicates that most of the appointed Associate Managers are males and constitute seventy percent of the sample.

Table 3.2
Age Distribution

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-35</td>
<td>12</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>36-40</td>
<td>17</td>
<td>24</td>
<td>41</td>
</tr>
<tr>
<td>41-45</td>
<td>16</td>
<td>23</td>
<td>64</td>
</tr>
<tr>
<td>46-50</td>
<td>11</td>
<td>16</td>
<td>80</td>
</tr>
<tr>
<td>51-55</td>
<td>10</td>
<td>14</td>
<td>94</td>
</tr>
<tr>
<td>55+</td>
<td>4</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.2 indicates that more than half the appointed Associates are of ages 45 and younger.
Table 3.3
Distribution Table - Years of Experience as Branch Manager

<table>
<thead>
<tr>
<th>Years Experience</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10</td>
<td>6</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>11-20</td>
<td>28</td>
<td>40</td>
<td>49</td>
</tr>
<tr>
<td>21-30</td>
<td>26</td>
<td>37</td>
<td>86</td>
</tr>
<tr>
<td>31-40</td>
<td>10</td>
<td>14</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>70</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.3 indicates that seventy-seven percent of the appointed Associate Managers possess between 11-30 years of experience as Branch Manager.

Table 3.4
Distribution Table – NQF Qualification

<table>
<thead>
<tr>
<th>NQF Level</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>7</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>44</td>
<td>63</td>
<td>73</td>
</tr>
<tr>
<td>6</td>
<td>15</td>
<td>21</td>
<td>94</td>
</tr>
<tr>
<td>7</td>
<td>4</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>70</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.4 indicates that most of the appointed Associate Managers (63%) possess an NQF Level 5 qualification.
3.3 Measuring instruments

The **dependent variable** for the current research is the CPP score which indicates potential capability of an individual as discussed in chapter two. The potential capability is measurable by means of psychometric testing. The CPP was selected as the appropriate measuring instrument (Prinsloo, 1998).

The CPP is an advanced computerised assessment technique, designed to measure thinking processes and styles and to link these to everyday cognitive functioning. Using simulation exercises, subjects are monitored on their ability to explore, link, structure, transform, remember, learn and clarify information. The results are linked to job-related performance (Prinsloo, 1998).

The idea behind the CPP is to move beyond the concept of general intelligence as popularised by the IQ paradigm. The CPP therefore, measures a number of information processing constructs in an integrated fashion:

- Cognitive styles (i.e. a person’s general approach to problem solving - particularly in new and unfamiliar situations)
- Cognitive processes / competencies (i.e. the performance processes used to manage task material)
- Metacognition or self-awareness of thinking processes
- Learning potential (the capacity of a person to benefit from instruction)
- Work-related processing aspects (e.g. indicating the levels of work reflecting the Stratified Systems Theory of Jaques or the Viable Systems Model of Beer)
- Timing / pace control (where "speed" is a separate construct to “power”)

**Applications of CPP**

- Identification of potential
- Succession planning
- Career guidance
- Personal and team development
- Selection and placement
Advantages of CPP

- Evaluates, through unique methodology, dynamic thinking processes as opposed to right-wrong answers
- A sound theoretical foundation
- Demonstrates construct validity (both convergent and discriminant validity)
- Applicable cross-culturally (cross-cultural bias and fairness issues are addressed)
- Indicates current functioning as well as learning potential
- Provides clear diagnostic indications for people placement and development purposes
- Is automated and web-enabled
- Accommodates for a variety of individual stylistic preferences
- Enhances cognitive functioning by integrating results with developmental guidelines
- Enhances motivation as subject projects his/her own level of cognitive complexity
- Allows detailed and interactive measurement of thinking processes
- Reflects work related cognitive functioning

The questionnaire adopted in this study is standardised and incorporated within the CPP tool. Therefore, no reliability and validity tests were conducted on the sampled data set. However, reliability and validity assessments were undertaken to ensure applicability and fit of the CPP model and the embedded questionnaire. The nature and results of both test categories are cited in the CPP Training Manual (Prinsloo, 1998).
The table below illustrates the sample distribution per CPP score.

<table>
<thead>
<tr>
<th>CPP Score</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>2</td>
<td>27</td>
<td>39</td>
<td>68</td>
</tr>
<tr>
<td>3</td>
<td>19</td>
<td>27</td>
<td>95</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3.5 indicates that sixty-eight percent of the appointed Associate Managers scored less than 3 on the CPP assessment while twenty-seven percent scored 3. For the purposes of this analysis, the higher scores (4 and 5) were excluded as candidates that scored within CPP levels 4 and 5 represent a small number.

The independent variables comprise the following and were extracted from the Associate League table – alluded to in chapter two:-

- Balanced scorecard result (BSC)
- Leadership Index Score (LEI)
- Branch Culture Measurement Score (BBCM)
- Revenue : Cost Jaws (Jaws)
3.4 Statistical Analysis

The statistical analysis was carried out with the SPSS programme (SPSS, 2009). Descriptive statistics (means and standard deviations) and inferential statistics were used to analyse the data. In terms of statistical significance, it was decided to set the value at a 95% confidence interval level ($p < 0.05$). A multi-analysis of variance (MANOVA) was used to determine differences between the CPP score and Balanced Scorecard results, Leadership Index Score, Branch Culture Measurement Score and Revenue growth. The MANOVA is simply an extension of the univariate Analysis of variance (ANOVA). Whilst ANOVA examines one metric dependant variable with the grouping independent variable, to account for multiple dependant variables MANOVA bundles them together into a weighted linear combination or composite variable. Should an effect be significant within MANOVA, a one-way analysis of variance (ANOVA) will be used to discover which dependent variables had been affected.

3.5 Results

The results of the statistical analysis are presented and discussed hereunder. The mean values for the respective performance variables at CPP levels 1, 2 and 3 indicate no differences. The mean values for the Revenue-Cost Jaws variable lie on the lower end of the range and can be attributed to the generally subdued performance level in this category.
Table 3.5
Descriptive Statistics of different levels of CPP and Performance Measures

<table>
<thead>
<tr>
<th>CPP Current Level</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership Index Score</strong>&lt;br&gt;(LEI)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.886123</td>
<td>.0940977</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>.870043</td>
<td>.0696224</td>
<td>27</td>
</tr>
<tr>
<td>3</td>
<td>.885342</td>
<td>.0558291</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>.879320</td>
<td>.0738299</td>
<td>66</td>
</tr>
<tr>
<td><strong>Branch Culture Measurement</strong>(BBCM)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.822285</td>
<td>.0718992</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>.803993</td>
<td>.0633756</td>
<td>27</td>
</tr>
<tr>
<td>3</td>
<td>.816237</td>
<td>.0445098</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>.813061</td>
<td>.0610703</td>
<td>66</td>
</tr>
<tr>
<td><strong>Balanced Scorecard Score</strong>&lt;br&gt;(BSC)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>317.600</td>
<td>47.1486</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>302.519</td>
<td>42.5146</td>
<td>27</td>
</tr>
<tr>
<td>3</td>
<td>300.947</td>
<td>65.6442</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>306.636</td>
<td>51.1819</td>
<td>66</td>
</tr>
<tr>
<td><strong>REV:COST JAWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.030405</td>
<td>.0428205</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>-.012711</td>
<td>.0752994</td>
<td>27</td>
</tr>
<tr>
<td>3</td>
<td>-.046016</td>
<td>.1491826</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>-.009233</td>
<td>.0992520</td>
<td>66</td>
</tr>
</tbody>
</table>

The percentage scores for the Leadership Index ranges between 70.5% and 99.5%. The mean values at all CPP levels (1, 2 and 3) reside on the higher end of the range and indicate no differences.

The percentage scores for the Branch Culture Measurement ranges between 66.8% and 91.8%. The mean values at all CPP levels (1, 2 and 3) reside on the higher end of the range and indicate no differences.

The Balanced Scorecard result for respective associate branches ranges between 191 and 408. The mean values at all CPP levels (1, 2 and 3) reside on the higher end of the range and indicate no differences.
The percentage increase or decrease for Revenue to Cost Jaws ranges between (49%) to 14%. The mean values at all CPP levels (1,2 and 3) reside on the lower end of the range and indicate no differences.

The MANOVA’s of the differences between the CPP and BSC, LEI, BBCM and Revenue-Cost Jaws are presented below in Table 3.6

<table>
<thead>
<tr>
<th>Source</th>
<th>Independent variable</th>
<th>F</th>
<th>Df</th>
<th>Type III sum of squares</th>
<th>Mean square</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPP</td>
<td>LEI</td>
<td>.354</td>
<td>2</td>
<td>.004</td>
<td>.002</td>
<td>.703</td>
</tr>
<tr>
<td></td>
<td>BBCM</td>
<td>.544</td>
<td>2</td>
<td>.004</td>
<td>.002</td>
<td>.583</td>
</tr>
<tr>
<td></td>
<td>BSC</td>
<td>.657</td>
<td>2</td>
<td>3476.785</td>
<td>1738.392</td>
<td>.522</td>
</tr>
<tr>
<td></td>
<td>REV-COST JAWS</td>
<td>3.105</td>
<td>2</td>
<td>.057</td>
<td>.029</td>
<td>.052</td>
</tr>
</tbody>
</table>

Using a significance level of alpha = 0.05, the p value for LEI = 0.703. The result indicates no relationship between CPP levels and LEI (p>0.05).

Using a significance level of alpha = 0.05, the p value for BBCM = 0.583. The result indicates no relationship between CPP levels and BBCM (p>0.05).

Using a significance level of alpha = 0.05, the p value for BSC = 0.522. The result indicates no relationship between CPP levels and BSC (p>0.05).

Using a significance level of alpha = 0.05, the p value for REV-COST JAWS = 0.052. The result indicates no relationship between CPP levels and LEI (p>0.05). However, the marginal difference between alpha and p-value would indicate the need for further relationship study between these two variables.
The Wilks’ Lambda is a general test statistic used in multivariate tests of mean differences among more than two groups. The Wilks’ Lambda result is illustrated below and at a significance level of alpha =0.05, the p value for combined performance variables = 0.520 and is considered high. The result indicates no relationship between CPP levels and the combined measures of performance (p>0.05).

Table 3.7
Wilks’s Lambda Result for CPP and Combined Performance Measures

<table>
<thead>
<tr>
<th>Effect</th>
<th>Value</th>
<th>F</th>
<th>Hypothesis df</th>
<th>Error df</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPP Current Level</td>
<td>.890</td>
<td>.898</td>
<td>8000</td>
<td>120.000</td>
<td>.520</td>
</tr>
</tbody>
</table>

3.6 Conclusion

The applied data suggests no relationship between the different CPP levels and individual as well as combined measures of performance. It was concluded that the CPP current level does not seem to affect the multivariate population mean response variable.

The p-value for the Revenue-Cost performance variable is 0.052 and is fairly close to alpha (0.05) and would suggest the need for further study to explore the relationship between levels of CPP and the Revenue-Cost Jaws performance variable.

The following limitations should be taken into cognisance within the scope of this study:-
• The study was conducted within the branch banking unit of a Retail Bank and cannot be generalised to organisations within other industries.

• The associate model has been in operation for one year and, as such, performance data is limited to this period.
CHAPTER FOUR – CONCLUSIONS AND RECOMMENDATIONS

4.1 Introduction

Recent talks among global leaders have indicated proposals for South Africa to be counted as part of the leading emerging economies of the world – BRICS (Brazil, Russia, India, China and South Africa) while economists have suggested a new wave of emerging countries – CIVETS (Columbia, Indonesia, Vietnam, Egypt, Turkey and South Africa). Into the twenty-first century and beyond, the extent and convolution of global and local market changes will no doubt create a challenging environment for all players within the financial services industry within South Africa. South African banks are continually revising their product and service offerings as well as their infrastructure models and capabilities in order to align and respond to changes in market and consumer demand trends. To this end, players in the financial services industry have pursued a combination of the following models:-

- Banc-assurance (combination of bank and insurance related products and services)
- Dedicated sales channels (Call centres, external sales consultants, Sales Centres)
- Market segment-aligned products and services (Commercial, Personal, Wealth, Mainstream)
- Market segment-aligned branches (Private Suites, Senior Suites, Student Centres, mainstream loan and transactional facilities)
- The introduction and enhancement of electronic banking (Internet, ATMs, point of sale devices)

For Branch Banking, the extent and nature of competitor forces, consumerism, socioeconomic conditions as well as the advancement in technology and regulatory requirements all contribute towards the strategic business model composition for both prevailing and future market conditions. The Branch Banking business model
has evolved and transitioned over the past two decades from a largely transactional, policy and process-driven institution towards a sales, service and relationship focused organisation.

The recent global economic downturn has seen the demise of many banks and prompted many organisations to review their strategic goals in order to incorporate an element of sustainability. Apart from the need to maintain prudent compliance and control policies and measures, local banks are pursuing various strategies to enhance internal efficiency and effectiveness. Within Branch Banking, two strategic drivers have been incorporated to further differentiate and position the organisation for success well into the twenty-first century.

**Table 4.1**

**Profit and Efficiency Maximisation Drivers**

<table>
<thead>
<tr>
<th>Profit Maximisation</th>
<th>Efficiency Maximisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sales</td>
<td>• Align foot-print deployment to profitable markets</td>
</tr>
<tr>
<td>• Revenue Growth</td>
<td>• Electronic channels</td>
</tr>
<tr>
<td>• Increased Market Share</td>
<td>• Branch models aligned to market needs</td>
</tr>
<tr>
<td>• Growth in Assets and Liabilities</td>
<td></td>
</tr>
</tbody>
</table>

Source: Internal Company document (2010)

In its pursuit towards differentiation and to enable profit maximisation, Branch Banking introduced the Associate Model (discussed in Chapter One). Branches with a higher degree of complexity including potential for growth were ring-fenced into the Associate pool. The mandate to Associate Managers within the broader scope of the national strategy emphasised the requirement for revenue growth and profit maximisation. Given that the Associate Managers are regarded as owners of their local markets, they should assume responsibility for strategic planning and strategy execution within the parameters of the national strategy, however confined and differentiated to their local markets.

In chapter one we presented a case for Associate Managers to possess or acquire a certain degree of strategic thinking ability or cognitive potential capability. In Chapter
two we cited various authors’ views as to the positive contribution that strategic thinking has towards peak performance in organisations. One such was Katz and Khan (as quoted by Grobler, 2005: 14) who stated that effective managers should have adequate “external perspective” to assist them in making complex, unstructured decisions and to develop or create processes to address business needs and formulate strategy to ensure objectives and goals are achieved.

Chapter three focused on the empirical study using a sample of Associate Managers to determine the relationship between their individual CPP scores and the different measures of performance. In this chapter, we draw conclusions on the basis of the literature review and the results of the empirical study. We further provide recommendations for consideration.

4.2 Conclusion

The stratified systems theory (SST) of Elliot Jaques carries the notion that higher CPP scores (3 to 5) are reflective and indicative of individuals whose thinking patterns involve a certain level of complexity and holistic thinking which, in turn, suggests that these individuals have the capability or potential capability to think strategically. SST further suggests that individuals with lower CPP scores (1 to 2) are more likely suited to routine and technical work related tasks and as one progresses up the organisational hierarchy, job related complexity increases and requires thinking capability that allows for complexity and ambiguity.

The Associate Managers’ CPP scores and their respective overall performance scores constituted the measurement variables which were applied in the statistical analysis. The results have indicated no relationship between CPP (strategic thinking) and the different performance related variable (overall peak performance). This result contradicts the findings and views explored within the literature review which largely purports that strategic thinking ability or capability contributes towards better or higher levels of performance.
The result of the empirical research study was, to an extent, expected given the operational focus within a bank branch and, to some degree, suggests that sound operations management is among the key success factors within the Associate model. That said, one must take into cognisance that performance drivers in respect of the three variables - LEI, BBCM and BSC constitute largely an internal focus whilst widening of the Revenue-Cost Jaws (where p-value was 0.052) requires a combination of two elements - internal efficiency and revenue growth. Revenue growth is a function of growth in profitable market share which can be achieved through local market opportunities or by targeting competitor clients.

The results do not negate the requirement for strategic thinking capability among Associate Managers but implies that strategic thinking and strategy formulation is not the only factor or variable that influences branch performance.

Some factors that may have contributed to the results illustrated in chapter three include:-

- Strategy formulation is to a large degree centralised.
- Branches focus largely on execution of the strategy.
- At branch level, revenue growth is to some extent attributable to market conditions and broader brand preference rather than local market attraction strategies.
- Some branches may have benefited from fortitudinous conditions or a benign economic climate.
- The leadership function focuses more on communication, performance management and overall leadership ability. There is no link between leadership and strategy in the questionnaire.
- With the exception of sales growth, key performance indicators within the four balanced scorecard perspectives can be achieved through an internal focus.

Whilst results indicate no relationship between the CPP scores (strategic thinking) and the combined performance measures (peak performance), it cannot concluded
that strategic thinking does not contribute towards peak performance. Despite the generally low CPP scores, performance levels have been good overall which, in the context of Branch Banking and Associate Managers can be expected as strategy formulation at that level is negligible or absent.

In the researcher’s view, this result does not eliminate the need for Associate Managers to be strategically focused but rather suggests the need for further research taking cognisance of the associate mandate and measurement complexities within branch banking. Further, it may be concluded that competencies in both operations management and strategic thinking capability are required to ensure successful performance in the Associate branch.

### 4.3 Recommendation

Given the categorisation of branches – (a) Profit maximisation and (b) Efficiency maximisation, it is evident that Branch Banking requires Associate managers and Branch Managers that possess a skill set comprising both strategic and operational competencies. The future will be characterised by a competitive paradigm and the need to foster strategic thinking among Associate Managers is emphasised. Associate Managers must be strategically informed in order to anticipate future trends and formulate localised strategies that would change the “rules of the game”. This, in turn, will contribute to **sustainable** profit maximisation.

The following recommendations are made:-

**Training to develop and enhance strategic thinking among Associate Managers,**

- While the training programme should aim to address both operational and strategic learning, focus should be directed towards the latter in order to equip Associate Managers to direct their efforts towards revenue and market share growth.
Encourage formulation of local market strategies and the annual revision of branch business plans,

- Business plans should focus on strategies to capitalise on local market needs and opportunities and the alignment of all resources towards same.

Continue with cognitive profiling in the recruitment process which can be regarded as a developmental assessment,

- The CPP assessment provides the potential capability score – an indicator of strategic thinking capability.

Decentralise selected strategic functions eg. formulation of sales and service strategies,

- Whilst national strategy provides the guidelines and mandate for Associate Managers, sales and service strategies should be formulated and adapted at branch level.

Incorporate an element of strategy in the interview process where candidates should demonstrate strategic insight into selected topics,

- Suggested topics include: How can my branch grow market share? Within the highly competitive industry, what offensive or defensive strategies will be adopted to improve profitability?.

Performance measures to align more towards market growth factors eg. Growth in profitable market share,

- The notion that what is measured gets done holds true. Performance measures should align to revenue growth objectives which would largely entail focus towards competitor and market potential.

Institute a clear set of guidelines for Associate Managers distinguishing strategic functions and operational tasks within the branch.

- The Job description or job profile to outline the nature and scope of strategic functions required at branch or associate level.
### 4.4 Action Plan Matrix

#### Table 4.2

<table>
<thead>
<tr>
<th>Action Status</th>
<th>What</th>
<th>Who</th>
<th>Desired Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTINUE</td>
<td>The Associate Training Programme</td>
<td>Strategy Office</td>
<td>Develop Business Acumen, Develop Future Executives</td>
</tr>
<tr>
<td></td>
<td>The Associate recruitment process</td>
<td>Strategy Office</td>
<td>Quality candidates</td>
</tr>
<tr>
<td></td>
<td>CPP assessments</td>
<td>Human Resources</td>
<td>Indication of individual’s potential capability, Developmental tool.</td>
</tr>
<tr>
<td>START</td>
<td>Develop Strategic thinking in associate managers</td>
<td>Associate Team</td>
<td>Broader thinking – holistic view</td>
</tr>
<tr>
<td></td>
<td>Formulation of local market strategies and decentralisation of selected functional strategies.</td>
<td>Strategy Office</td>
<td>Relevant strategic direction and tactical plans reflective in improved overall performance</td>
</tr>
<tr>
<td></td>
<td>Include performance measures directly related to market growth objectives</td>
<td>Strategy Office</td>
<td>Drive strategic thinking and focus towards competitor-based strategies</td>
</tr>
</tbody>
</table>
4.5 Summary

The increasingly competitive landscape makes a good case for any business to engage in strategic planning and strategy formulation. That said, a pre-requisite to strategic planning is strategic thinking.

Literature, at large, promotes the need to develop and instil strategic thinking skills within the broader scope of business. Going forward, Branch Banking and Associate Managers can only but learn and improve from the wider benefits that strategic thinking, strategic insight and strategic planning purport to contribute towards overall performance.

Despite the outcome of the statistical analysis which suggests an absence of a relationship between CPP and overall performance, it cannot be concluded that strategic thinking has no relevance to performance. It would make for good further research to explore the relationship between the given variables after a further period of time as the associate model beds down and performance history is accumulated.
REFERENCES


SPSS: SPSS Inc. 2009. SPSS v17.0 for Windows. Chicago, IL: SPSS Incorporated