The first lecture: generalities on the strategy and financial strategy of banks

Banks currently represent the backbone of the economy of any country. The goal of any organization operating in a developed and changing business environment is survival and continuity, which has made it search for modern methods and adopt advanced, planned, and flexible strategies that adapt to various intervening variables (politics, competition, financial globalization,...) to reach its financial strategic objectives such as (profitability, liquidity.

I -The concept of financial strategy

Institutions, both financial and non-financial, initially determine their strategies to reach their goals, and after determining the goals, which are generally long-term, they are formulated in the form of plans, which in turn is an administrative process that includes the means and resources necessary for that. What is meant by financial strategy?

- **The traditional approach to strategy:**

It is known in English as the term (strategy), with a military connotation. It was used in the past in order to determine appropriate plans for army movements and to confront any possible attack. Therefore, in the beginning, strategy was classified as a military art, and then its use spread in other fields.

The source of the word is Greek, strategos, and it is divided into two words: strtus, which means army, and egos, which means leadership. It generally means preparing and implementing a plan to destroy the enemy.

In the early 1960s, Alfred Chaudler defined strategy as “identifying basic goals and objectives - and allocating the necessary resources to achieve those goals.”

Strategy is also defined according to the Harvard School as defining basic long-term goals based on a set of precise plans and allocating the resources necessary to reach them or Rather, to achieve it.”

- **modern entrance to the strategy:**

After the end of World War II, the traditional concept of strategy decreased and criticized from the party of many economists, especially Mintzberg, because it focuses on the standard of planning only and neglecting the competition standard, which represents the most important standard, as there is no need for strategy without the presence of competitors.

In this regard, Mintzberg has formulated the concept of strategy, which included the opinions of a group of researchers and reached what is known as: Five Ps for Strategy.

The strategy indicates that it is initially a plan set to achieve the underlined goals, as it aims to maneuver the competitors through a sophisticated model for achieving stability, and therefore it is a perspective that allows a comprehensive view of the desired goals.

1- The importance of strategy

Strategy has a great importance in achieving the goals of business organizations and can be summarized in the following points:

Optimal use of resources allocated to achieve the organizations' goals

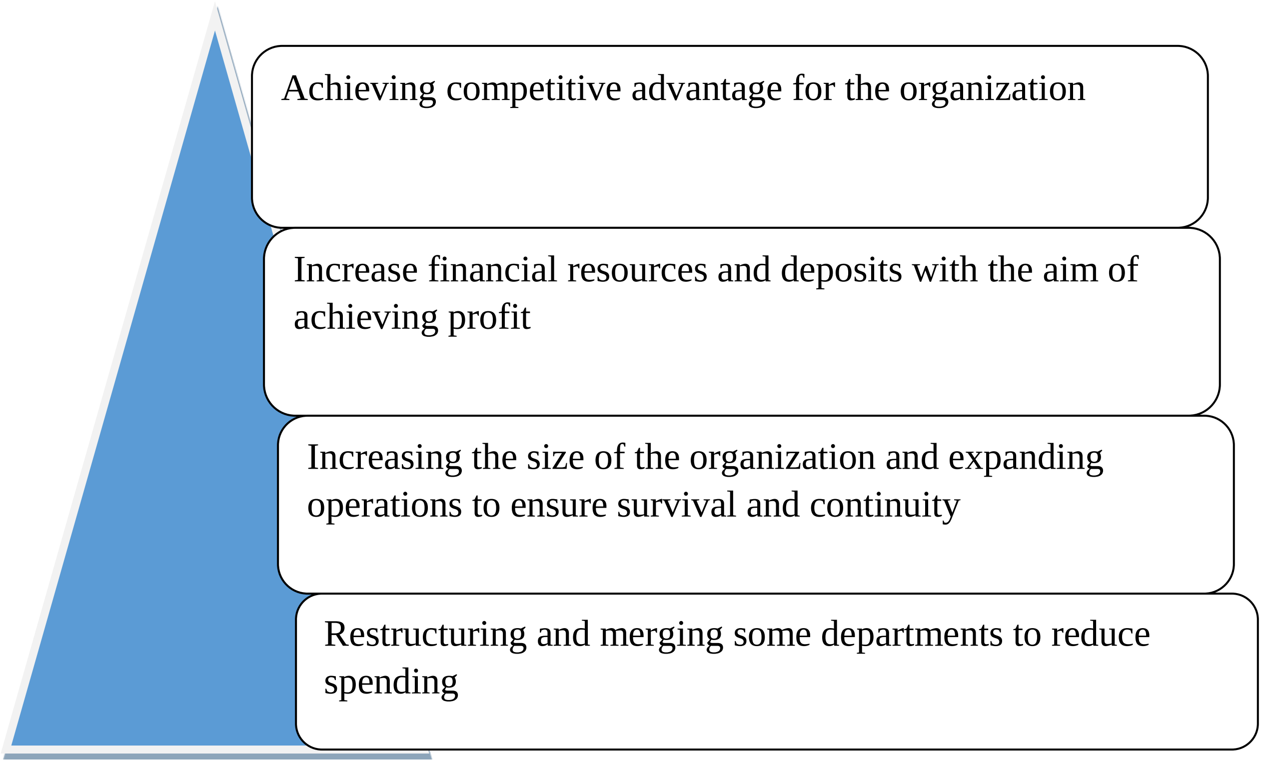
Developing and improving business within the organization

Predicting the possibility of risks occurring as a long-term plan that works to prepare the organization to deal with these unexpected events

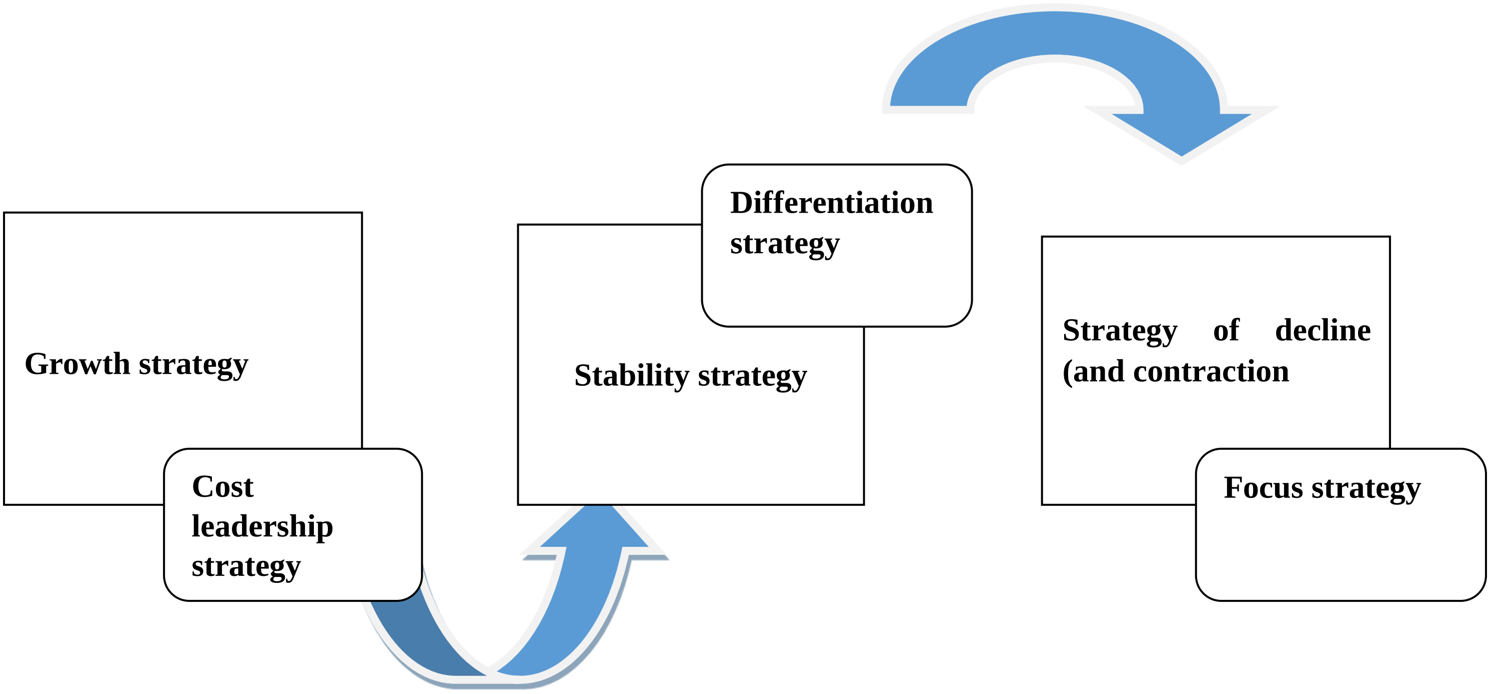
The strategy seeks To improve and develop the long-term financial performance of the facility.

It helps to monitor and organize the various activities planned in the organization and to recognize errors before they occur.

2- Strategy objectives



3- Types of strategy



In general, the organization's senior management sets its strategic goals by asking the following questions:

What does the organization aspire to in the future? How do you reach it?

II - Strategic planning

The bank's management seeks to determine its main objectives and alternative methods to achieve those objectives through what is known as strategic planning.

Strategic Planning Defining the vision, mission, values, future goals and objectives.

Strategic planning: Analysis of the organization's internal and external environment

Strategic Planning: Forecasting and preparing for the future.

Strategic Planning Strategy drawing and selection

The importance of strategic planning

Strategic Planning

- **Clarifying the company's image to all stakeholders**
- **Monitoring environmental changes (internal and external) and relative control over them by members**
- **Formulating the strategic goals and objectives of the organization.**
- **Reducing uncertainty and risk and clarifying the future vision**

Components of strategic planning

Defining the vision, mission and strategic goals

-Determining the future path of the organization (vision)

-Determining the basic purpose that distinguishes it from other organizations working in the same field (message)

Analyzing the external environment and evaluating the internal environment

Identifying and exploiting opportunities and threats that can be avoided or mitigated (study of the external environment).

-Identifying the elements of strength and weakness within the bank (evaluating the external environment)

Determine the available strategic alternatives

Generating strategic alternatives by comparing opportunities and threats with strengths and weaknesses (environmental analysis)

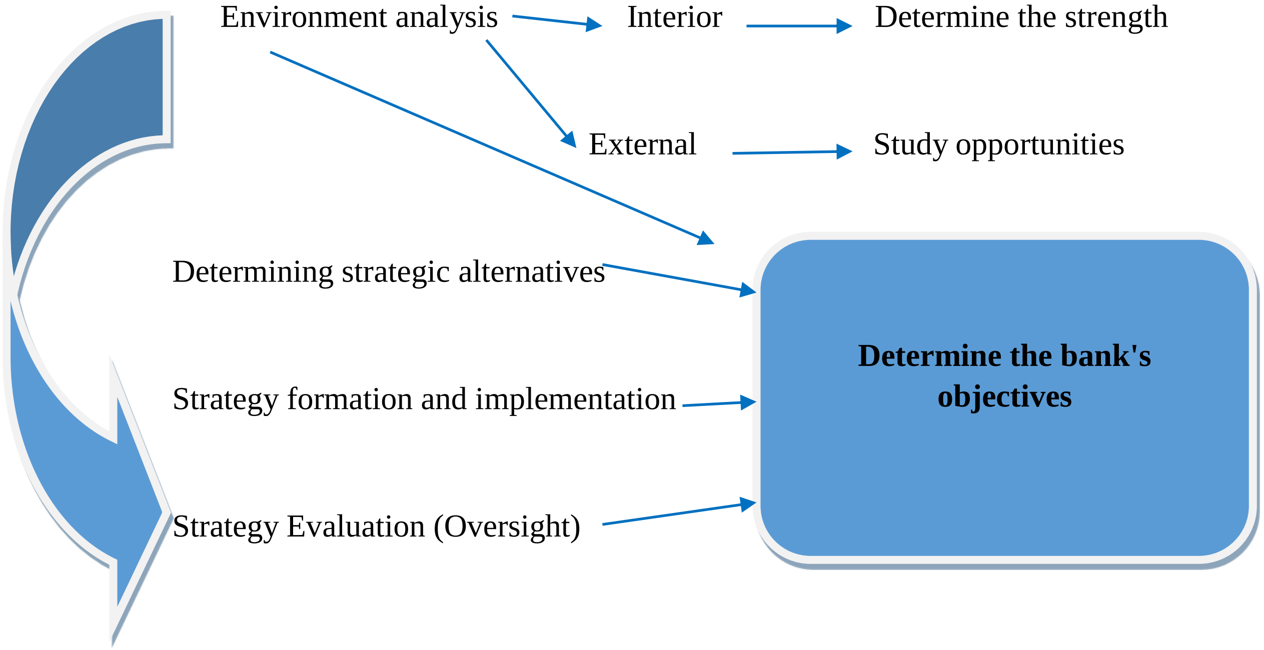
Select the appropriate strategic alternative

- Choosing a strategic alternative or several alternatives from among the strategies identified in the previous stage (environmental analysis stage)

III- The strategic decision and its relationship to the bank's financial performance

Strategic decisions have a great impact on the work of banks, as it represents the backbone of management, as all strategic plans are built on it after being approved by the Director of the Senior Strategic Management.

Strategic decision-making procedures



The process of making strategic decisions goes through several stages in order to reach the bank's goals. It is affected by changing environmental factors that must be analyzed, for example, the prevailing economic, social, and political conditions, as well as the laws and regulations of the state, competition... all of them are external environmental variables that affect any... A decision taken by the organization, in addition to internal environmental variables such as the availability of various primary resources, material, technical, and moral, the organizational structure of the organization, the capabilities of the working individuals, the type of decisions taken by the sub-managers...all of them affect, in one way or another, decision-making.

IV- Financial performance and its relationship to the financial strategy of banks

The financial strategy represents the path, actions, and goals that the financial institution must adopt to achieve banking and financial goals and objectives, such as profitability, liquidity, security, survival, continuity, and others, in order to confront situations of risk and uncertainty.

So the banking and financial strategy can be considered as a long-term performance for the system to reach its set goals.

1- Performance concept

Performance has been defined by many researchers, but the idea is the same. For example, Robins and Welrsena defined performance as “expressing the organization’s ability to achieve its long-term goals.”

In general, it can be said that performance is the final result of the organization’s work (outputs) compared to the inputs (available resources) to reach its stated goals in the short and long term, ensure survival and continuity, and thus achieve banking efficiency.

The importance of performance assessment

- **It helps ensure that the bank's financial strategy is achieved**
- **It creates competition between various divisions and departments, which supports the bank’s performance level**
- **Monitors deviations and addresses them in a timely manner**
- **Performance evaluation is considered a stage of monitoring**

2- Performance evaluation objectives

Monitoring the final results and comparing them with the planned goals, based on the various data and information available from various levels of management about the bank's work performance.

Also monitor the deviations and weaknesses of the banking institution, detect their causes, and correct and address them in a timely manner

It also helps in developing the bank's performance and increasing its efficiency

The performance evaluation process creates some transparency in the work of banks, as the performance evaluation process translates into information and data that facilitates the continuous and comprehensive

Fields of performance

The field of organizational effectiveness

The field of financial and operational performance

Financial performance field