

THE DETERMINATION OF OPERATIONAL AREAS AND STRATEGIES EMPLOYED IN GHANAIAN CORPORATE BANKS' RESTRUCTURING.

***Collins Owusu Kwaning¹, Frank Frimpong Opuni¹, Bright Kyereh²**

¹School of Business and Management Studies, Accra Polytechnic

²School of Applied Science, Accra Polytechnic

*School of Business and Management Studies, Accra Polytechnic, P. O. Box 561, Accra, Ghana.

ABSTRACT: *The liberalisation of the financial sector has seen the proliferation of many foreign banks operating in Ghana. With their sophisticated tools and technology, many corporate banks are exited and some adopted strategies to reposition themselves in order to cope with this competition. The formal financial sector in Ghana is made up of about twenty-seven (27) banks such as commercial, merchant and development banks operating about four hundred (400) branches. In contention with these banks are the rural community banks, savings and loan companies and non-bank financial institutions. Among the twenty-seven banks are two corporate (state-owned) banks. The research attempts to determine the areas affected and the strategies adopted by corporate (state-owned) banks in their restructuring program. Agricultural Development Bank, Ghana (ADB) was used as a case for the study. Both probability and non-probability sampling techniques such as purposive and simple random samplings were employed for the selection of the population for the study. There was a combination of the use of primary and secondary sourced data such as questionnaire and interview, and bank's annual reports respectively for the collection of data for presentation analysis. The findings of the research depicted that additional branches were established to position the bank closer to the customers. There was no layoff in the restructuring but new personnel with expertise were employed to augment the existing workers. It also gave birth to new and innovative banking products and services which could help to capture more customers. The following strategies were adopted during the restructuring by the bank; outsourcing, virtualization and re-engineering.*

KEYWORDS: Operational areas, Strategies, Corporate

INTRODUCTION

Restructuring has been defined by many researchers in different ways but a more detailed definition is offered by (Vodacek 1998), who defines restructuring as a process of assuring sources, introducing innovation changes while creating and mutually harmonizing production program structures, a production-technical basis, functional and organization structures, personal structures, or as the case may be, further pragmatic structures (e.g. financial structures) so that an effective and efficient reproduction process functioning can be achieved. However, there are other content and scope concepts of the expression of an organizational restructuring only as a change

in a property and finance company structure. In the narrowest concept, a company restructuring means only a change in enterprise property relations (Gaughan, 2002).

The financial sector of Ghana's economy has attracted much attention and as such has received enormous growth for the past decade. This is as a result of the deregulation of the banking sector which saw many foreign banks migrating into the country. The formal financial sector in Ghana is made up of about twenty-seven (27) banks such as commercial, merchant and development banks operating about four hundred (400) branches. In contention with these banks are the rural community banks, savings and loan companies and non-bank financial institutions. Among the twenty-seven banks are two corporate banks (state-owned). The immigration of the foreign banks accompanied with technological infrastructure has generated a lot of competition in the banking environment. As a strategy to remain in the environment, some banks have merged; others have reorganized their departments, streamlined their operational activities and developed new packages to catch up with the ever-growing environment. The competition is expected to be keener as the banks begin to face sophisticated and enlightened customers. In order to provide quality services to their customers, it is important to identify the key areas of these corporate banks and develop appropriate strategies that will help mitigate the negative operational effects so as to retain and attract sufficient customers.

Meanwhile, the attitude and perception of Ghanaian workers towards state-owned enterprises have affected the performance of corporate banks. Much attention is not paid to public institutions and as a result some fail to exist to the end while others are privatized. The recent example is the National Investment Bank which was sold out to private individuals. The performances of the remaining two, Ghana Commercial Bank and Agricultural Development Bank (ADB) have been very abysmal for the past decade. In view of this the government of Ghana took the step to restructure ADB to meet the changing environment. The restructuring was a holistic one which started from the appointment of new board of directors so as to reposition the bank among the top three banks in Ghana. It means therefore that organization restructuring is based on changes touching all spheres of an enterprise life. Restructuring affects changes in production, enterprise sources, their interconnection and their use and may be followed by an organization's architecture changes (Veber, 2000). The ADBs restructuring took place from 2010 to 2012.

It is therefore important to determine the operational areas and the strategies employed in the restructuring of the corporate banks in Ghana.

LITERATURE REVIEW

Operational areas of corporate restructuring

The changes which are realized in organizations during restructuring can be oriented to various spheres of the organization's activities. It is necessary to take into account that these changes do not affect separately but they are mutually connected and influenced. Jirasek (2001) believes that an organization needs to pay attention to the following spheres during the process of restructuring: financial turnaround; designing, product development, technologies; production, running of the business, maintenance and repairs; purchase and logistics; controlling; informatics; human resources management; ecology, social responsibility, ethics, aesthetics and business culture and quality management. Vodacek (1998) supposes that the necessary part of the processes of

organizational restructuring are; changes of the production program, innovations, changes of production and technology basis, functional changes, information, organization, staff and financial changes. Truneczek (2000) distinguishes two components of organizational restructuring, which are financial restructuring and restructuring of organization management system. He defines the concept of a financial restructuring as changing owners of an organization followed by targeted investments into the development of an organization, mostly sourcing a foreign capital. An organization management system restructuring is defined by him as a redesign of processes carried on within a firm.

It can be drawn that, the successful restructuring process requires the realization of restructuring measures in all spheres of business activities. It means some measures in the sphere of finance, properties, production, business, organization, information and personnel (Truneczek, 2000).

Organizational Restructuring strategies

According to Thakur (2011), no Organization can continue to function in the same way forever. With changing times and changing business conditions, restructuring is one of the options for organizations to stay on track. The Researchers explained that most organizational setup. These changes have an impact on the flow of authority, responsibility and information across the organization. Strategies adopted for restructuring vary from diversification and growth to minimizing losses and cutting down costs. Organizational restructuring may be done because of external factors like merging up with some other company, or because of internal factors such as high employee costs. Thakur, (2011) identified some commonly used restructuring strategies as discussed below:

Downsizing

Downsizing, also known as layoff, rightsizing or smart sizing; in essence, as a restructuring strategy is about reducing the manpower to keep employee costs under control. This type of restructuring is tough to manage and is mostly adopted to overcome adverse situations. Downsizing is not always a result of business losses; it may be needed even in cases of takeovers, acquisitions and mergers, where duplicity of the staff propels this form of organizational restructuring (Thakur, 2011).

Starburst

This restructuring strategy as Thakur (2011) explained involves breaking a company into smaller independent business units for increasing flexibility and productivity. Organizations may use this strategy to either divide the organization into manageable size or when the organization wants to diversify and foray into unrelated areas. Star bursting may also be used for expansion of the existing business such as when a business decides to spin off subsidiaries to handle business in different geographic areas.

Verticalization

According to Thakur (2011), verticalization is the latest in restructuring trends, wherein an organization restructures itself to offer tailored products and services to cater to the requirements of a specific industry. In 2001, HCL Technologies, an India Company verticalized its operations

to meet the specific demands of five different industries: retail, media and telecom, manufacturing, finance and life sciences. This type of restructuring opens up avenues for specialization.

De-layering

De-layering involves an organization breaking down its classical pyramid setup into a flat organization. The main objectives of this type of restructuring as revealed by Thakur (2011) are; to thin out the top layer of unproductive and highly paid ‘white collar’ staff, improve overall productivity, promote innovation, build customer intimacy and increase consumer satisfaction. The major advantage of de-layering is that the decision making process becomes shorter and more effective.

Business Process Reengineering (BPR)

This type of organizational restructuring strategy as explained by Thakur (2011) is carried out for making operational improvements. It begins with identifying how things are being done currently and then it moves on to re-engineering the tasks to improve productivity. Business process re-engineering usually results in changing roles. While at times BPR may lead to layoffs, it can also create new employment opportunities.

Outsourcing

According to Thakur (2011) outsourcing is the contracting out of an internal business process to a third-party organization. The term “outsourcing” became popular in the United States near the turn of the 21st century. Outsourcing sometimes involves transferring employees and assets from one firm to another, but not always. Outsourcing is a practice that should be considered without considering the impact on the organization. There are two ways outsourcing benefits a business; first, it helps in reducing costs and second, it allows the business to concentrate on its core business and leave the remaining tasks to outsourcing firms. Whenever a business plans to outsource one of its processes, it will cause some major restructuring and reshuffling within the company. Downsizing is common when a business outsources its processes.

Virtualization

Virtualization as a restructuring strategy involves pushing employees outside the office to places where they are more needed like at the client’s site. It also involves upgrading to technology, which unmanned virtual offices to be set up. For example, the ATMs offered by banks are their virtual units (Thakur, 2011).

METHODOLOGY

Area of study

The formal financial sector in Ghana is made up of about twenty-seven (27) banks such as commercial, merchant and development banks operating about four hundred (400) branches. In contention with these banks are the rural community banks, savings and loan companies and non-bank financial institutions. Among the twenty-seven banks were three corporate (state-owned) banks but the immigration of the foreign banks with their strategic technology saw the sold out of National Investment Bank (NIB) to private group.

The surviving corporate banks in the competition are Ghana Commercial Bank (GCB) and Agricultural Development Bank, Ghana (ADB). Between these two corporate banks, the recent restructuring was conducted in ADB. In this research ADB was used as a case study so as to make in-depth analysis on which conclusion was drawn and generalized.

In 1964, the Bank of Ghana set up a Rural Credit Department to prepare necessary legislation, plans and procedures for specialized banks for the provision and administration of credit and other banking facilities in the agricultural sector. In 1965, the Agricultural credit and Co-operative Bank Act, 1965 (Act 286) was passed to incorporate the Bank, which absorbed the assets and liabilities of the then Rural operations at its office on the Tunisia Road, Ridge West in Accra. The National Liberation Council Decree 182 that was passed in 1967 changed the name to Agricultural Development Bank and amended certain sections of original Act to allow ADB to undertake acceptance of deposits on current and savings accounts and transaction of business normally carried on by commercial banking institutions including raising loans from foreign sources. ADB is wholly publicly-owned. The Government of Ghana owns 52% of the shareholding, with the remaining 48% held by the Financial Investment Trust on behalf of the Bank of Ghana. Like many organizations, Agricultural Development Bank has a functional structure that defines the job specification, hierarchical movement and the coordination of the various activities and programs of the bank.

Research design

The research design used was both descriptive and explanatory sample survey. Descriptive research studies are directed towards the determining of nature of a situation, as it exists at the time of study. It deals with a set of orderly procedures by specifying what information to be obtained, how to obtain the information and from who the information is to be obtained. Descriptive research is to describe things, portray an accurate profile of persons, events, or situations (Robson, 2002). The quantitative and qualitative methods of data collection were also used. Qualitative method was used to generate verbal information rather than numerical values. This approach involves the use of content to explain and comprehend the research findings instead of using statistical analysis.

Population of the study

The target population of the study consists of both management and employees of Agricultural development bank.

Sample size and sampling design and procedure

A combination of probability and non-probability sampling techniques were used for the study. As a result of the branch spreads of the bank, purposive by accessibility sampling was used for the selection of ten (10) branches. These branches are located in the Ashanti region of Ghana. Two top management at the head office (the deputy managing director and the executive head of retail banking) and branch managers of the selected branches of the bank were purposively selected for the research. This was because they could give information about the strategy and methodology adopted in the restructuring.

Also, fifty (50) employees were randomly sampled from the ten branches so as to give each member of staff equal chance of being selected.

This research used both primary and secondary data. Questionnaire was personally administered to the selected employees to obtain information about the areas affected by the restructuring while the top management and the branch managers were also interviewed. In order to ensure reliability and validity of results the responses were verified, cleaned up and coded before entered and analysed with the aid of Statistical Program for Social Science (SPSS). On the other hand, secondary source of data such as annual reports were considered. The data obtained in this source was graphically represented.

DATA FINDINGS AND DISCUSSIONS

This chapter analyses the operational areas in which the restructuring affected and the strategies used to reposition the bank.

What ADB's restructuring entailed

The study revealed that the organizational restructuring concentrated on the following:

Expansion in branch network

The strategic plan sought to expand the branch network of ADB. Fig. 4.1 below indicates the growth of branches of the bank from 2008-2012.

Source: ADB Annual Reports; 2008-2012

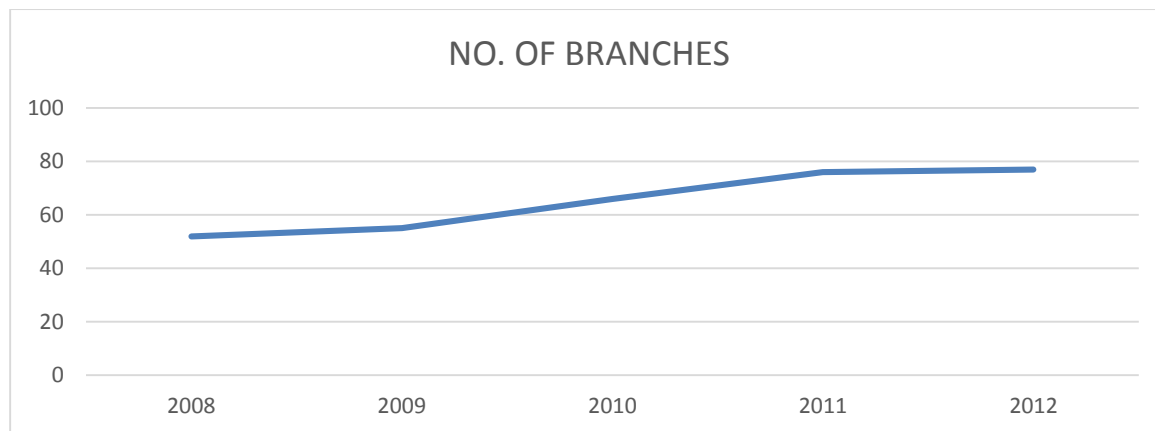


Fig. 4.1: Growth in the number of branches of ADB from 2008-2012

In 2010, the branches were increased from 55 to 66 when the Ho, Kpando, Nkwanta, Kpeve, Sogakope, Yendi, Navrongo, Mankessim, Ashiaman, Savelugu and Walewale were added. The Bank further expanded its branch network to 76 in 2011 with the inclusion of Nima, Danquah Circle, Kasoa branches in Accra, Agona Nkwanta, Bole, Buipe, Tamale Kaladan, Tumu, Kade and Asiakwa. Additionally, three Executive Banking Units were set up one each at Accra, Kumasi and Tamale. The growth in branches slowed in 2012 when only one branch (Grel Apemanin) was added to move the number to seventy-seven (77). This therefore evidenced that ADB's

restructuring exercise resulted in a large expansion of branch network. The study confirms Byars (1992) that the need to restructure may be triggered by various forces such as the business expansion of the organization, products or customer base diversity in a bid to access bigger markets.

Innovative banking products and services

Technological advancement and growing competition in modern times has brought about innovative products and services. Cascarino (2007) discussed that in order for businesses to respond to the changing business environment, businesses experiment with new products, explore new markets, and reach out to new groups of customers on a continuous basis. Businesses seek to diversify into new areas to increase sales and optimize their capacity. In a like manner, ADB's restructuring exercise gave birth to new innovative banking products and services. About 92% of the respondents agree that new products and services were introduced. The services included Visa Card, Quick Alert, e-banking, and a call center with a toll free number (080010034). The study also revealed that three major products came along with the restructuring. These were children Account (Mmofra Account), Student Save Account and Family Assurance (Abusua Anidaso).

Children-save Account (Mmofra Account)

This was a savings account introduced to target children from age 0 to 18. It was specially packaged to attract a higher interest than other savings account of the bank. Since ADB introduced it to help customers in financing their children's education, holders usually guardians are allowed to withdraw only three times from the account as there are three terms in a year.

Student save Account

This is a savings account targeting student especially those in tertiary institutions. A minimum balance of GH¢10 is required. The benefits include unlimited number and amount of withdrawal and a free ATM card.

Family Assurance (Abusua Anidaso)

This is a bank assurance product introduced towards permanent disability and death (funeral policy). It is further categorized into Gold, Bronze and Silver. It covers the spouse of the holder and maximum of four children. Policy holders contribute an amount monthly depending on which one they have signed on to through standing instructions deductions.

Information Technology

ADB's restructuring exercise brought up upgrade in the information technology system used by the bank. The Flexcube Retail banking software platform was upgraded to Flexcube UBS version 11 in order to support the product transformation and development process to ensure efficiency. The upgrade made it possible for the bank to launch several new products including the e-banking suite and the Visa Card.

Personnel

ADB's restructuring called for the recruitment of certain key personnel both internal and external with the requisite skills and capabilities to drive the change process. Also, staff placement in areas of their key competencies was initiated. The strategy also introduced an early voluntary retirement

package in 2010. It was found that the roles of some employees were modified. About 72% of the respondents had their roles redefined and they were given their new job schedule. Find below from Table 4.3 some of the changes in worker's position and job titles brought about by restructuring at the branch level.

Existing job titles and positions	New job titles and positions
Branch Manager, Operations Officer, Credit Officer, Back Officers, Tellers, Clerks	Branch Manager, Team Leader Customer Service Officer, Customer Service Officer, Team Leader Business Development Officer, Service Support Officers, Tellers

Table 4.3: Change in ADB's branch officers' title and positions

The branch managers agreed that there have been some changes in the roles of some officers with accompanying new titles. A classic example given was that before the restructuring the Operations Manager was also the accountant at the branch but it is no more like that. The Credit Officer is now the Leader Business Development Officer. The Back office Staff during the pre-restructuring era is now called Service Support Officers.

Organizational Restructuring Strategies and methods employed

This section looks at the vehicle through which the major restructuring program was carried out by the management of ADB. The organizational restructuring strategies employed by ADB and what the strategies entailed was found to be in line with the strategies identified by Thakur (2011); Outsourcing, Virtualization and Business Process Re-engineering.

Outsourcing

The research also revealed that in 2010, a major strategy in the restructuring process outsourcing of non-core functions. The bulk cash and transport sections of the bank which was previously carried out by the bank itself were outsourced to GOCREST. This was to enable the bank to focus on its core business and to reduce cost.

Virtualization

ADB in order to respond to the technological developments in the banking sector, introduced internet banking, visa cards, and Quick Alert, etc through the upgrading of Flex platform of Flexcube version 11.

Business Process Re-engineering

The study revealed that 3-year restructuring at ADB employed business process re-engineering (BPR). For instance, it involved the overhaul of credit policies and strengthening of credit appraisal, loan monitoring and loan recovery systems, and other areas which had been particularly weak prior to the restructuring. Some employees had their roles redefined as a result of new process introduced at the bank. In order to develop the expertise necessitated by changes in the bank, ADB gave importance to employment of personnel with analytical capability and professionalism, and also developed some of its staff through training. It is important to know that despite the modification of business processes and introduction of new technologically-oriented services and products, there were no lay-offs. However, what management did was to offer

voluntary retirement to staff that is near the statutory retirement age. Some workers gracefully embraced and accepted the offer. As some workers were exiting, new ones were employed especially those with IT and Marketing skills and capabilities to man the new technologically-based service and products and also to market them.

Merging of departments and units

The study also found that in the attempt to re-engineer the bank's business processes, some existing departments were incorporated into one department. The existing Commercial Credit Department and Agric Credit Department were fused together to form Credit Risk Management Department to ensure prudent management of the bank's credit portfolio.

Establishment of new departments

Moreover, the study revealed that, the bank introduced several business lines including the establishment of the following: Corporate, Retail, Development Finance and Transaction Banking and Technology Departments.

CONCLUSIONS AND RECOMMENDATIONS

From the analysis it can be deduced that accessibility is very vital in Ghanaian banking. In order for customers to have easy access to their innovative products additional branches were established. However, these expanded branches were concentrated in the cities and towns thereby depriving the majority Ghanaian farmers in the villages from accessing their facilities. This may be due to the fact that most of these areas lack telecommunication infrastructure which makes the banks to thrive. It is recommended that in order for the farmers in the village communities to have access to these facilities and products, and for ADB not be carried away from its core functions, maximum collaboration must be made with the telecommunication industry so as to extend telecommunication to these important areas in the country. Also, as part of the bank's social responsibilities, frantic effort should be done to extend electricity to areas they lack but would like to operate. In this regard, more branches must be opened by the state-owned banks in the rural areas so as to encourage more people to save.

The restructuring also gave birth to new and innovative banking products and services as a result of technological competition in the environment it finds itself. It is important to note that reproduction of offspring is dominant in the developing countries especially Ghana. This is coupled with low level of education which may be precipitated by economic and financial difficulties in the country. In addition the country is dominated by customs and institutions and that importance is placed on funeral rites in every community. The introduction of 'children- save account', 'Student- Save account' and 'Family Assurance account' will help Ghanaians develop the culture of saving for future education of their wards. Students will cultivate the habit of saving and also limit the tradition of carrying money in the pockets to the tertiary institutions. In order for these products to be prudent ADB and other corporate banks should be located in all the tertiary institutions in Ghana and to ensure twenty-four hours accessibility without interruptions.

The plan did not lead to layoffs but rather voluntary retirement package was designed and offered to workers who desired to exit. New personnel with expertise were also brought on board and some existing ones were developed through training. It must be emphasised that Ghanaian banks

should adopt the habit of recruiting young and skilful workers who are fast in serving the needs of customers but not to depend so much on old and experienced workers. This will reduce labour turnover as the banks enjoy long serving workers and eventually reduce financial expenditure. By so doing, attractive retirement packages should be set up to encourage old and due workers to go on retirement.

The management employed strategies like outsourcing to implement the change. The bulk cash and transport sections of the bank which was previously carried out by the bank itself were outsourced. This enabled the bank to concentrate on its core business and to reduce costs as well. This helps to draw up a conclusion that specialization is very vital in the development and growth of banks in Ghana. It is important to say that banks should outsource their auxiliary functions after conducting cost and benefit analysis so as to be able to effectively and efficiently discharge their core businesses.

It also employed re-engineering of business process as it involved the overhaul of credit policies and strengthening of credit appraisals, loan monitoring and loan recovery systems. Roles of workers were redefined and some departments were merged while new ones were also created. The existing Commercial Credit Department and Agric Credit Department were merged to form Credit Risk Management Departments with Retail Credit Section and Corporate Credit Section under it. The bank employed outsourcing, virtualization and re-engineering as effective strategies in its organisational restructuring and was able to deal with the sensitive operational areas. It is recommended that monitoring and supervision will be continual process so as to realise long term benefits. There is an indication that job rotation, job enlargement and job enrichment are very crucial in the development of corporate banks in Ghana and must be encouraged. Also, in order to reduce queuing in the banking hall deposits' automated machines should be introduced especially in branches where customers are densely populated.

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