

The Impact of Strategic Planning on Online Banking: An Empirical Study in Saudi Arabia

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Banking sector of 21st century face local and international challenges resulted from the revolution of information, technological development, globalization, market liberalization and knowledge explosion; therefore, strategic planning associate by online banking services in banking sector became an urgent necessity. The purpose of this study is an attempt to study the impact of strategic planning among online banking environment in Saudi Arabia. The study comprises three variables which represent independent variable and were derived from comprehensive review of the literature of strategic planning which are: budgeting, forecasting and management reporting. On line bank which is represent dependent variable measured by usefulness and ease of use. Data for this study were collected through questionnaires which were accompanied by a letter explaining the project and assuring respondents of the confidentiality of their answers. Those participants were online banking users of five banks in Saudi Arabia. Statistical tools were used to test hypotheses and achieve the objectives, thus the research is descriptive and as a result quantitative methods have been used. The findings indicate that the entire hypotheses are supported, whereby customers will use e-banking when they perceive that usages of e-banking are useful and accessible.

Keyword: strategic planning, online banking, service quality

Introduction

Internet banking environment has attracted amount of researchers in the recent years, Advancement in technology has played an important role in the distribution strategy of commercial banks. Banks distribute their products and services not only through a traditional channel but through a variety of e-channels such as internet banking, automated teller machines, mobile banking, phone banking, TV baking etc. this obviously mean that there is a great change take place in banking services offer to customer .therefore, it is important to state that when some organization wants to change, they plan for it, and this planned change is a part of overall management approach. Strategic planning as an organization development tool as we know it nowadays started to be out lined in mid 1950s and for more than 30 years was mainly used in private business sector while the concept and performing culture of public administration was developing entirely on the basis of national constitution and laws, today in one or another way all organizations in both

private and public sectors, are using strategic planning as a tool of performance and development (Ieva et al, 2012). In time of uncertainty, managers need a way a mechanism to monitor and react to the environment. Strategic planning is that methodology. It is important to remember that strategic planning is a process, not a product. It is ongoing and permanent (Carter, 1999).

Furthermore, online banking provides a best way of low-cost channel for both transactions and building relationships (Boot, 2000; Degryse & Ongena, 2007; Hua, 2009). The bank's response to this situation has been increasing IT expenditures to deliver improved online capabilities (Josefowicz & Mantha , 2011),whereby ,up-to-date technology is a necessary condition for a customer's successful online banking experience in today's market because consumers are so familiar with Internet technology.

Literature Review

Strategic planning

Strategic planning as an off-shoot of strategic management refers to the formulation and implementation of plans and the carrying out of

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activities relating to the matters which are of vital, pervasive or continuing importance to the organization. In short, it implies a set of activities related to the formulation and implementation of strategies to achieve organizational objectives (Ilesanmi, 2011).

Benefits of strategic planning

Organizations that engage in formal planning are generally believed to grow and make more profits than those without it. To this end, the benefits of strategic planning on organizational performance cannot be overemphasized and include the following:

- It promotes consistent guidelines for an organization's activities.
- It enables managers to give their organization clearly defined goals and methods for achieving predetermined goals—hence giving their firms a sensed purpose and direction.
- It provides more information needed to make good decisions thereby saving time in discovering the pertinent fact in each case.
- It affords managers the opportunity to anticipate problems before they arise and can actively seek ways to help their firms grow and develop.
- It minimizes the chances of making mistakes and bead surprises, because strategies and goals are analyzed several times.
- It enables managers to adapt successfully to change.
- It provides employees with clear goals and directions to the future of the organization and provides a standard against which future performance can be compared.

A question usually raised; Why have strategic plans? There is little reason to invest the considerable time and energy required to create surrounding environment and be competitive. Besides being a management tool in a firm, strategic planning provides preparedness and modes of response to the environment therefore, the plan must be anchored to a fundamental business necessity, and it must likewise meet a critical business requirement. There are several common business reasons for an organization to create a strategic plan, including the need to:

- Clarify and facilitate the emergence of a consensus on the organization's strategy. The strategic-planning process can help the organization's employees find answers to the big questions about its purpose, meaning, and value.
- Communicate this strategy to all levels of the organization—and to its diverse stakeholders and customers.

-Strengthen the fit between departmental and personal goals and the organization's overarching vision.

-Identify and align strategic initiatives, so the strategic actions of one part of the organization don't conflict with those of another (for example, so the team-based incentive pay system developed by operations doesn't conflict with the knowledge-based incentive program developed by human resources).

-Guide decision making by leaders, managers, and staff.

-Help set parameters for the allocation of resources and the annual/operational budgeting process.

-Measure and evaluate the organization's progress in implementing its strategy and moving toward its vision.

-Identify organizational assets and strengths—the foundation for the organization's past success.

-Identify opportunities where the organization can improve and learn—areas that pose potential vulnerabilities, risks, or lost opportunities.

-Guide human resource skill- and knowledge-building efforts—to ensure that the leaders, managers, and staff have the competencies that enable effective organizational performance.

-Increase the probability that the organization will stay relevant to the marketplace. Although nothing ensures an organization's long-term success, a strategic plan engages the organization in the big questions that challenge it to remain abreast of a changing world and marketplace (Jeffery & Linda 2006).

Components of an effective plan

Once an organization has worked through the four stages, it will have a thoughtful, comprehensive strategic plan articulating an ideal vision and how to achieve it. The parts of this strategic plan, while varying depending on each organization's history and culture, will often include the following elements:

-Vision statement, a description of the *ideal* future of the organization and the outcomes it hopes to create for its stakeholders. The vision describes the end state—the ideal final destination for the organization and the people it serves.

-Mission statement, a description of who the organization serves and how the organization will structure itself to accomplish its preferred future. This statement translates the aspiration of the vision into specific dimensions while emphasizing the organization's distinctiveness. The mission informs employees, customers, suppliers, regulators, and other key stakeholders about the organization's primary purpose. The statement, which also describes the *structure* and *strategy* the organization will use to

achieve its vision, delineates the organization's essential purposes and audience.

-Core beliefs, principles, and values, statements of belief that guide individual actions throughout the organization. These values describe how individuals should think, act, and interact. In some environments, a compelling vision and clearly defined core beliefs are all that are needed to encourage people to do the right thing every day.

-Strategic agenda, a description of the key goals that the organization needs to pursue to close the gap between the *ideal* and *real* worlds, which commonly comprises five to eight strategic priorities. One way to shape the strategic agenda is the balanced scorecard.

-Critical success factors, broad measures indicating that the organization is making progress toward the vision (such as an increase in market share in all product lines). These factors, often identified as *leading indicators*, form an early warning system that enables the organization to shift resources, priorities, and actions to ensure that it stays on track toward its vision (Zoltan 2012).

Online banking

The acceptance of online banking services has been rapid in many parts of the world, and it is defined as "the act of receiving information technology use willingly". Europe has been and still the leader in online banking technology and usage. Online banking (or Internet banking) is a term used for performing transactions, payments etc. over the Internet through a bank, credit union or building society's secure website. This allows customers to do their banking outside of bank hours and from anywhere where Internet access is available. In most cases a web browser is utilized and any normal Internet connection is suitable. No special software or hardware is usually needed.

An influential model in this domain of information technology and information systems is the technology acceptance model (TAM) according to (Davis, 1989) that suggests the prospective user's attitude toward to explain that the user can use the system or technology. TAM is utilizing model use to help explain and understand information system/technology adoption. The (TAM) has two major elements, first one is perceived usefulness where a person believes adopting technology will enhance his job performance, the second is perceived ease of use as the defined to understandable interaction with system and ease of getting what is required. The previous studies indicate that these two factors help customers in adopting online banking, whereby, time and cost savings are the main reasons

for online banking acceptance. Moreover, there are two basic factors for internet banking development:

First, cost savings by offering online banking services. It has been proved that online banking channel is the cheapest delivery channel for banking products once established related to (Sathye, 1999).

Second, banks have reduced their branch networks and reduced the number of service staff, which has use the way to self-service channels as quite many customers felt that branch banking took too much time and effort, new online users needs first to learn how to use the service. If users are not willing to accept the information system, it will not bring full benefits to the organization. The more accepting of a new information system that users are willing to make changes in their practices and use their time and effort to start using the new information system.

The past decade has seen substantial changes in banking. Advances in computing and telecommunications have driven these global changes. The acceptance of online banking services has been rapid in many parts of the world. Therefore bank web sites that offer only information on their pages without possibility to do any transactions are not qualified as online banking services. The measure of this online service is this system satisfies customers need or not? If its satisfy then we can call that this system success.

There are four basics services for online banking: i) View account balance with transaction history. ii) 2-Paying bills, traffic violation and residence fees. iii) Transferring funds between accounts (locally and globally) iv) Online purchasing and request credit card advance.

Other services such as opening account, deposit and withdrawals, fees, and security. Also, Banks have to improved quality services to their customers to survive in this vulnerable environment (Uppal, 2008) among other things, banks must understand who specially adopting commercial technology and why. A primary benefit for the bank is cost savings because its use cheapest delivery channel and reduce number of service staff; and, for the consumer, a primary benefit is convenience with self service. TAM is utilizing model use to help explain and understand information system/technology adoption. The (TAM) has two major elements, first one is perceived usefulness where a person believes adopting technology will enhance his job performance, the second is perceived ease of use as the defined to understandable interaction with system and ease of getting what is required.

Advantage of online banking

The advantage of operating online banking in term of bank and customer, respectively, which it shows in (Table 1).

Table 1. Advantage of online banking.

| Operating online banking | Advantage |
|--------------------------|---|
| Bank | -Improved market image -Reduce transaction cost -Rapid response to the market changes -Increased market penetration -Advertise/Sell new product |
| Customer | -Reduce cost in accessing and using the bank service -Increase comfort and time saving(transaction can be made 24 hours a day) -Speed of transaction -Better administration of funds |

Some senior managers do not fully understand the strategic and technical aspects of e-banking. It may seeks to introduce or expand Internet banking without enough aware of cost-benefit analysis when the management doesn't plan for, manage and monitor the performance of technology related products, services, processes and delivery channels. The conceptualized of strategic management "as a set of theories and frameworks, supported by tools and techniques, designed to assist managers of organizations in thinking. Therefore, the strategic manager has to plan and develop strategies well in order to achieve firm's objectives and mission.

Research hypotheses

In order to achieve the objectives designed for this study, the following research hypotheses are stated based on the revelation in the review of literature concerning strategic planning and online banking.

H1: A positive relation exists between budgeting and online banking.

H2: A positive relation exists between forecasting and online banking.

H3: A positive relation exists between management reporting and online banking

Research objectives

The main purpose of this study is to evaluate the impact of strategic plans on online bank. In order to meet this objective, the following objectives taken up under our consideration; i) To find out the impact of strategic planning on online banking; ii) To increase an awareness regarding effective strategic planning; iii) To propose useful direction for future research.

Methodology

The main objectives of the study were to investigate the impacts of a strategic planning on online banks in Saudi Arabia. Strategic planning, the independent variable (IV), was divided into three variables including, budgeting, forecasting and management reporting. On line bank which is represent dependent variable (DV) measured by usefulness and ease of use.

This research investigated how the factors of strategic plans (budgeting, forecasting and management reporting.) could influence positively the expanding of conception of online banking. By using survey method, five-point Likert scales with end points of "strongly disagree" and "strongly agree" were used to examine participants responses ,as well as, tested the impact of main factors of strategic planning, which influence increasingly the adoption of online banking. After developing framework, we constructed our survey method, based on previous related literatures. From the 200 questionnaires have distributed , we received 151 responses , which yielded a response rate of about 75% ,for those who are using the online banking in Saudi Arabia ,out of 151 responses , 25 responses were canceled from the analysis according to incomplete answers.

Respondent profile

As shown in (Table 2) (63.5%) of the respondent were male and (36.5%) were female.(40.4%) their age between 31-40)years, while majority of respondent 69% were graduate and this is an indicator that respondents were compose of well educated people.

Table 2. Demographic distribution of responses

| | Item | Number of online banking Users | Percentage |
|--------------------|-----------------|--------------------------------|------------|
| Gender | Male | 80 | 63.5 |
| | Female | 46 | 36.5 |
| Age | Below 25 | 27 | 21.4 |
| | 26-30 | 34 | 27.0 |
| | 31- 40 | 51 | 40.4 |
| | Above 40 | 14 | 11.2 |
| Level of education | Graduated | 87 | 69 |
| | Under-Graduated | 32 | 25.4 |
| | High school | 7 | 5.6 |

Reliability test

Data analysis has commenced upon collection of the questionnaires from the respondents. Data were entered and analyzed using statistical SPSS to obtain the Variance and reliability estimate of each variable. The results of variance have measured in the range

from (.6328 to .7466), which has exceeded the recommended value (.5). Therefore, the reliability of variables are occurred in the range of (.7092 to .7725), which means above the acceptable value, in other word, the Cronbach' alpha values are above acceptance value 0.60 indicated that all the constructs are deemed to have suitable reliability and acceptable values

Pearson correlation test

It's a measure of the strength and direction of the linear relationship between two variables to obtain the result of reject or accept the hypothesis. As well as, how well the variables are related.

Hypothesis tested are shown as:

H1. There is a significant relationship between forecasting and online banking adoption.

Table 3, shows, the result of correlation between forecasting and online banking adoption. Which indicates that there is a significant result between forecasting and online banking adoption. Pearson correlation value for $r=0.587$ and significant at $p<0.01$. The correlation between independent variable and determinant of online banking adoption has a good value. This indicates that this IV is having a very good significance to support the relationship between adoption of online banking among online customers and forecasting strategy. Therefore, the H1 is accepted.

H2. There is a significant relationship between budgeting and online banking adoption.

Table 3, shows, the results of correlation between budgeting and online banking adoption. Which indicates that there is a significant result between budgeting and online banking adoption. Pearson correlation value for $r=0.641$ and significant at $p<0.01$. The correlation between independent variable and determinant of online banking adoption has a well value. This indicates that this IV is having a very good significance to support the relationship between adoption of online banking among online customers and budgeting strategy. Therefore, the H2 is accepted.

H3. There is a significant relationship between management reporting and online banking adoption.

From (Table 3), shows, the results of correlation between management reporting and online banking adoption. Which indicates that there is a significant result between management reporting and online banking adoption. Pearson correlation value for $r=0.512$ and significant at $p<0.01$. The correlation between independent variable and determinant of online banking adoption has a good value. This indicates that this IV is having a good significance to support the relationship between adoption of online banking among online customers and management reporting strategy. Therefore, the H3 is accepted. Generally, the results showed that personal correlations have a very good value to concentrate and develop those strategies plan to expand the conception of online banking among people.

Table 3. P-correlation test.

| Variables | Online banking adoption | Forecasting | Budgeting | Management reporting |
|----------------------|-------------------------|-------------|-----------|----------------------|
| Forecasting | 0.587** | 1 | | |
| Budgeting | 0.641** | | 1 | |
| Management reporting | 0.512** | | | 1 |

**Correlation is significant at the 0.01 level (2-tailed)

Conclusion

The major purpose of this study is to evaluate the impact of strategic planning management among online banking environment in Saudi. As strategic planning provides a framework for steering operation in desirable direction over the future this can raise a very important question which is that. what is the most variable effect much in online banking? Based on analysis data, findings are support the hypothesis that customers will use e-banking when they perceive that usages of e-banking are useful and accessible. The study reinforced the literature in finding variables such as budgeting, forecasting and management reporting, to be understood as important factors in the use of e-

banking systems and connected positively with ease to use and usefulness as in implying factors. All hypothesizes, had a direct effect on the use of e-banking systems, to encourage customers' intention to use e-banking, bank managers and designers might focus on enhancing systems along the lines recommended.

It would be beneficial in providing information and directing organizations managers in to plan their strategies in order to enhance their firms' performance (which means increasing the awareness of E-banking). The researchers also hope that developers with implement the strategic plans in technique factors in the future to know advanced results about "how to make the online banking planted in each person".

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