*Received: July 2021 Received in revised form: September 2021 Accepted: November 2021*

# Organizational Strategy and its Effects on Performance of Nepalese Commercial Banks

- Dr. Achyut Gnawali[1]

***Abstract***

Organizational Strategy is a pattern of important decision that guides the organization in its relationship with its environment; affects the internal structure and processes of organization; and centrally affects the organization's performance. Descriptive and casual research designs were used in this study. A structured questionnaire based on 5-point Likert scale has been used to collect the data. The sample size was 507(Respondents) and selected on the convenient basis. Lending strategy, treasury management strategy, resource mobilization strategy, innovation and service quality strategy, and segmentation strategy were used as independent variables and organizational performance was used as dependent variable in this study. It was found that organizational strategies have impacted on organizational performance. The study recommends that investors and managers should make use of strategic management to improve their organizations actual performance at all times.

*Key Words:* Organizational Strategy, Lending, Innovation, Segmentation, Treasury, Resource mobilization

JEL Classification*: M41, L1*

## Background

Strategy is considered to be a detailed plan for a business in achieving success. Managers employ strategy to achieve result. Strategic management is combination of science and arts which increases an organization's chances of success as it involves detailed planning of each and every variable of the organization that can help in the achievement of goals and objectives.

[1] Dr. Gnawali is the Associate Professor at Central Department of Management, TU, Nepal

Business environment has become highly competitive and fast changing in recent times. The traditional management approach that focuses mainly on internal environment of an organization cannot anticipate the effect of external changes and actions of competitors. It is important for attaining competitive edge that companies need to be more strategic in its operations giving due considerations to the likely impact of its external environment (i.e. technological innovation, marketing methods, actions of rival companies) on its performance. As such, the strategic management has become quite important to organizations to thrive in today's business world (Hamel, 1996). Strategy to be successful, manager should consider the organization as a whole and not as any entity made of distinct and independent business units, and must include everyone in the organizational. Strategy is a detailed plan for a business in achieving success (Kazmi, 2008).

Strategic management is the process of examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. In other works, strategic management is involved in deploying a firm's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Adeleke, Ogundele and Oyenuga, 2008).

According to Lamb (1984), strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to met changed circumstances. Strategic management is the leading process through which the organization achieve its vision and mission and obtaining a sustainable competitive advantage. This determines long term evolution and organizational performances by detailed formulation, accurate implementation and continuous evaluation of strategies (Pruna,2008). Likewise, Johnson and Scholes (2002) had conceptualized strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations.

 ISSN NO: 2822-1065

Hayes and Pisano (1994) opined that in a stable environment, competitive strategy is about staking out a position and strategy focuses on getting better at the things necessary to defend that position. The emphasis on strategy, as a set of decision making rules, has also been placed by latter authors, who added it as a link between short and long run decisions.

Innovation is defined as the initiation, adaptation and implementation of an idea or proposal that will lead to a change within the organization, and the installation of the adopted idea into a sustained identifiable pattern within the organizational behaviors. Innovation, therefore, may include acceptance and implementation of new product lines or process technologies (Priece & Delbecq, 1977). Innovation and performance are complex constructs. Innovation is risky, disrupts organizational operations and activities, and its impact on firm performance is neither predictable nor necessarily desirable (Thompson & Strickland, 2003).

Empirical studies show that the quality of service offered is related to overall satisfaction of the customer. According to Parasuraman, Zeithaml and Berry (1988) reliability, tangibility and empathy positively related with customer satisfaction. Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction. Moreover, the result of Ravichandran et al (2010) indicates responsiveness is the only significant dimension of service quality that affects the satisfaction of customers positively.

Marketing segmentation helps to identify of profitable markets, specialize on a market segment, use of marketing resources, monitor changes in the market place, adopt suitable marketing strategies and focus on competitors (Koirala, 2012). Successful development and implementation for any global marketing strategy depends on the organizations' ability to segment its markets so that uniform sets of marketing decisions can be applied to specific customers that exist horizontally, i.e., across nations or cultures (Sethi, 1971).

Lending strategies includes all the activities related with credit such as; credit processing, credit marketing, portfolio management, concentration risk monitoring, risk hedging, capital required for the risks and credit reporting etc. Banks have to follow the basic principle of lending for

 ISSN NO: 2822-1065

minimizing risk associated. There are various fundamental norms and principles like safety and security, liquidity, risk diversification, profitability and loan purpose (Thapa & Rawal, 2010:).

Matching the assets and liabilities of the bank is the major concern of the treasury department. Treasury management is responsible for the identification of risks associated with the business and for controlling risks which could erode financial strengths using mitigation and hedging techniques and encouraging a culture of sound financial practices (Thapa & Rawal, 2010). Jaworski & Kohli (1993), suggest positive relationships between market business strategies and overall firm performance.

There is no dedicated research study in organizational strategy and organizational performance. In addition, the newer dimension of combined impact of organizational strategy on organizational performance is still unfolded in Nepal .Therefore, the present research study has been conducted to fill the above mentioned research gaps. In nutshell, it is the most comprehensive research on impact of organizational strategy on organizational performance of Nepalese commercial Banks.

**Objectives of the Study**

The main purpose of this study is to analyze the strategic management practices and organizational performance in Nepalese Commercial Banks. More specifically this study proposes following specific objectives:

1. *To examine the present practices of strategies in selected organizations.*
2. *To assess the relationship between the use of Organizational Strategy and the Organizational Performance of Nepalese Commercial Banks.*
3. *To examine the impact of strategies on organizational performance.*

**Research Methods**

Descriptive research and explanatory research design was employed. There were 31 banks at the time of the study. Out of these 31 banks only 17 numbers of banks were established before 2002. The selection of the bank for the study was framed on the basis of ten years in operations. Furthermore, six earliest established Nepalese commercial banks were selected for the study. These banks were established between 1937 and 1993. In the sampling framework, samples of employees were taken for the study. This stratification of population resulted into sampling frame of six banks namely, Nepal Bank Ltd. Kathmandu (1937), Rastriya Banijya Bank Ltd. Kathmandu (1966), Nabil Bank Ltd. Kathmandu (1984), Nepal Investment Bank Ltd. Kathmandu (1986), Standard Chartered Ltd. Kathmandu (1986), and Himalayan Bank Ltd. Kathmandu (1993). According to the Annual Report of the Banks, there were 8248 total numbers employees in these banks. Accordingly, the sample size determined was 367 numbers of employees using sample size calculator. The sample was determined with 95% of confidence level, 5% margin of error with a response distribution of 50%. The determination of sample size was formulated with reference to Gupta, (1996).

Out of the distributed employees' questionnaire, total of 534 questionnaires were retuned. However, 507 returned questionnaires were useable. Henceforth, the response rate was 69.07% in total. The overall field work for data collection was undertaken from January 2013 to July 2016. The primary data collected were cleaned, tabulated and analyzed using the software SPSS v. 22. The data collected in this study was used to generate descriptive statistics as well as inferential statistics. The descriptive measures used are frequency distributions, measures of central tendency, and measures of dispersion. The inferential statistics uses were t-test, f-test, Pearson's correlation coefficient test and regression analysis were used.

***Multiple Regression Model- : Organizational Strategy to Organizational Performance***

$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i$

Where,
$\hat{Y}$ = Organizational Performance
$X_1$ = Lending Strategy
$X_2$ = Treasury Management Strategy
$X_3$ = Resource Mobilization Strategy
$X_4$ = Innovation and Service Quality Strategy
$X_5$ = Segmentation Strategy
$\alpha$ = Constant
$\beta_1$ = Slope coefficients
$e_i$ = Error term

**Reliability and Validity**

Strategy variable was measured with 45 opinion statements and Performance variable was measured with 6 opinion statements in Likert 5-point scale (with 5=strongly, to 1=Strongly

 ISSN NO: 2822-1065

Disagree. The Cronbach's α for overall Strategy (highly reliable) was 0.959 and for overall Performance was 0.821 (highly reliable).

## Results

### Overall Organizational Strategy practice in commercial banks

Table 1 shows the results, that grand mean of respondents regarding performance evaluation on different statements is 3.56. It indicates that the respondents were agreed on almost all the opinion statements is greater than test value. That means all statements are important factors. To test the significant difference from the mean score, the p value of all opinion statement was 0.001(<0.01), which indicates that all the statements are significant variables. The individual mean score of the variables of organizational strategy resulted in following Segmentation Strategy =3.55 (SD=0.584); Innovation Strategy =3.60 (SD=0.619); Resources Mobilization Strategy =3.68 (SD=0.686); Lending Strategy =4.00 (SD=0.746); Service quality and Delivery Strategy =3.78 (SD=0.655); and Treasury Management Strategy =3.81(SD=0.658). The result shows the lending strategy with the highest mean indicating wholesome agreement of the lending strategy implementation by the commercial banks. Whereas, the lowest dealt was segmentation strategy.

**Table 1: Respondents' view on Organizational Strategy in commercial banks**

| | | | | Test Value = 3.00 | | |
|---|---|---|---|---|---|---|
| **Variables of Strategy** | **N** | **Mean** | **Std. Deviation** | **t value** | **p value** | **Remarks** |
| ***Segmentation Strategy*** | 507 | 3.553 | 0.584 | 21.311 | 0.001 | Significant |
| ***Innovation Strategy*** | 507 | 3.609 | 0.619 | 22.125 | 0.001 | Significant |
| ***Resources Mobilization Strategy*** | 507 | 3.686 | 0.686 | 22.517 | 0.001 | Significant |
| ***Lending Strategy*** | 507 | 4.00 | 0.746 | 30.192 | 0.001 | Significant |
| ***Service quality and Delivery Strategy*** | 507 | 3.785 | 0.655 | 26.974 | 0.001 | Significant |
| ***Treasury Management Strategy*** | 507 | 3.817 | 0.658 | 27.953 | 0.001 | Significant |

### Segmentation Strategy practices in commercial banks

Table 2 shows that grand mean of respondents regarding segmentation strategy on different statements is 3.55 (SD = 0.584). It falls under agreed band and mean of almost all the opinion statements is greater than test value. To test the significant difference from the mean score, the p value of all statement comes out to be 0.001(<0.01), which indicates that all the statements are significant factors. The managers focused on manufacturing and trading sector industries as it can be interpreted with the highest mean score 3.665 (SD = 0.901). However, these commercial banks of Nepal make the financial statement analysis properly for effective strategic management and the Segmentation based on geographic region which was found to be the lowest mean score 3.430 (SD =0.962). However, despite of being significant factors; the mean score indicates as the least important contributing factors to segmentation strategy. That leads to proper performance of the selected organizations. Table 2 puts details of Segmentation Strategy practices dimensions.

**Table 2: Respondents' view on Segmentation Strategy in commercial banks**

| Opinion Statements | Mean | Std. Deviation | Test Value = 3.00 | | | |
|---|---|---|---|---|---|---|
| | | | T | df | Sig. (2-tailed) | Remarks |
| Concentration on niche product | 3.361 | 0.950 | 8.552 | 506 | .001 | Significant |
| Segmentation identifies market opportunities | 3.611 | 0.867 | 15.877 | 506 | .001 | Significant |
| Adopt the changing business situation | 3.651 | 0.866 | 16.930 | 506 | .001 | Significant |
| Service sector investment | 3.550 | 0.848 | 14.620 | 506 | .001 | Significant |
| Focused group on income level | 3.602 | 0.882 | 15.360 | 506 | .001 | Significant |
| Focused on manufacturing and trading sector industries | 3.665 | 0.901 | 16.607 | 506 | .001 | Significant |
| Segmentation based on geographic region | 3.430 | 0.962 | 10.064 | 506 | .001 | Significant |
| N= 507 | | | | | | |

## Innovation Strategy practices in commercial banks

Table 3 shows that the highest grand mean of respondents regarding innovation strategy is 3.609 (SD = 0.619). It falls under agreed band and mean of almost all the opinion statements is greater than test value. To test the significant difference from the mean score, the p value of all statement comes out to be 0.001(<0.01), which indicates that all the opinion statements are significant factors. However, each statement is significant indicating all variables are important factors for Innovation Strategy practices. The manager uses innovation for gain competitive advantages and growth were found to be highest mean score 3.744 (SD = 0.931). Hence, these commercial banks of Nepal make use of the innovation for achieving advantage and growth for

 ISSN NO: 2822-1065

effective strategic management. The launch research and development activities which was found to be the lowest mean score 3.393 (SD = 0.931). Despite of being significant factor, it seems to be least important contributing factors to strategic management. Table 3 puts details of Innovation Strategy practices dimensions.

**Table 3: Respondents' view on Innovation Strategy in commercial banks**

| Opinion Statements | Mean | Std. Deviation | Test Value = 3.00 T | df | Sig. (2-tailed) | Remarks |
|---|---|---|---|---|---|---|
| First to develop new product | 3.499 | 0.977 | 11.504 | 506 | 0.001 | Significant |
| Innovation reduced cost of production | 3.464 | 0.889 | 11.737 | 506 | 0.001 | Significant |
| Launch research and development activities | 3.393 | 0.931 | 9.490 | 506 | 0.001 | Significant |
| Gain competitive advantages and growth | 3.744 | 0.931 | 17.982 | 506 | 0.001 | Significant |
| Technological superiority than others | 3.692 | 0.829 | 18.797 | 506 | 0.001 | Significant |
| Creation of inclusive and diverse banking products | 3.613 | 0.894 | 15.453 | 506 | 0.001 | Significant |
| Increase value, reduce cost and increase productivity through innovation | 3.728 | 0.876 | 18.704 | 506 | 0.001 | Significant |
| Satisfy unmet customer needs through innovation | 3.736 | 0.912 | 18.170 | 506 | 0.001 | Significant |
| N= 507 | | | | | | |

**Resources Mobilization Strategy in commercial banks**

Table 4 shows that the highest grand mean of respondents regarding resource mobilization strategy is 3.68 (SD = 0.686). It falls under agreed band and the mean of almost all the opinion statements is greater than test value. To test the significant difference from the mean score, the p value of all opinion statement comes out to be 0.001(<0.01), which indicates that all the statements are significant variables. Manager uses innovation for recruitment and selection of competent staffs was found to be highest mean score of 3.779 (SD =0.870). Commercial banks of Nepal also make the innovation for achieve advantage and growth properly for effective strategic management and the accumulation and allocation of resources that was found to be the lowest

 ISSN NO: 2822-1065

mean score 3.608 (SD = 0.914). Despite of being significant variables, it is also least important contributing factors to Resources Mobilization Strategy thus to strategic management. Table 4 puts details of resource mobilization practices dimensions.

**Table 4: Respondents' view on Resources Mobilization Strategy in commercial banks**

| Opinion Statements | Mean | Std. Deviation | Test Value = 3.00 | | | |
|---|---|---|---|---|---|---|
| | | | T | df | Sig. (2-tailed) | Remarks |
| Management of different resources | 3.740 | 0.877 | 18.979 | 506 | 0.001 | Significant |
| Utilization of equipment, services and facilities | 3.700 | 0.918 | 17.174 | 506 | 0.001 | Significant |
| Accumulation and allocation of resources | 3.608 | 0.914 | 14.963 | 506 | 0.001 | Significant |
| Recruitment and selection of competent staffs | 3.779 | 0.870 | 20.157 | 506 | 0.001 | Significant |
| Adequately and timely available of resources for implementation of strategies | 3.619 | 0.871 | 16.018 | 506 | 0.001 | Significant |
| Sound information system | 3.669 | 0.931 | 16.176 | 506 | 0.001 | Significant |
| N= 507 | | | | | | |

### Lending Strategy in commercial banks

Table 5 shows that the highest grand mean of respondents regarding lending strategy is 4.000 (SD = 0.746). It falls under agreed band and mean of almost all the opinion statement is greater than test value. To test the significant difference from the mean score, the p value of all statement comes out to be 0.001 (<0.01), which indicates that all the statements are significant factors. Managers applies credit policies for follow up directives of NRB which was found to be highest mean score 4.093 (SD = 0.962). This indicates commercial bank of Nepal makes the lending strategy for achieving competitive advantage and effective lending strategy, thus contributing to strategic management. Likewise, the credit policy and procedure before making loan was found to be the lowest mean score of 3.905 (SD = 0.906). It indicates towards lowest mean and lowest contributor, despite being the significant factor. Table 5 puts details of Lending Strategy practices dimensions.

**Table 5: Respondents' view on Lending Strategy in commercial banks**

| Opinion Statements | Mean | Std. Deviation | Test Value = 3.00 | | | |
|---|---|---|---|---|---|---|
| | | | t | df | Sig. (2-tailed) | Remarks |
| Credit policy and procedure before making loan | 3.905 | 0.906 | 22.497 | 506 | 0.001 | Significant |
| Visit business sites of customers | 4.035 | 0.917 | 25.329 | 506 | 0.001 | Significant |
| Loan decision made by loan committee with terms and condition | 4.039 | 0.895 | 26.154 | 506 | 0.001 | Significant |
| Evaluation of borrowers creditworthiness | 3.978 | 0.946 | 23.287 | 506 | 0.001 | Significant |
| Follow up directives of NRB | 4.093 | 0.962 | 25.566 | 506 | 0.001 | Significant |
| Analysis of financial statement for loan decision | 4.014 | 0.933 | 24.455 | 506 | 0.001 | Significant |
| Follow and monitor of loan customers frequently | 3.939 | 0.923 | 22.903 | 506 | 0.001 | Significant |
| N= 507 | | | | | | |

**Effect of Organizational Strategy on Organizational Performance**

The influence of Organizational Strategy over Organizational Performance is analyzed with the regression analysis. Table 6 and 7, summarizes the model. The result shows that there is a significant impact of Organizational Strategy on Organizational Performance. It signifies that a change in Organizational Strategy will improve Organizational Performance. The finding of multiple regression analysis between Organizational Strategy and Organizational Performance indicates that Organizational Strategy is a significant predictor of Organizational Performance. The *R* value of 0.649 indicates the strong positive relationship between Organizational Strategy and Organizational Performance ($F=25.293$, $p<0.01$). Similarly, *R*-square value of 0.409 states that 40.9% change in performance is due to combined independent variables. Likewise, Standard error of the estimate of 0.556 indicates the variability of the observed value of Performances from regression line is 0.556 units. Since, VIF of each of independent variables is less than 10, there is no problem of multicollinearity in this model. Thus, it was shown that there is significant correlation between Organizational Strategy and significantly predict the Organizational Performance. All the variables of Organizational Strategy are significantly influences the dependent variable organizational performance. The variable of Organizational Strategy viz., Lending Strategy has 2.9%, Treasury Management Strategy has 19.8%, Resource Mobilization Strategy has 11.6%, Innovation and Service Quality Strategy has 16.2% and, Segmentation Strategy has 18.0% contributed towards Organizational Performance.

Likewise, *t*-value of the coefficient and their significance levels are reported in table 7. It is observed that the *t*-values of two variables are statistically significant at 1% level namely Treasury Management Strategy and Resource Mobilization Strategy, whereas, the variables namely, Innovation and Service Quality Strategy and Segmentation Strategy are significant at 5%. This suggests that these variables have a bearing on explaining the variability of organization performance. However, t-value for Lending Strategy is not statistically significant. The finding of this study is aligned with the study made by Jusoh (2006), Perera, Harrison, and Poole (1997), Abernethy and Lillis (1995) and Davila (2000). They investigated the influence of organizational strategy on organizational performance. It was found that a change in organizational strategy will improve organizational performance.

**Table 6: Model Summary Organizational Strategy on Organizational Performance**

| *Model* | *R* | *R Square* | *Adjusted R Square* | *Std. Error of the Estimate* | *Durbin-Watson* | *F* | *p value* |
|---|---|---|---|---|---|---|---|
| 1 | .649[a] | .409 | .390 | .55689 | 1.924 | 25.293 | .001 |
| a. Predictors: (Constant), Lending Strategy, Treasury Management Strategy, Resource Mobilization Strategy, Innovation and Service Quality Strategy, and Segmentation Strategy | | | | | | | |
| b. Dependent Variable: Organizational Performance | | | | | | | |

**Table 7 : Multiple Regression Analysis: Coefficients**

| *Model* | *Unstandardized Coefficients* | | *Standardized Coefficients* | *t* | *Sig.* | *Collinearity Statistics* | |
|---|---|---|---|---|---|---|---|
| | *B* | *Std. Error* | *Beta* | | | *Tolerance* | *VIF* |
| (Constant) | 1.768 | .182 | | 9.737 | .001 | | |
| Lending Strategy | .029 | .058 | .030 | .507 | .612 | .449 | 2.229 |
| Treasury Management Strategy | .198 | .056 | .209 | 3.532 | .001 | .455 | 2.196 |
| Resource Mobilization Strategy | .116 | .044 | .127 | 2.640 | .009 | .688 | 1.454 |
| Innovation and Service Quality Strategy | .162 | .073 | .159 | 2.210 | .028 | .307 | 3.254 |
| Segmentation Strategy | .180 | .057 | .176 | 2.398 | .016 | .535 | 1.869 |

 ISSN NO: 2822-1065

From the above results, the estimated equation can be written by taking the values from the model-:
$\hat{Y}= \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i$

**Therefore,** $\hat{Y}= 1.768 + 0.029 * X_1 + 0.198 * X_2 + .116 * X_3 - 0.162 * X_4 + 0.180 * X_5$

**Discussion and implications**

The banking sector is the most prominent one in the financial sector, it is the fastest growing sector in Nepal in the last two decades. Financial liberalization and technological revolution intensify the competitive pressures among the financial institutions. Well-designed Organizational Strategy can more effectively and efficiently lead an organization towards higher performance.

The present scenario of Organizational Strategy in Nepalese Commercial Bank has a moderately utilized. The perception of employees' towards the dimensions of Organizational Strategy in a nutshell can be understood with a mean score of 3.75 (SD=0.681). Likewise, in terms of the dimension including Segmentation Strategy, Innovation Strategy, Resources Mobilization Strategy, Lending Strategy, Service quality and Delivery Strategy and Treasury Management Strategy. In these dimensions, the lending strategy implementation by the commercial banks was at the higher side, whereas, the lowest dealt with was segmentation strategy. Likewise, the mean scores for Segmentation Strategy practices in commercial banks was 3.55 (SD=.584). However, these commercial banks of Nepal make the financial statement analysis properly for effective strategic management and the Segmentation based on geographic region. The mean scores for Innovation Strategy practices in commercial banks was 3.609 (SD=.619). The managers use innovation for gaining competitive advantages and growth of their respective banks. Hence, these commercial banks of Nepal make use of the innovation for achieving advantage and growth for effective strategic management. However, the research and development activities were not their priority. The mean scores for Resources Mobilization Strategy in commercial banks was 3.68 (SD=.686). Managers use innovation for recruitment and selection of competent staffs**.** Commercial banks of Nepal also make the innovation for achieve advantage and growth properly for effective strategic management. However, the accumulation and allocation of resources is a matter of concern. The mean scores for Lending Strategy in commercial banks was 4.000 (SD=.746). Managers apply credit policies for follow up directives of NRB in Nepalese commercial banks. The banks use lending strategy for achieving competitive advantage and effective lending strategy, thus contributing to strategic management. However, the credit policy and procedure is still a concern. The mean scores for Service Quality and Delivery Strategy in commercial banks was 3.78 (SD=.655). The recent technology helps the banks to provide faster reliable and better services. These commercial banks of Nepal make use of the technology for effective service quality and delivery strategy. However, the concern is the appearance of physical facilities. Likewise, the mean score of Treasury Management Strategy in commercial banks was 3.817 (SD=.658). The Nepalese commercial banks avoid insolvency and increase in collection rates**,** these banks are more prominent towards avoiding insolvency and focused on collection rates. However, the cash management through reserve, sell of quick assets and commercial papers are not encouraging.

The findings in this study show the evidence that an alignment among changes in Organizational Strategy significantly improves Organizational Performance. That is Organizational Strategy significantly increases performance of the banks. The findings indicate a change of 40.9% in performance is due to combined independent variables of Organizational Strategy. Likewise, the variables of Organizational Strategy viz., Lending Strategy have 2.9%, Treasury Management Strategy has 19.8%, Resource Mobilization Strategy has 11.6%, Innovation and Service Quality Strategy has 16.2% and, Segmentation Strategy has 18.0% impact contribution towards Organizational Performance. The finding of this study is aligned with the study made by Jusoh (2006), Perera et al.(1997), Abernethy and Lillis(1995) and Davila(2000).They investigated the influence of organizational strategy on organizational performance.

**Recommendation for future Researchers**

With this research on the relationship between organizational strategy and organizational performance, this area is ripe for future research. Among potential topics is the notion of how organizational strategy and organizational performance in other sectors or other service sector can be undertaken for further exploring the subject phenomenon. In order to improve the future study, the sample size could be collected from the manufacturing firms across the country (Nepal). This can further be compared to the service industries including the banking sector. Further research might be carried out with more sample of banks, as this study only based on six commercial banks of Nepal. It may give new understanding the subject phenomenon. It can either attenuate or inflate correlations among variables. Furthermore, other moderating variables like MIS, customer loyalty, firm's size, age and structure, manufacturing costs, customer retention, and the success of marketing strategy etc. can also be explore further to understand the relationship between organizational strategy and organizational performance variables. In addition, a step further, Structural Equation Modeling approach of data analysis may be taken into account to moderating or mediating factors. Last but not the least, the next few years are likely to see increased global competitiveness in the Nepalese business environment, and the banking sector will also mature in terms of operational years. Therefore, it would be interesting to expand the survey to provide longitudinal survey of strategy and significant influence of the performance of the banks.

**References**

Adeleke, A, Ogundele, O.J.K & Oyenuga, O.O. (2008). *Business Policy and Strategy*, (2nd ed). Lagos: Concept Publications,

Abernethy, M. A. & Guthrie, C.H. (1994). An empirical assessment of the “Fit” between strategy and management information system design. *Accounting and Finance*, 34 (*2)*, 49-66.

Davila, T. (2000). An empirical study of the drivers of management control systems' design in new product development. *Accounting, Organizations and Society, 25*, 383-409.

Evans, P. (1976). Competing on capabilities: The next rules of corporate strategist. *Harvard Business Review.* March-April. 57-69.

Gupta, S. P. (1995). *Statistical Methods*. New Delhi: Sultan Chand and Sons.

Hamel, G. (1996). Strategy as revolution**.** *Harvard Business Review.* July –August*. 69-82.*

Hamel, G. & Prahalad, C. K. (1990). The core competence of the corporation. *Harvard Business Review, 68* (3), 79-91

Heyes, R. H. & Pisano, G. P. (1994). Beyond world class: The new manufacturing strategy. *Harvard Business Review.January*-February.77-86.

Jaworski, B. & Kohli, A. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing, 57*(3), 53-70.

Johnson,G. & Scholes, K. (2002). *Exploring corporate strategy*. New Delhi: Prentice Hall.

ISSN NO: 2822-1065

Jusoh, R. (2006). *The usage of balanced scorecard measures, business strategy and firm performance.* Unpublished PhD dissertation, University Sains Malaysia.

Kaplan, R. S. & Norton, D. P. (1996). Using the balanced scorecard as a strategic management system. *Harvard Business Review*, 74 (1), 75-85.

Kaplan, R. S. & Norton, D. P. (2001). Transforming the balanced scorecard from performance measurement to strategic management: Part 1. *Accounting Horizons*, 15 (1), 87 – 104.

Kazmi, A. (2008). *Strategic Management and Business Policy.* (3rd ed), New Delhi: McGraw-Hill Companies,

Lamb, R. (1984). *Competitive strategic management*. Engle Cliffs, NJ: Prentice-Hall.

Lillis, R. & Anne. Z. (2002). Managing multiple dimensions of manufacturing performance - an exploratory study. *Accounting, Organizations and Society*, 27, 497-529.

Parasuraman, A., Zeithaml, V. A, & Berry, L. (1988). SERVQUAL: A multiple-item scale for measuring customer perceptions of service quality. *Journal of Retailing*. 64, 12-40.

Perera, S., Harrison, G. L., & Poole, M. (1997). Customer-focused manufacturing strategy and the use of operations-based non-financial performance measures: A research note. *Accounting, Organizations and Society,* 22, 557-572.

Priece, J. L., & Delbecq, A. L. (1977). Organization structure, individual attitude and innovation. *The Academy of Management Review*, 2(1), 27–37.

Prună, S. (2008). Strategic management in modern organizations. *National Intelligence Academy Romania,* 5 (80).

Ravichandran C. A. (2004). *Managerial accounting*. Toronto: Thomson Nelson.

Sethi, S. P. (1971). Comparative cluster analysis for world markets. *Journal of Marketing Research,* 8, 348– 354.

Sulieman (2011). Banking service quality provided by commercial banks and customer satisfaction, *American Journal of Scientific Research*, 27, 68-83

Thapa R & Rawal D. (2010). *Principles and practices of Nepalese banking*, Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

Thompson, A. A. & Strickland, A. J. (2003). *Strategic management: Concepts and cases.* New York: McGraw-Hill.