

SMIB — Strategic Management and Innovations in Banking

Complete Book | Table of Contents | 20 chapters + 9 sections

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CH-1

Strategy and Strategic Leadership in Dynamic Times

Topic 1 — Introducing Strategic Management: Meaning of Strategy

The word strategy comes from the Greek *strategos*, the general who plans how to win with limited forces.

Classic definitions

- **Chandler** — Strategy is setting basic long-term goals and choosing the actions and resource allocation needed to achieve them.
- **Glueck** — Strategy is a unified, comprehensive and integrated plan that ensures the basic objectives of the enterprise are achieved.
- **Integrated view** — Strategy is the central, externally oriented concept of how a firm will achieve its objectives.
- **Positioning view** — Strategy means deliberately choosing a different set of activities to deliver a unique mix of value.
- **Common thread** — Every definition combines long-term direction, scope, resource commitment and competitive advantage.

The five Ps of strategy

P	Strategy seen as	Banking illustration
Plan	A consciously intended course of action made in advance	A board-approved three-year business plan
Ploy	A specific manoeuvre to outwit a competitor	Announcing a home-loan offer a day before a rival's festive campaign
Pattern	Consistency in behaviour over time, intended or not	A bank that keeps growing through gold and farm loans without a written plan
Position	Locating the organisation in its market	Being the preferred bank of young salaried customers in cities
Perspective	The ingrained way the organisation sees the world	A technology-first mindset that shapes every decision

Remember this

- Strategy = **long-term direction + scope + resource allocation** to build competitive advantage and meet stakeholder expectations.

Topic 2 — Strategic Management: Meaning, Features and Importance

Strategic management is the continuous process of formulating, implementing and evaluating decisions that help an organisation achieve its long-term objectives.

Features

- **Long-term** — It deals with decisions whose effects last several years.
- **Top-level ownership** — The board and top management own it, though every level executes it.
- **Resource commitment** — It commits capital, people and technology that are hard to reverse.
- **Integrative** — It cuts across credit, treasury, operations, technology and human resources.
- **Environment-linked** — It keeps matching internal capabilities with external change.
- **Continuous** — It is an ongoing cycle, not a one-time annual exercise.

Benefits	Limitations
Gives a clear sense of direction and priorities	The environment may change faster than plans
Encourages proactive rather than reactive action	Preparation takes time and money
Guides allocation of scarce capital and talent	Can become rigid, mechanical form-filling
Improves coordination across departments	Gaps can open between plan and action
Builds confidence of investors and regulators	Depends on the quality of data and judgement

Topic 3 — Levels of Strategy

Level	Key question	Decided by	Banking illustration
Corporate	Which businesses should we be in?	Board and top management	Entering life insurance through a joint venture; exiting a broking subsidiary
Business	How do we compete in a chosen business?	Business-unit heads	Retail unit competing through instant digital personal loans
Functional	How does each function support the business strategy?	Heads of HR, IT, marketing, treasury and risk	HR reskilling credit staff; IT moving to cloud
Operational	How are daily activities carried out?	Regional and branch managers	Branch drives for savings accounts and service standards

- **Consistency** — Lower-level strategies must support higher-level ones; conflicting goals waste resources.
- **Single-business firm** — Corporate and business strategy often merge when a firm runs only one business.
- **Banking groups** — A bank with insurance, asset management and broking arms needs a distinct group-level corporate strategy.

Remember this

- Corporate strategy = **where** to compete; business strategy = **how** to compete; functional strategy = **how each function** supports it.

Topic 4 — The Strategic Management Process

Five stages

- **1. Strategic intent** — Define the vision, mission, values and long-term goals.
- **2. Environmental analysis** — Scan outside for opportunities and threats and inside for strengths and weaknesses.
- **3. Strategy formulation** — Generate, evaluate and choose alternatives at corporate, business and functional levels.
- **4. Strategy implementation** — Translate the choice into structure, budgets, policies, systems, people and culture.
- **5. Evaluation and control** — Compare results with targets, correct deviations and feed the learning back to stage 1.

Basis	Strategy formulation	Strategy implementation
Nature	Positioning forces before action	Managing forces during action
Focus	Effectiveness — doing the right things	Efficiency — doing things right

Basis	Strategy formulation	Strategy implementation
Main process	Intellectual and analytical	Operational and behavioural
Skills	Intuition, analysis and judgement	Motivation, leadership and coordination
People involved	Board and top management	Managers and staff at every level

Example: Sahyadri Bank (fictional) aims to be a leading MSME lender. Analysis shows that GST and Account Aggregator data can speed appraisal. It chooses cash-flow-based digital lending, builds a new credit engine, retrain 1,200 credit officers and tracks turnaround time and early delinquency every month.

Remember this

- A sound strategy fails without implementation; **evaluation** closes the loop by feeding results into the next cycle.

Topic 5 — Intended, Deliberate, Emergent and Realised Strategy

- Intended strategy** — The strategy top management plans at the start of the period.
- Deliberate strategy** — The part of the intended strategy that is actually carried out.
- Unrealised strategy** — The part of the intended strategy dropped because conditions change.
- Emergent strategy** — Unplanned actions that arise from learning and responses at many levels.
- Realised strategy** — What the organisation actually does: deliberate plus emergent strategy.

Realised strategy = Deliberate strategy + Emergent strategy

Example: A bank planned 300 new branches over three years. During a lockdown it shelved 120 of them (unrealised) and scaled up video-KYC and doorstep banking first tried by one regional team (emergent). Its realised strategy combined 180 branches with the new digital channels.

- Planning approach** — Stresses formal analysis and top-down plans; suits stable environments.
- Learning approach** — Stresses experimentation and adaptation; suits fast-changing environments.
- In practice** — Successful banks combine a clear intended direction with freedom to learn and adjust.

Topic 6 — The Strategy Diamond: Five Elements of a Strategy

A complete business strategy answers five linked questions, and the answers must reinforce one another.

Element	Question answered	Banking illustration
Arenas	Where will we be active — products, segments, regions, channels?	MSME and affordable-housing loans in Tier 2 to Tier 6 towns
Vehicles	How will we get there — organic growth, alliances, joint ventures or acquisitions?	Co-lending with NBFCs; buying a loan portfolio
Differentiators	How will we win — image, customisation, price, speed or reliability?	Sanction within 15 minutes; app in regional languages
Staging and pacing	What will be the speed and sequence of our moves?	Pilot in two states, then a national roll-out
Economic logic	How will we earn returns above the cost of capital?	Lower cost per loan through digital sourcing; higher fee income

- Fit** — Weak economic logic can sink a strategy even when arenas and differentiators look attractive.
- Implementation levers** — Structure, systems, processes, people and rewards must support all five elements.

Remember this

- Strategy diamond: **Arenas, Vehicles, Differentiators, Staging and pacing, Economic logic.**

Topic 7 — Strategic Management in Dynamic Times

In dynamic contexts change is fast and hard to predict, so competitive advantages are often temporary.

Lens	Element	Meaning	Banking illustration
VUCA	Volatility	Speed and size of change	Sharp swings in bond yields and the rupee
VUCA	Uncertainty	The future cannot be predicted reliably	Unclear path of credit demand
VUCA	Complexity	Many interlinked factors	Overlapping banking, securities, insurance and data-protection rules
VUCA	Ambiguity	Cause and effect are unclear	Uncertain customer response to an AI-based product
BANI	Brittle	Systems that look strong can break suddenly	One core-banking outage halting all channels
BANI	Anxious	Fear and information overload slow decisions	A social-media rumour triggering withdrawals
BANI	Non-linear	Small causes can have very large effects	A small vendor breach becoming a major cyber incident
BANI	Incomprehensible	Events defy easy explanation	Hard-to-explain outputs of complex AI models

Forces reshaping Indian banking

- Digital public infrastructure** — UPI, Aadhaar-based e-KYC and Account Aggregators have cut the cost of serving customers.
- New competitors** — Fintechs, NBFCs and big-tech platforms compete for payments, lending and wealth customers.
- Regulatory change** — RBI consolidated its instructions into entity-wise Directions from 28 November 2025.
- Responsible AI** — RBI's FREE-AI framework report (August 2025) guides ethical adoption of artificial intelligence.
- Data protection** — The DPDP Act, 2023 and DPDP Rules, 2025 bring in obligations in phases, with key dates of 13 November 2026 and 13 May 2027.
- After the cut-off** — On 31 July 2026 RBI issued Directions on cybersecurity and technology risk and on digital payment security controls for commercial banks.

Strategic responses

- Agility** — Shorter planning cycles, rolling forecasts and quick reallocation of resources.



- **Dynamic capabilities** — The ability to sense change, seize opportunities and transform the organisation.
- **Scenario planning** — Prepare for several plausible futures rather than one forecast.
- **Experimentation** — Pilot ideas, including in RBI's regulatory sandbox, before scaling them.

Remember this

- **VUCA** = Volatility, Uncertainty, Complexity, Ambiguity.
- **BANI** = Brittle, Anxious, Non-linear, Incomprehensible.

Topic 8 — Leading Strategically: Strategic Leadership

Strategic leadership is the ability to anticipate, envision, keep flexibility and empower others to create strategic change.

- **Who leads** — The board, the MD and CEO and the top management team are the main strategic leaders.
- **Long view** — They balance today's results with the bank's long-term health.
- **Change** — They prepare the organisation to change before a crisis forces it to.

Action of effective strategic leaders	What it involves in a bank
Determining strategic direction	Framing the vision, mission and long-term goals approved by the board
Managing the resource portfolio	Building core competencies, human capital and social capital with regulators, partners and communities
Sustaining an effective culture	Promoting customer-centric, risk-aware and compliance-minded behaviour
Emphasising ethical practices	Setting the tone at the top; zero tolerance for mis-selling and fraud
Establishing balanced controls	Combining strategic controls (judgement on direction) with financial controls (budgets and ratios)

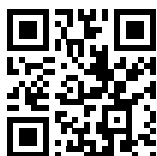
- **Board's role** — Under the BCBS Corporate governance principles for banks (July 2015), the board approves and oversees management's implementation of strategic objectives.
- **Risk link** — The board also approves the risk appetite within which the strategy is pursued.

Remember this

- **Board approves** strategy and risk appetite; **management executes**; the board **oversees** execution.

Topic 9 — Strategic Leadership Styles and Level 5 Leadership

Basis	Transactional leadership	Transformational leadership
Approach	Exchanges rewards for performance	Inspires through a shared vision
Focus	Meeting current targets and procedures	Changing mindsets and the organisation
Motivation	Extrinsic — incentives and penalties	Intrinsic — purpose, growth and pride
Best suited to	Stable conditions and routine operations	Turnarounds, mergers and digital transformation



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Five-level leadership hierarchy

Level	Description
1 — Highly capable individual	Contributes through talent, knowledge, skills and good work habits
2 — Contributing team member	Works effectively with others to achieve group objectives
3 — Competent manager	Organises people and resources to pursue objectives efficiently
4 — Effective leader	Builds commitment to a clear, compelling vision and high standards
5 — Level 5 executive	Builds enduring greatness through personal humility and intense professional will

- **Credit and blame** — Level 5 leaders credit the team for success and accept responsibility for failure.
- **Succession** — They groom successors so that performance lasts beyond their tenure.

Example: The new MD of a fictional stressed bank shares a three-year revival vision, personally reviews large stressed accounts, praises branch teams publicly and builds a strong successor pool. This blend of humility and resolve reflects Level 5 leadership.

Topic 10 — Effective Vision: Meaning and Characteristics

A vision is a short, inspiring statement of what the organisation aspires to become in the long run.

- **Future-oriented** — It describes a desired future state, usually a decade or more ahead.
- **Inspiring** — It energises employees and earns the trust of customers and investors.
- **Clear and concise** — It is easy to remember and communicate.
- **Ambitious yet credible** — It stretches the organisation without becoming fantasy.
- **Shared** — It is developed with, and owned by, people across the organisation.
- **Stable** — It changes rarely, while strategies change more often.

Strategic intent and BHAG

- **Strategic intent** — An ambitious long-term aim that stretches the organisation far beyond its current resources.
- **Stretch and leverage** — It forces creative use of limited resources instead of waiting for more.
- **BHAG** — A 'big, hairy, audacious goal' is a bold 10- to 30-year target that unifies effort.

Example: A fictional small finance bank adopts the vision: 'To be the most trusted bank for every small entrepreneur in Bharat.' It is brief, inspiring and points clearly to one customer segment.

Topic 11 — Effective Mission and Core Values

A mission states the organisation's purpose: why it exists, whom it serves and how it serves them.

Mission component	Question answered
Customers	Who are our customers?
Products or services	What do we offer?
Markets	Where do we compete?
Technology	Is technology a primary concern?
Survival, growth and profitability	Are we committed to financial soundness?
Philosophy	What are our basic beliefs, values and ethics?
Self-concept	What is our distinctive competence?

Mission component	Question answered
Public image	Do we respond to social and environmental concerns?
Employees	Do we treat employees as a valuable asset?

- **Good mission** — Specific enough to guide choices, broad enough to allow growth and distinct from competitors.
- **Core values** — Enduring principles such as integrity, customer-first, transparency and inclusiveness.
- **Values in banking** — Trust is a bank's main asset, so values must show in selling, recovery and grievance handling.

Remember this

- A mission commonly covers **nine components**; core values guide **how** the mission is pursued.

Topic 12 — Vision, Mission, Goals and Objectives Compared

Basis	Vision	Mission	Goals	Objectives
Question	What do we want to become?	Why do we exist and what do we do?	What broad results do we seek?	What exactly, how much and by when?
Time frame	Long term, 10+ years	Long term, enduring	Medium term	Short to medium term
Nature	Aspirational	Purpose-defining	Directional	Specific and measurable
Bank example	Most trusted digital bank for MSMEs	Serve MSMEs with fast, fair credit	Grow the MSME book strongly	MSME advances of ₹40,000 crore by 31 March 2029

SMART objectives

- **Specific** — States clearly what is to be achieved.
- **Measurable** — Carries a number that can be tracked.
- **Achievable** — Stretching but realistic given resources.
- **Relevant** — Supports the vision and mission.
- **Time-bound** — Has a deadline.

N1. [Numerical] A bank's board sets a vision-linked goal to double total business from ₹4,00,000 crore to ₹8,00,000 crore in 5 years. Find the compound annual growth rate (CAGR) required and the milestone for the end of year 2.

Item	Value
Current total business	₹4,00,000 crore
Target total business	₹8,00,000 crore
Period	5 years

Solution:

Formula:

$$\text{CAGR} = \left(\frac{\text{Ending value}}{\text{Beginning value}} \right)^{1/n} - 1$$

Growth multiple = $8,00,000 \div 4,00,000 = 2$.

$$\text{CAGR} = 2^{1/5} - 1 = 1.1487 - 1 = 0.1487$$

Year-2 milestone = $4,00,000 \times 1.1487^2 = 4,00,000 \times 1.3195 \approx ₹5,27,800$ crore.

Answer: Required CAGR ≈ 14.87% a year; end of year 2 milestone ≈ ₹5,27,800 crore. A simple average of 20% a year would overshoot the target.

Remember this

- Vision = **where** we want to be; mission = **why** we exist; objectives = **how much by when** (SMART).

Topic 13 — Stakeholders and Stakeholder Analysis

Stakeholders are individuals or groups who affect, or are affected by, the achievement of the organisation's objectives.

Stakeholder	Main expectations from a bank
Depositors	Safety of money, fair returns and easy access
Borrowers	Timely credit, fair pricing and transparent terms
Shareholders (Government in PSBs)	Sustainable return on equity, dividends and value growth
Employees	Fair pay, career growth and a safe workplace
Regulators — RBI, SEBI, IRDAI	Soundness, compliance and customer protection
Community	Financial inclusion, CSR and responsible lending

Power-interest grid

Power / Interest	Low interest	High interest
High power	Keep satisfied	Manage closely (key players)
Low power	Monitor with minimum effort	Keep informed

- **Mapping** — Identify stakeholders, assess their power and interest, then plan engagement.
- **Shifts** — Positions change; small depositors can gain power quickly during a rumour-driven run.
- **Primary and secondary** — Primary stakeholders deal with the bank directly; secondary ones such as media and civil-society groups influence it indirectly.

Remember this

- High power + high interest = **manage closely**; high power + low interest = **keep satisfied**.

Topic 14 — Vision and Mission in Indian Banking Practice

RBI's medium-term strategy

- **Utkarsh 2029** — RBI's medium-term strategy framework, released on 10 April 2026, covers April 2026 to March 2029.
- **Six pillars** — Robust Regulations; Customer Centricity and Inclusive Finance; Competitive Markets; Effective Technology; Future-ready Organisation; Global India.
- **Predecessor** — It builds on Utkarsh 2.0, which covered 2023 to 2025.
- **Monitoring** — A Sub-committee of RBI's Central Board monitors it; routine work runs through departmental annual action plans.

Reform agenda for public sector banks

- **EASE** — Public sector banks follow a yearly Enhanced Access and Service Excellence reform agenda.
- **EASE 9.0** — The Department of Financial Services launched it on 20 February 2026 as 'EASE^{rise}', with four RISE themes: Risk and Resilience, Innovation, Socio-economic Impact and Excellence.
- **Aim** — The agenda targets globally competitive public sector banks for Viksit Bharat@2047.

Example: A fictional bank cascades its vision into a board-approved three-year plan, annual budgets, regional targets and branch scorecards on savings deposits, digital adoption and recovery. Every level can trace its targets back to the vision.

Remember this

- Utkarsh 2029: April 2026 – March 2029, six pillars. EASE 9.0 (20 February 2026): four RISE themes.

SMIB | Module A | CH-1 | MCQs

Q1. Bharat Mercantile Bank's board decides to enter life insurance through a joint venture and to exit its loss-making broking subsidiary. These decisions belong to which level of strategy? [Ref: Topic 3, p. 2]

- (a) Business-level strategy of the retail banking unit
- (b) Corporate-level strategy of the banking group
- (c) Functional strategy of the marketing department
- (d) Operational strategy of the branch network

Q2. A bank planned 300 branches but opened 180 and dropped the rest; meanwhile a zonal team's chat-banking pilot on a messaging app grew into a national channel. Which statement is correct? [Ref: Topic 5, p. 3]

- (a) The 120 dropped branches are the bank's emergent strategy
- (b) The chat-banking channel is part of the deliberate strategy
- (c) The realised strategy is the 180 branches plus the chat-banking channel
- (d) The intended strategy and the realised strategy are identical in this case

Q3. A bank decides to pilot its digital gold-loan product in two states for six months before a national roll-out. Which element of the strategy diamond does this decision address? [Ref: Topic 6, p. 3]

- (a) Arenas — the products, customer segments and regions chosen
- (b) Vehicles — the means of entering markets
- (c) Staging and pacing — the speed and sequence of moves
- (d) Economic logic — how returns will be earned

Q4. Which of the following is a 'vehicle' in the strategy diamond of a bank? [Ref: Topic 6, p. 3]

- (a) Targeting MSMEs in Tier 3 towns of central India
- (b) Entering a co-lending arrangement with a large NBFC
- (c) Promising loan sanction within fifteen minutes of applying
- (d) Earning returns through a lower cost per loan

Q5. Which statement about strategy formulation and strategy implementation is NOT correct? [Ref: Topic 4, p. 2]

- (a) Formulation focuses on effectiveness; implementation on efficiency
- (b) Formulation is mainly intellectual; implementation is operational
- (c) Implementation needs coordination only among a few top executives
- (d) Formulation positions forces before action; implementation manages them during action

Q6. A minor security breach at a small IT vendor cascades into a nationwide outage of a bank's mobile app. In BAN terms, the disproportionate impact best illustrates: [Ref: Topic 7, p. 3]

- (a) Non-linearity — a small cause producing a very large effect
- (b) Anxiety — fear and information overload slowing down decisions
- (c) Incomprehensibility — events that defy any explanation
- (d) Ambiguity — cause-and-effect links that remain unclear to managers

Q7. Under the BCBS Corporate governance principles for banks, which responsibility rests with the board? [Ref: Topic 8, p. 4]

- (a) Sanctioning individual retail loans within delegated powers
- (b) Approving and overseeing management's implementation of strategic objectives
- (c) Preparing branch-level business budgets and deposit targets for the coming quarter
- (d) Carrying out concurrent audit of high-value branches

Q8. A new MD credits the team for a turnaround, accepts blame for setbacks and insists on uncompromising standards to build lasting performance. This best reflects: [Ref: Topic 9, p. 4]

- (a) Level 4 — an effective leader building commitment to a vision
- (b) Transactional leadership based on rewards for targets
- (c) Level 5 — personal humility blended with professional will
- (d) Level 3 — a competent manager organising resources

Q9. After a merger, a bank needs staff from both banks to embrace a new culture and new digital processes. Which leadership style suits this situation best? [Ref: Topic 9, p. 4]

- (a) Transactional — rewarding staff for meeting existing targets
- (b) Laissez-faire — leaving each team to decide on its own
- (c) Autocratic — enforcing the old procedures without change
- (d) Transformational — inspiring change through a shared vision

Q10. A bank aims to grow its advances from ₹2,50,000 crore to ₹4,00,000 crore in 4 years. The required compound annual growth rate is approximately: [Ref: Topic 12, p. 5]

- (a) 15.00%
- (b) 9.86%
- (c) 16.00%
- (d) 12.47%

Q11. Which of the following is a properly framed objective rather than a vision or mission statement? [Ref: Topic 12, p. 5]

- (a) To be India's most admired and trusted bank for every customer segment and region
- (b) To serve MSMEs with fast, fair and transparent credit
- (c) To raise digital retail loans from 35% to 60% of the book by 31 March 2028
- (d) To build a culture of integrity and customer-first service

Q12. A bank places RBI in the 'manage closely' cell of its power-interest grid. A large institutional investor with a 9% stake has high power but little interest in day-to-day policies. The right approach for this investor is: [Ref: Topic 13, p. 5]

- (a) Keep satisfied
- (b) Keep informed
- (c) Monitor with minimum effort
- (d) Manage closely

Q13. Which statement about mission and core values is correct? [Ref: Topic 11, p. 4]

- (a) A mission describes what the bank wants to become in twenty years, while values set its numeric targets
- (b) A mission states why the bank exists and whom it serves; values guide behaviour in pursuing it
- (c) Values are revised every year with the budget, while the mission is fixed by law
- (d) A mission is a SMART objective used to build branch scorecards

Q14. Which of the following is NOT one of the six strategy pillars of RBI's Utkarsh 2029? [Ref: Topic 14, p. 5]

- (a) Competitive Markets
- (b) Future-ready Organisation
- (c) Customer Centricity and Inclusive Finance
- (d) Price Stability and Fiscal Support

Q15. Over a decade a bank has consistently grown through gold loans and farm credit, although no plan ever stated this. Seeing strategy as which of the five Ps explains this best? [Ref: Topic 1, p. 2]

- (a) Plan
- (b) Ploy
- (c) Pattern
- (d) Perspective

Answer key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	b	4	b	7	b	10	d	13	b
2	c	5	c	8	c	11	c	14	d
3	c	6	a	9	d	12	a	15	d

CH-2

The Internal and External Environment of Strategy

Topic 1 — Environmental Analysis: SWOT and TOWS

Strategy links what an organisation can do (internal environment) with what its surroundings allow (external environment).

	Helpful to objectives	Harmful to objectives
Internal (largely controllable)	Strengths — wide branch network, low-cost deposits, trusted brand	Weaknesses — ageing core-banking system, high cost-to-income, skill gaps
External (not controllable)	Opportunities — rising MSME credit demand, Account Aggregator data, UPI-led digital adoption	Threats — fintech competition, cyber attacks, tighter regulation, economic slowdown

TOWS matrix — turning SWOT into strategy

Strategy	Logic	Banking illustration
SO (maxi-maxi)	Use strengths to seize opportunities	Use rural branches to become the main channel for direct benefit transfers
WO (mini-maxi)	Overcome weaknesses by exploiting opportunities	Partner a fintech to fix a weak digital front-end and reach young customers
ST (maxi-mini)	Use strengths to reduce threats	Use a strong capital base to absorb a slowdown and win quality borrowers
WT (mini-mini)	Reduce weaknesses and avoid threats; defensive	Exit costly legacy products and outsource non-core processing

Remember this

- SWOT is a **summary** of the situation; the **TOWS** matrix converts it into SO, WO, ST and WT strategies.

Topic 2 — Examining the Internal Environment: Resources

Resources are the assets a firm controls and uses to conceive and implement its strategy.

Type	Category	Banking illustration
Tangible	Financial	Capital base, low-cost deposits, borrowing capacity
Tangible	Physical	Branches, ATMs, data centres, owned premises
Tangible	Organisational	Formal reporting structure, planning and control systems
Intangible	Human	Knowledge, skills and judgement of credit and treasury staff
Intangible	Reputational	Brand image for safety, trust built over decades
Intangible	Innovation and technology know-how	Proprietary scoring models, data and digital skills
Intangible	Relational	Long ties with corporates, government departments and communities

- Intangibles matter more** — Intangible resources are harder to see, copy or buy, so they often underpin lasting advantage.
- Not enough alone** — Resources create value only when combined into capabilities and deployed in activities.

Approaches to internal analysis

- Functional analysis** — Review each function, such as credit, treasury, operations and HR, for strengths and gaps.
- Financial analysis** — Use ratios such as cost-to-income, NIM, ROA and ROE to judge efficiency and returns.
- Benchmarking** — Compare processes and results with peer banks or best practice, not only with last year.
- Customer view** — Use complaint data, surveys and digital adoption to see the bank as customers see it.

Topic 3 — Capabilities and Core Competencies

- Capability** — The capacity to deploy resources together, through processes and routines, to perform a task.
- Distinctive competence** — A capability the firm performs better than its rivals.
- Core competence** — A collective learning that cuts across businesses and is central to competitive advantage.

Three tests of a core competence

- 1. Access** — It gives potential access to a wide variety of markets.
- 2. Customer benefit** — It contributes significantly to the benefits customers perceive.
- 3. Imitation** — It is difficult for competitors to imitate.

Bank capability	Why it may be a core competence
MSME cash-flow underwriting	Supports loans, trade finance and supply-chain products across regions
Low-cost deposit franchise	Lowers funding cost for every lending business
Digital payments processing	Serves retail, merchant and government business at scale
Rural reach and local knowledge	Hard to copy; supports inclusion, farm and micro credit

Remember this

- Core competence tests: **access to many markets, customer benefit, hard to imitate.**

Topic 4 — Resource-Based View and the VRIO Framework

- Resource-based view** — Competitive advantage comes mainly from a firm's own resources and capabilities.
- Resource heterogeneity** — Firms in the same industry hold different bundles of resources.
- Resource immobility** — Some resources cannot be moved easily between firms, so differences persist.

Valuable?	Rare?	Costly to imitate?	Organised to exploit?	Competitive implication
No	—	—	—	Competitive disadvantage
Yes	No	—	—	Competitive parity
Yes	Yes	No	—	Temporary competitive advantage
Yes	Yes	Yes	No	Unused competitive advantage
Yes	Yes	Yes	Yes	Sustained competitive advantage