

UNIVERSITY OF KWAZULU-NATAL

**A Critical Analysis Of How CBZ Bank Ltd Can Gain Competitiveness,
Sustenance And Growth In The Hyper-Inflationary Environment**

By

**DELANI MOYO
203518315**

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Supervisor: **Dr A S GANI**

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CONFIDENTIALITY CLAUSE

27 DECEMBER 2006

TO WHOM IT MAY CONCERN

Due to the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of five years.

Sincerely

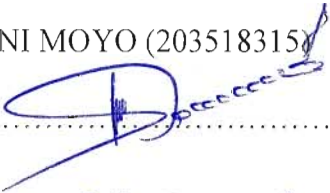


D. MOYO

DECLARATION

This research has not been previously accepted for any degree and is not being currently considered for any other degree at any other university.
I declare that this Dissertation contains my own work except where specifically acknowledged

DELANI MOYO (203518315)

Signed.....

Date.....27.12.2006

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ABSTRACT

The aim of the study was to determine whether CBZ Bank's strategic intent was aligned to action on the ground and how the bank could consolidate its competitiveness in the market. Organisations in the services industry rely on their human resources to manage other resources in order to deliver superior service. The employees are also responsible for executing operational strategies on the ground and getting feedback directly from the market. Branch employees are directly in the competition zone and they can provide invaluable insight into the competitive dynamics of the banking industry. In order to obtain the employees' perspective of the bank's strategic intent, whether events on the ground are reflective of it and ascertain the competitiveness of the bank, responses from thirty one (31) supervisory and managerial cadres were used. The population frame was composed of (five) 5 senior managers, thirteen (13) middle managers and thirty three (33) supervisory personnel. A self administered questionnaire was e-mailed to the targeted fifty one (51) staff members. Thirty one (31) responses were received. The choice of the sample was driven by the fact that strategic business unit leaders drive the bank's strategy hence they are able to shed invaluable information regarding the bank. Eighty two (82%) of the respondents indicated that the bank's strategic intent was on course as opposed to eighteen (18%) who felt otherwise. Seventy one (71%) of the respondents also felt that the bank was competitive. A salient feature of this study was that the majority of respondents concurred that the bank's strategic intentions were on track. However due to the volatile and hyper inflationary conditions prevailing, shareholder value should be preserved by adopting growth strategies that hedge against the effects of inflation. Such strategies should include creating new external markets by going regional and international.

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CHAPTER ONE: INTRODUCTORY CHAPTER

1.1 INTRODUCTION

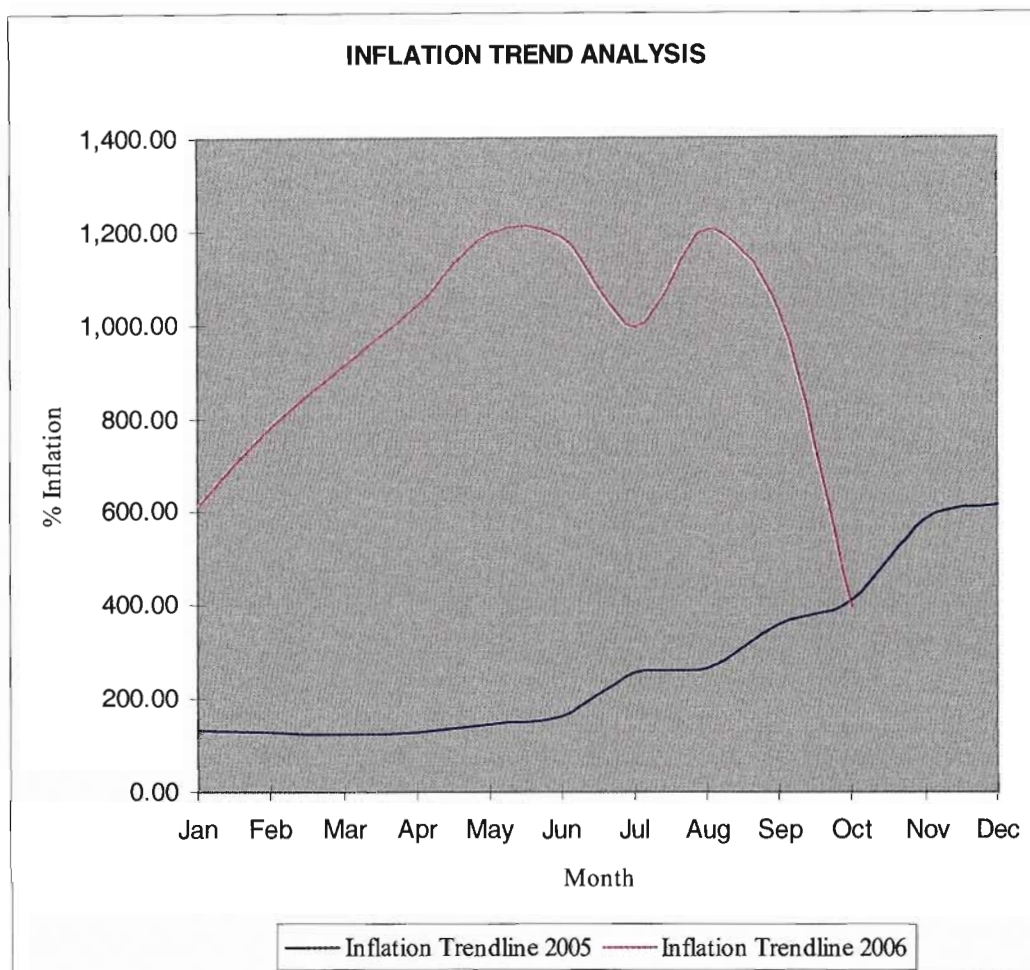
The study looked at one of Zimbabwe's indigenous banks named CBZ Bank that was operating in an environment characterised by liquidity challenges and unethical business practices. The Reserve Bank of Zimbabwe swiftly moved in to correct the unhealthy business practices in the sector. These practices were poor corporate governance policies and clandestine operations that were outside the banks' core businesses. Poor risk management practices and the inadequate controls to safeguard depositors' cash in the industry also prompted this action. Some depositors lost their savings and investments when a number of technically insolvent banks could not be rehabilitated. These banks were eventually liquidated. All of these banks were indigenously owned. It was evident that indigenous entrepreneurs were negligent in upholding business values that ensured accountability and responsibility to all the various stakeholders. CBZ Bank was used as a case whose strategy needed analysis in order to understand how a bank should be run successfully.

1.2 BACK GROUND OF THE STUDY

The Zimbabwe economy was experiencing challenges because the key economic sectors were recording low performance. The operating environment of businesses in the country was turbulent with inflation galloping upwards. The rising inflationary pressures were clearly linked to weaknesses in the macro economic fundamentals. The country was also experiencing poor export performance, static foreign direct investment, and high import demand and reduced international support.

The following graph compares inflation data of the economy for the period January 2006 to October 2006 and January 2005 to December 2005.

Figure 1.1: Graph showing inflation trend analysis.



Source: CBZ Bank Economic Overview (November 2006) p 1

The comparison of inflation figures for the two periods showed that the figures were on the rise. Inflation figures rose from 133.60% in January 2005 to close at 613.90% in December 2005. The figure rose again from 613.90% and peaked at 1204.60% in August 2006. Although the figure decelerated in October 2006, the projected outlook was another steep rise. Money supply growth as a major driver of inflation was projected to remain high. The financial services industry comprised of twelve commercial banks. Intense competition in the industry coupled with the hyper inflationary situation created difficulties for the banks. ‘Protracted liquidity difficulties accentuated by a loss of confidence by the public in the sector resulted in several banking institutions being placed under curatorship and others being liquidated’ (Reserve Bank Of Zimbabwe (2005(a) p. 3). In total three banks were liquidated during

2004 and seven banks were placed under curatorship during the same period. The monetary sector was characterized by high money supply growth rates. This resulted from increased liquidity support to distressed banks by the Reserve Bank, and continued funding of the fiscal deficit from the banking system. A tight monetary stance on its own failed to contain inflationary pressures. Instead, the economy was saddled with expectations of a spiral of rising prices, declining capacity utilization rates and increased business failures. From all perspectives the economy was performing far below its potential capacity.

1.3 PROBLEM STATEMENT

CBZ Bank Ltd was a registered commercial bank incorporated and operating in Zimbabwe only. It was one of the indigenous banks that survived after the structural dislocation in the financial services sector. A high profile collapse of a number of indigenous banks, asset management companies and finance houses occurred. The political and economic landscape in which the bank operated was turbulent characterised by high inflation. The majority of people lived below the poverty datum line. The scenario effectively diminished the propensity to save, yet banks as financial intermediaries, depended on mobilizing money deposits from customers to sustain their operations. The demise of ten indigenous banks cast doubt on the financial services sector economic empowerment programme and questioned the ability of some entrepreneurs to run banks on proper business ethics and good corporate governance. Their capacity to map out clear winning strategies was also put in the spot light. In order for a bank to survive and grow it had to formulate strategies that retained /increased customer base thus ensuring returns to stakeholders. The situation prompted this question “What should CBZ Bank do to further gain competitiveness, sustenance and growth?

1.4 OBJECTIVES

The bank did well in achieving profitability as reflected in the 2006 half-year financial statement. The turbulence in the operating environment could not guarantee future success. Shareholders expected a fair return for their investment regardless of the tough operating environment. Therefore the study sought to:

1.4.1 Evaluate the extent to which the bank's strategic intent had been aligned to action in order to gain competitiveness.

1.4.2 Ascertain the areas that needed immediate attention and also evaluate the possibilities of improvements in the competitiveness of the bank so that it consolidated its market position.

1.5 RESEARCH QUESTIONS

1.5.1. Are CBZ Bank staff aware of the bank's strategic intent?

1.5.2 Is the bank's strategic intent aligned to action?

1.5.3 What is the competitiveness of CBZ Bank?

1.5.4 What should CBZ Bank do to further consolidate its market position?

1.6 MOTIVATION FOR THE STUDY

The demise of the indigenous banks as a result of the unstable macro-economic environment and the need for banks to run on a good corporate governance code motivated the research. The closure of these banks culminated in untold suffering to the affected workforce, their families, the black empowerment theme and indeed scared away potential external investors. Questions were asked about the readiness of the Zimbabwean economy to indigenise the banking sector.

1.7 FOCUS OF THE STUDY

The study focussed on the CBZ Bank's strategic intention and competitiveness. The purpose of the study was to ascertain whether CBZ Bank's strategic intent was aligned to action. Information was gathered from the entire branch network in the country. Secondary data was used to compare performance with four leading banks.

1.8 LIMITATIONS OF THE STUDY

1.8.1 Some sensitive internal documents were not made available for competitive strategy reasons.

1.8.2 There was likelihood that some of the respondents could have discussed their responses collectively as they all worked for the same organisation.

- 1.8.3 The sample population was confined to the bank's supervisory and managerial employees only.
- 1.8.4 The intention and purpose of the study may have been misinterpreted by some respondents.
- 1.8.5 The volatile economic and financial environment in Zimbabwe made long term solutions difficult to generate.

1.9 CONCLUSION

Today's business world is so complex and hypercompetitive. Individuals tasked with the responsibility of directing and leading businesses should pay attention to the impact of the environment on their businesses. The collapse of the banks in Zimbabwe highlighted to an extent, lack of managerial prudence, lack of proper business practices and lack of good corporate governance. The consequences were that stakeholders in the businesses were hurt in some way. Workers lost employment and shareholders lost accumulated wealth when these entities were liquidated. The global village concept made it inevitable for the country to suffer a confidence crisis because its industry was faced with uncanny and unethical business practices. The situation prompted disinvestments by foreign companies. The study sought to understand the dynamics of running an organisation in a turbulent environment and determining strategies that could further highlight performance gaps and also consolidate on the strengths of the bank.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter explores different ideas by various authors and captains of industry on issues relating to the strategic management theme. The study attempted to understand the definition of strategic intent, how it is derived and how it is pursued. The study also explored through literature, how strategic intent is aligned with action and what underpins “alignment”. Competitive strategies are also explored especially those that pertain to the area of study to enable detection of prescriptive solutions to business challenges faced by banks in this turbulent and dynamic environment in Zimbabwe. The extent and style of the literature review has been deliberately chosen in order to bring to the fore the degree to which the bank under study subscribes to the strategic management theme, strategic intent, mission statement formulation, competitive strategies, marketing strategies and corporate governance issues.

2.2 DEFINITION OF STRATEGIC MANAGEMENT

Steiner (1979) cited by Cole (1994) defines strategic management as designing a desired future and identifying ways to bring it about. The task of crafting a strategy starts with a diagnosis of the company’s internal and external situation. Only when armed with hard analysis of the big picture, are managers equipped to devise or develop sound strategies to achieve targeted strategic and financial results. (Thompson and Strickland 1996). There are three levels of strategy stated by Thompson and Strickland (1996) as cited by Stoner and Wankel (1986). These are corporate strategy, business level strategy and functional strategy. Defining how a business will compete in the business environment of a particular market is done at business level. At this age of fierce competition, business profitability and growth is achievable when an organization is able to attract customers and also retain them. The activity which is key to this objective is the organisation’s ability to formulate and implement value creating strategies. According to Hitt et al (2003) a sustained or sustainable competitive advantage happens when an organization is able to implement a value creating strategy and competitors are unable to duplicate it or find it too costly to imitate.

2.3 STEPS TO STRATEGY FORMULATION

Stoner and Wankel (1986) stated that there are nine steps to strategy formulation. The nine steps are listed and explained below.

2.3.1 Goal Formulation

This entails setting up a target to be achieved over a specified time frame.

2.3.2 Identification of current objectives and strategy

This involves the examination of the current aim of the company in order to determine the degree of change required to align with the new objectives.

2.3.3 Environmental Analysis

This is conducted in order to assess forces or situations around the company that may impact on its actions. This consists of the general and the internal environment.

2.3.4 Resource Analysis

This activity refers to the internal resources audit of a company in order to determine its core competencies. The resources of a company include monetary, material and human. According to Thompson and Strickland (1996), core competencies empower a company to build a competitive advantage. The importance of a core-competence to strategy making rests with the added capability it gives a company in going after a particular marked opportunity. A core-competence can yield a competitive edge in the market place and it has potential for being a cornerstone of strategy.

2.3.5 Strategic threats and opportunities identification.

Flowing from environmental analysis, specific threats to the intentions of the company and specific opportunities to be exploited are highlighted.

2.3.6 Determination of degree or extent of strategic change required relative to current strategy.

After identifying current strategy and considering the future goals of a company, the variability of change required in order to align with the new intent is evaluated.

2.3.7 Decision making on strategic choices available.

The best alternative relative to all feasible options is adopted.

2.3.8 Strategy implementation

This involves strategy in action through actually executing tasks as adopted on 2.3.7 above.

2.3.9 Strategic outcome measurement and control.

This activity requires overall evaluation of the outcome of decisions made in order to determine progress made during implementation and make further adjustments as required.

2.4 STRATEGIC INTENT

According to Stoner and Wankel (1986) strategy can be defined from at least two perspectives. Strategy can be defined from the perspective of what an organisation intends to do and also from what an organisation eventually does, whether or not its actions were originally intended. Moncrieff (1999) states that a thought provoking insight into strategy is to take a company's most recent annual report and examine the descriptions of where the company is now and where it is going. By tracking back through the previous years one should try and find out where the current position is articulated in some form of strategy. He then asks how do organisations get to where they are currently without following what was originally intended. The answer lies in emergent strategies.

Senior management uses strategic intent to communicate a misfit between current resources and corporate aspirations and motivate idea generation by actively encouraging the quest for new opportunities. Strategic intent must be clearly understood by the entire workforce in order to invoke ownership in pursuit of the stated goals. Hamel and Prahalad (1994) suggest that a company must reconcile its end to its means through strategic intent.

"A company exhibits strategic intent when it relentlessly pursues a certain long term strategic objective and concentrates its strategic actions on achieving that objective." (Thompson and Strickland (1996) p 33). Hamel and Prahalad (1994) assert that there are three attributes of strategic intent, which are direction, discovery and destiny. Strategic Intent should pinpoint the view about the long-term market or competitive position that a

company or organisation intends to achieve. Although it is differentiated through a sense of discovery or exploration it has a sense of destiny in that it becomes a goal that employees perceive as inherently worthwhile to pursue.

Hitt et al (2003), describe Strategic Intent as the leveraging of the firm's resources, capabilities and core competencies to accomplish the firm's goals in the competitive environment, thereby ensuring that a competitive edge is achieved through the collective harnessing of these resources. A strategic mission flows from the strategic intent. "The Strategic mission is a statement of the firm's unique purpose and the scope of its operations in product and market terms" (Hitt et al (2003) p 23). They also reveal that strategic intent and strategic mission yield the insights required to formulate and implement strategies. Strategic outcomes for companies are through the implementation of earlier strategic intent and deliberate responses to issues emerging within the competitive environment. Some strategic outcomes are results of the actions of people that work in ignorance of the strategy or of how they contribute to its implementation. (Moncrieff, 1999). Yet some actions are taken to combat the emerging external threats or opportunities in the competitive arena.

2.5 STEPS IN STRATEGIC INTENT PROCESS

Hamel and Prahalad (1994) allude that the strategic intent process has three steps. These steps involve setting the strategic intent, setting the challenges and empowerment of the strategic intent.

2.6 ALIGNMENT OF ACTION WITH STRATEGIC INTENT

Alignment of action with the strategic intent is the blending of strategic intent, emergence strategies, and strategies in action to produce strategic outcomes. The continuous monitoring of these strategic outcomes produces strategic learning. (Moncrieff, 1999)

Mintzberg and Waters (1985) cited by Moncrieff (1999) point out that not all intended strategies are realised and not all realised strategies were intended. The contention is that realised strategy is often emergent in nature. It is therefore possible for organisations to

score exceptional financial results, realise growth without fulfilling the earlier intent stated in their mission statements.

Thompson and Strickland (1996) support the view by pointing out that strategy is both intended (pro-active) and adaptive (reactive). The study's objective is to ascertain whether the bank's strategic intent is aligned to action on the ground and thus it could be said the company results are reflective of this alignment or misalignment. Kaplan and Norton (1992) assert that most companies fail when going from paper (Mission Statements).

Alignment is the pursuit of getting everyone aligned to do what is necessary to achieve results. Putting the right people in the right slots is the advice to kick-start-organisational alignment according to Baldoni (2006). According to Hitt et al (2003), if an organisation's strategy is not matched with the most appropriate structure and controls, performance declines. The authors further reveal that Zurich Financial Services which was founded in Switzerland in 1872 experienced difficulties in 2001 because its strategy was not aligned to its group structure. Strategy should be matched with the structure in order to maximise on current competitive advantages as well as be flexible enough to develop future advantages. This observation supports the view of most company chief executive officers who modify and restructure organograms to properly profile their human resources.

2.6.1 Steps taken in aligning action with strategic intent.

Baldoni (2006) believes that since alignment is the linchpin between vision, mission and execution the following aspects require consideration.

a) Mission emphasis

The organisation's mission should be clearly articulated and emphasised at all levels of the company. A strategic leader is needed to emphasise the mission. Strategic leadership entails the capacity and ability to envision, anticipate, maintain flexibility and empower others to create strategic change as desired. A strategic leader of an organisation should be imbued with the ability to manage human capital. This is necessary in order to create

good morale, create confidence and productivity among employees. Effective strategic leaders develop strong partners internally and externally to facilitate execution of their strategic vision. The ability to manage knowledge, create innovation and commercialise that innovation is imperative for the success of a strategic leader and consequently, the success of the entities that they lead.

b) Description of Strategies

This refers to actions required for each category of activity where effort must take place to reach the mission and intent as spelt out.

c) Linking steps to actions

This involves articulating actions or procedures according to a pre-defined path or process. Baldoni (2006) further points out that alignment is where vision meets reality and that communicating and cascading the mission message to the supervisors who articulate operational strategies on the ground is essential.

d) Prioritisation of action steps

Since numerous activities have to be undertaken, these need to be ranked in order of importance and criticality.

e) Established measures of deliverables.

Some form of measurement is required to assess whether the intended strategies are operating as intended. Beiman (2005) indicated that translating strategy into action includes the management of both organisational and individual performance. Strategic controls are used to verify that the organisation is using the appropriate strategies for the conditions prevailing in the external environment. These controls also verify whether strategies used are equally appropriate in order to exploit the organisation's competitive advantages.

f) Flexibility of the plan

Grates (2006) in his paper, "Generating Momentum: A Precursor to Growth" claims that

when Nokia employees aligned themselves quickly with the company's strategic intent. the company (Nokia) established leadership positions in new global markets and grew from being a Finland based company into the world 's largest telecommunications equipment manufacturer.

According to Fry et al (2001) a good vision or mission can be a rallying point for the company by providing focus for the business and motivation of its employees. This results in employees aligning themselves with the strategic intent of the company since they will be motivated to do so. Business should stay true to their mission for them to capitalise on their core competence since strategic intent is a product of environmental scanning and the business profile (Fry et al 2001). Similarly, Pearce and Robinson (2003) allude to the same notion by pointing out the need to empower supervisors and personnel in the field to be responsible for customer value. For employees to buy into the mission of the organisation they have to be passionately part of it and take ownership. This happens when the strategic intent and company mission is properly and clearly articulated by policy makers at corporate level.

2.7 STRATEGIC MANAGEMENT TOOLS

The analysis and understanding of the external environment is important as it helps to identify possible opportunities and threats within the industry. A company should scan its general environment and industry environment to check whether there are opportunities to be exploited. The company can also do a self audit to check whether it has the requisite weaponry to withstand competition. An industry is defined as a group of firms supplying or trading in goods that are close substitutes. The banking industry is a typical example where products are very much substitutable. Hitt et al (2003) highlight that the industry environment has a more direct effect on the firm's strategic competitiveness and above average returns. According to Thompson and Strickland (1996) an analysis of industry and competitiveness is aimed at developing probing answers to industry characteristics challenging the firm. Pearce and Robinson (2003) support the view by insisting that the corporate strategist's goal is to find a positioning in the industry where his or her company can best defend itself against the forces that exist in the competitive industry.

To cope with these forces a strategist must delve below the surface and analyse the sources of competition. Hitt et al (2003) mention that industries include a rich mix of competitive strategies that companies use in pursuing strategic competitiveness and above average returns. The following strategic management tools can be used to assess the general, industry and internal environment.

2.7.1 Political, Economical, Sociological and Technological Analysis (P.E.S.T)

a) Political / Legal Segment

Political factors define the legal and regulatory boundaries within which organizations operate. Business related policies and philosophies by central governments should be analyzed carefully by firms (Hitt et al 2003). According to Cole (1994) fiscal and economic changes can be brought about literally overnight. In the banking sector statutory reserve requirements and minimum capital requirements should be observed.

b) Economic Segment

Hitt et al (2003) propound that the health of the nation's economy affects individual firms and industries. Pearce and Robinson (2003) further add that consumption patterns are affected by various market segments such that each firm must consider economic trends in the segments that affect its industry. Organisations need to consider the general availability of credit, the level of disposable income and the propensity for people to spend. Other economic factors that may impact on product demand include gross decline / growth in the national product (GNP), inflation rates and interest rates. A hyper-inflationary environment will adversely affect the demand for market goods. Rising interest rates translate to increased total product and service prices resulting in a decreasing demand.

c) Socio Cultural Segment

According to Pearce and Robinson (2003) social forces are dynamic, with constant changes resulting from the efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors. A change in social attitudes affects the demand for various business products.

d) Technological Segment

Rapid developments in technology can exert a powerful influence on firms. The impact of the computer industry, digital technology and telecommunications affects most businesses. Organizations should maintain a competitive advantage by adopting and adapting their technological developments to their production and administrative procedures in order to stay ahead. Cole (1994) states that some firms carry a permanent level of obsolescence in their industrial or office processes because of monetary constraints and the fact that late investment in technology might be overtaken by events due to rapid technological innovation in the global arena. According to Hitt et al (2003) early adopters of new technology often achieve higher market shares and earn high returns. Technological invention may result in a firm altering its competitive strategy i.e. adaptation. New technological inventions may spurn sophisticated new markets, products or significantly shorten the anticipated life of a manufacturing facility. Firms in turbulent growth industries must be involved in technological forecasting (Pearce and Robinson, 2003).

2.7.2 Porter's five forces model.

Hitt et al (2003) assert that competitive rivalry is the ongoing set of competitive actions and competitive responses occurring between competitors, as they compete for market positioning. Porter (1985) concurs with his five forces model by stating that rivalry among sellers results in competitive forces created, by jockeying for better market position and competitive advantage. "The outcomes of competitive rivalry influence the firm's ability to sustain its competitive advantages, as well as the level of its financial returns. (Hitt et al 2003, p175). Porter (1985) points out that the nature and degree of competition in an industry hinges on five forces explained below.

a) Threat of New Entry

According to Pearce and Robinson (2003), Thompson and Strickland (1996) a new entrant to an industry brings new capacity, the desire to gain market share and often-substantial resources. A barrier to entry exists whenever it is hard for a new comer to

break into the market or economic factors put a potential entrant at a disadvantage relative to its competitors (Thompson and Strickland (1996). Some of the entry barriers pertaining to the banking industry are brand preferences and customer loyalty, capital requirements, access to distribution channels and regulatory policies.

b) Competitive pricing from substitute products

The presence of readily available and competitively priced substitute offerings places a ceiling on the prices an industry can afford to charge without, giving customers an incentive to switch to substitutes and risk sales erosion. The availability of substitutes invites customers to compare quality, performance, conformance and price. (Value for money concept) To determine whether substitutes are a strong or weak competitive force one has to ascertain how costly it is for the industry's customers to switch to substitute products (Thompson and Strickland (1996).

c) Power of Suppliers

Competitive forces depend on market conditions in the supplier industry. Suppliers are very powerful when they can supply a component more cheaply than industry members can make it themselves.

d) The Power of Buyers

Buyers become a stronger competitive force when they are more able to exert bargaining leverage over price, quality, service or any other terms of sale. The bargaining power is further increased when the costs of switching to competing brands for substitutes are relatively low. When sellers' offerings are virtually identical, it is relatively easy for buyers to switch from seller to seller at little or no cost.

e) Rivalry among Competing Sellers

Competitive jockeying among rival firms is a dynamic ever changing process as firms initiate new offensive and defensive moves. Emphasis swings from one mix of competitive weapons to another (Thompson and Strickland 1996). The launch of a powerful competitive strategy by one company intensifies the competitive pressures on

the remaining companies. The manner in which rivals employ/adopt varied competitive weapons to try to outsmart one another shapes the rules of competition in the industry. Rivalry is stronger when customers' switching costs to other brands are low. It is stronger when one or more competitors are dissatisfied with their market position and launch moves to bolster their standing at the expense of rivals. Rivalry increases in proportion to the size of the pay-off from a successful strategic move. When demand for the product is growing slowly rivalry becomes stronger. Hitt et al (2003) suggest that a firm should understand its competitors by asking the following questions:

- What drives the competitors as shown by its future objectives?
- What is the competitor doing and capable of doing as revealed by current strategy?
- What does the competitor believe about the industry as shown by its assumption?
- What are the competitor's capabilities?

2.7.3 Porter's Generic Competitive strategies.

Porter (1985)'s model of value chain attempts to identify opportunities to secure lost advantages and also create product or service differentiation in order to obtain economic advantages, hence improved profitability. He identified three generic competitive strategies to the company's position within the industry. For a company to create and sustain superior performance, its position in the industry should be such that it earns above industry average returns. "If a company is not "best in the world" at a critical activity, it is sacrificing competitive advantage by performing that activity with its existing technique." (Quinn 1992) Through assessment of strengths and weaknesses, opportunities and threats, a company is able to identify its core competence, distinctive competences so that it can convince its customers to make a choice between them (company) and other companies (Fry et. al 2001). Value creating activities trace the activities involved in producing and delivering the market offering. These linked set of activities and functions are performed internally by the firm's human and material resources. Creating a value that exceeds the input costs should be the objective of the firm in order to mark a premium in its market prices. (Thompson and Strickland 1996).

He proposed three generic competitive strategies as follows:

- a) Cost leadership
- b) Differentiation
- c) Focus (cost focus and differentiation focus)

It is an individual company's choice which generic strategy is desired relative to the competitive advantage target and core-competences possessed. Recent studies though, have resulted in modification of these generic strategies. Treacy and Wiersema (1993) described these as basic "value" disciplines that can create customer value and provide a competitive advantage. These are stated as operational excellence, product innovation and customer intimacy. The criticisms leveled at generic strategies have been lack of specificity, flexibility and their limiting factor. According to Millar (1992), Baden-Fuller and Stopford (1992), there is middle ground between the three generic strategies.

2.8 CUSTOMER RETENTION AND MARKET GROWTH

2.8.1 Customer relationship management

"Customers are the foundation of successful business level strategies." (Hitt et al 2003 p 112.) A firm's business level strategy should attain strategic competitiveness through constantly creating new competitive space to serve new customers (expansion) while simultaneously finding better ways of serving the existing ones (customer retention, (Hitt et al 2003). Kotler (2003) believes that it is no longer enough to satisfy customers. They just have to be delighted! Delighted customers become loyal. Customer loyalty has a positive relationship with profitability (Hitt et al 2003). According to Kotler (2003) customer bonds have to be created with customers through creating brand equity that ensures customer loyalty. He further states that customer relationship management is key to business survival.

2.8.2 Market growth and sustenance

According to Kotler (2003), a dominant or market leader should always be vigilant of competitors and should action on three fronts. The company should find ways to expand

total demand, protect its market share through good defensive and offensive actions and also try to increase its market share. According to Kotler (2003) profitability can be improved by expanding the market share of a firm.

According to Fry et al (2001) an organization can achieve organic growth through diversification, acquisition or business portfolio management. Diversification involves branching out into additional areas. Businesses diversify in order to cushion themselves from seasonal nature of their businesses and to grow their profits. Acquisitions involve the outright purchase of another company as this allows quicker entry into the market. Business portfolio management entails managing a chain of business units and constantly evaluating their individual contribution to the whole company. When an organization adopts a growth strategy it has to choose the best strategy that is congruent to its capabilities after evaluating its monetary, material and human resources.

2.9 CONCLUSION

For business to survive and be abreast with competition, strategies complementing this thrust should be formulated. Individual organisations have choices of strategies to implement. What is important is that those strategies are relevant to the environment, yield above industry returns and hence result in growth. Key to this function is the alignment of all the tools necessary to execute and deliver the aspirations of the strategist. Performance of the strategy should be subjected to periodic evaluation of the situation on the ground through measurement, monitoring and concurrent control.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter looks at the literature on conducting a research and also explains what was actually done in order to support the validity of the research findings. The chapter also explains the reason for adopting specific methods for this particular study.

3.2 RESEARCH DESIGN

Cooper &Schindler (2003 p146) define research design “as the plan and structure of investigation so conceived as to obtain answers to research questions.” He further explains that “the plan is the overall scheme or program of the research, which includes the outline of what the investigator, will do from writing the hypothesis and their operational implications for the final analysis of data.” “A structure is the framework, organization, or configuration of the relations among variables of a study” (Cooper & Schindler 2003 p146). Thus the design, according to Cooper &Schindler (2003) provides answers for questions such as these: What techniques will be used to gather data? What kind of sampling will be used? How will time and cost constraints be dealt with?

3.2.1 Essentials of a research design.

Cooper & Schindler (2003) further summarize the essentials of the research design as follows:

- a) The design is an activity-and time based plan.
- b) The design is always based on the research question.
- c) The design guides the selection of sources and type of information.
- d) The design is a framework for specifying the relationships among the study’s variables.
- e) The design outlines procedures for every research activity.

3.2.2 Sampling Data.

In choosing sampling as opposed to studying the population, four factors are considered to be adequate to justify that procedure. These areas are cost of the study, greater

accuracy of results, greater speed of data collection and the availability of population elements. There are some economic advantages of taking a sample rather than investigating the whole population. If sampling errors are eliminated the study can produce accurate results without spending a lot of money. Effective sampling possesses the possibility of better testing and more thorough investigation of missing information (Cooper and Schindler 2003). Furthermore sampling offers better supervision, and better processing of information than can be possible with the population (Cooper and Schindler 2003). According to Cooper and Shindler (2003) the speed of execution in sampling reduces the time between recognition of information need and the availability of information. In terms of infinite population sampling can be the only process possible. Saunders et al. (2003 p.152) supports this view by asserting that, "However, for many research questions and objectives it will be impossible for you either to collect or to analyze all the data available to you owing to restrictions of time, money and often access".

3.3. SAMPLE POPULATION

The target population was branch managerial staff and supervisory staff nationwide. Corporate level management was not considered as it was felt that validity of the findings might be compromised due to the fact that they are the custodians of the mission statement. Naturally, where there is failure people may not voluntarily admit that their policies or strategies have failed. Personnel in the direct competitive zone, that is. strategic business units were considered sufficient to provide the level of validity required. To involve non-clerical staff and clerical staff might not have yielded valid and significant results, as their ability to understand strategic issues is supposedly limited. Managerial and supervisory cadres are tasked with translating the statements of direction and intent generated at the corporate level. They were considered to be suitable candidates to provide invaluable and valid input for the purpose of this research.

The population frame consisted of 5 senior managers, 13 middle managers and 33 supervisory staff. For the purpose of the research the figure was rounded off to fifty (50) in order to determine the theoretical sample size required as per table 3.1 overleaf, which

helps to determine the size of a sample for research activities.

The following table shows how to determine a required sample size for research activities.

Table 3.1: Table showing determination of sample size for research activities

N	S	N	S	NS	N	S	N	S
10	10	100	80	280 162	800 260	2800 338		
15	14	110	86	290 165	850 265	3000 341		
20	19	120	92	300 169	900 269	3500 346		
25	24	130	97	320 175	950 274	4000 351		
30	28	140	103	340 181	1000 278	4500 354		
35	32	150	108	360 186	1100 285	5000 357		
40	36	160	113	380 191	1200 291	6000 361		
45	40	170	118	400 196	1300 297	7000 364		
50	44	180	123	420 201	1400 302	8000 367		
55	48	190	127	440 205	1500 306	9000 368		
60	52	200	132	460 210	1600 310	10000 370		
65	56	210	136	480 214	1700 313	15000 375		
70	59	220	140	500 217	1800 317	20000 377		
75	63	230	144	550 226	1900 320	30000 379		
80	66	240	148	600 234	2000 322	40000 380		
85	70	250	152	650 242	2200 327	50000 381		
90	73	260	155	700 248	2400 331	75000 382		
95	76	270	159	750 254	2600 335	100000 384		

Source: Krejcie and Morgan (1970) Determining Sample Size For Research Activities

The table above was used to determine the size of the sample denoted by letter **S** from a given population denoted by letter **N**.

3.4 SAMPLING TECHNIQUES

Purposive or judgemental sampling was used to determine the population frame. The reason for choosing the technique was based on the need to select cases that were particularly informative relative to the study objectives. This was the case that resulted in the exclusion of clerks and non clerks and opting for supervisory staff and managerial staff of branches. These people directly interface with competition and customers.

Stratified random sampling was used to ensure fair representation for employee grades in the population frame. There were three discreet strata that comprised of senior managers, middle managers and supervisory staff. Stratified random sampling was used because it made the resultant sample to be more representative. It also ensured that each of the strata was represented proportionally within the sample. Simple random sampling was subsequently conducted for each of the stratum. Golf balls were marked with a unique number and placed in three different bowls. Basing on table 3.1, with 31 responses a sample size of 28 was chosen. Using table 3.1 for the sample sizes for each stratum. 5 balls were picked at random for senior managers, 10 balls for middle managers and 16 for supervisory staff. Although all the 31 elements were considered in the study, the above procedure was done in order to determine the correlation of the resultant sample (28) to the general population (31) as reflected on appendix 7.

3.5 DATA COLLECTION METHODS

Primary and secondary data collection methods that were used are discussed below. Primary data collection was conducted using the questionnaire survey and secondary data collected by means of existing literature.

3.5.1 Questionnaire survey.

Primary sources of data were gathered through field research using a designed questionnaire that was self-administered. The questionnaire was selected because of its simplicity and the data collected was easy to tabulate and analyse. People are also quite familiar with questionnaires and the fact that they can be designed to be unobtrusive, allowing the respondent to freely respond. Questions asked are attached as appendix 1.

a) Questionnaire Construction

The questions were derived from brainstorming with colleagues.

The questionnaire was divided into four sections; Section A, section B, Section C and Section D. Section A was to establish the extent to which the strategic intention was reflected by actions on the ground or actual performance. The mission statement was used to derive questions. A dichotomous approach was used. Section B was to assess the current competitiveness of the bank by asking questions pertaining to the market, the offering, operational efficiency, quality, human resources and the industry environment. Section C was to assess the client relationship management strategy and customer value creating strategies. Section D was to assess corporate governance issues and risk management.

b) Questionnaire Pre-testing and Validation

A pre-test was done to check on the design of the questionnaire and any other abnormalities. Six questionnaires were used for pre testing. Two questionnaires were sent to the senior managers, two to the middle managers and the final two to the supervisors. Responses were only received after follow ups were made. Results from this pre-test were not incorporated in the final survey. No material changes were made to the questionnaire.

c) Questionnaire Administration

The questionnaire was e-mailed to the respondents. It was also highlighting the purpose of the survey and the confidential treatment of data submitted voluntarily. After completion the questionnaires were supposed to be mailed to the researcher by overnight mail bag.

3.5.2 Secondary Data

Secondary data was sourced from company reports, business journals, Internet website. Reserve Bank Monetary policy reviews, non-confidential internal memos and economic bulletins. Secondary data collection was necessary to assist the researcher to objectively

appraise the bank by verifying and analysing commentaries from experts in the financial and banking industry.

3.6 STATISTICAL ANALYSIS OF DATA

Financial performance was analysed in comparison with some leading banks in the same industry using the profit and loss abridged statements and market share analysis. The excel package was used to analyse responses, determine mean scores, deviation and correlation in order to draw some conclusions.

3.7 PROBLEMS ENCOUNTERED IN DATA COLLECTION

The following problems were encountered in data collection.

3.7.1 Time Constraints. The researcher was employed full time and it was extremely difficult to find adequate time to personally contact the respondents. Zimbabwe's operating environment was turbulent and policy shifts and new assignments continuously came up to the extent that proper planning was just not possible, especially in the banking sector.

3.7.2 Financial Constraints. Given the inflationary pressures in the Zimbabwean economy financial resources for educational purposes were squeezed out because of the need to allocate the bulk of the resources to secure basic daily needs.

3.7.3 Low response rate. Data was collected from colleagues and subordinates. Some potential respondents were unwilling to express their views despite earlier promises to respond.

3.7.4 Response turnaround Time. Some potential respondents needed to be continuously reminded and begged to complete the questionnaire timeously.

3.8 CONCLUSION

It is always very critical that the research methodology selected attempt as much as possible to bring to the fore conclusive and valid findings albeit within the constraints of the limited available resources. The chosen sample was deemed very much appropriate for the purpose of the study. Hence the findings were considered more insightful than would have been the case had every employee of the bank been part of the population frame. The reason for it was aptly stated in the main text of this report.

CHAPTER FOUR: PRESENTATION OF RESULTS

4.1 INTRODUCTION

The study was conducted by means of a quantitative survey given the empirical and analytical observations to be made. The purpose of this chapter is to present facts collected from respondents.

4.2 SURVEY

A total of fifty-one (51) questionnaires were sent out and the responses received back were thirty-one (31). The response rate was calculated as follows:

Total number of responses =31

Total number in sample =51

Response rate = 31/51

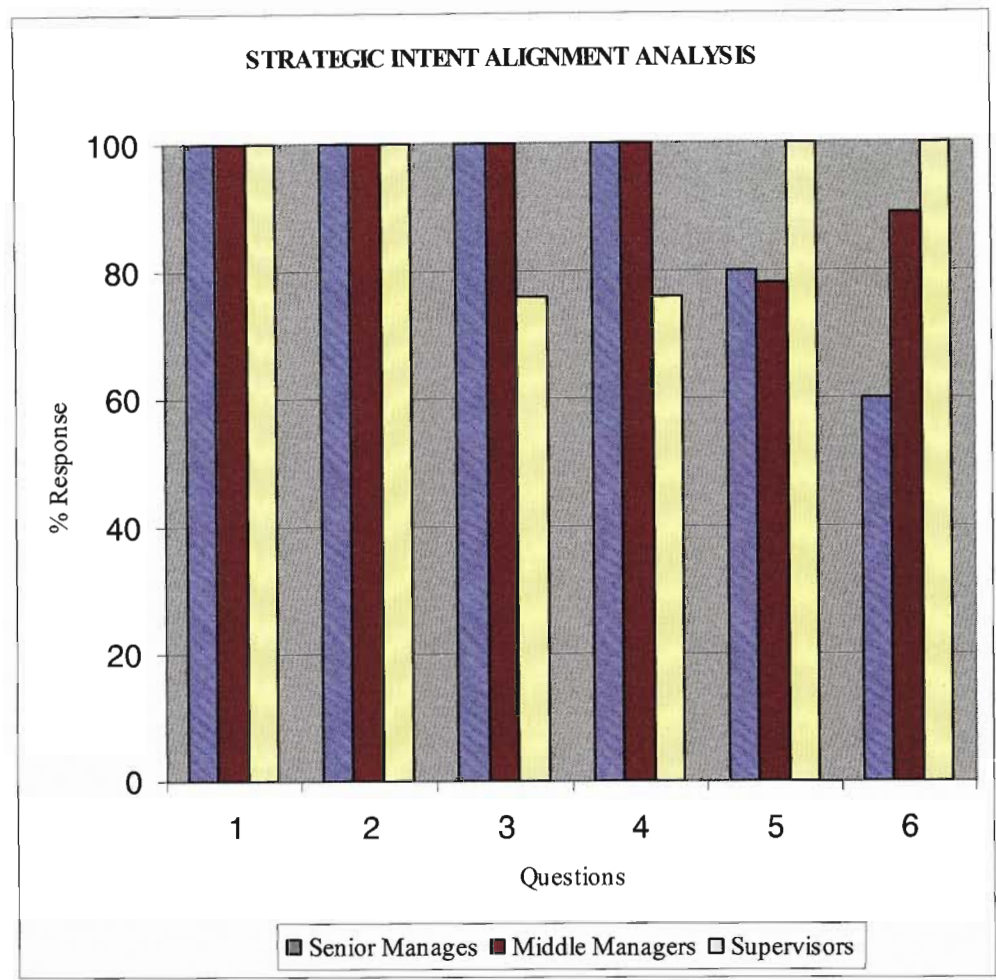
= 60.78%

Broadly Part A of the questionnaire sought to establish the degree to which the respondents agreed to the values and the driving principles of the organization in fulfillment of the corporate objectives.

4.3 STRATEGIC INTENT ALIGNMENT ANALYSIS

Figure 4.2 overleaf indicates the views of senior managers, middle managers and supervisory staff on whether the strategic intent of the organization was aligned to action.

Figure4.2: Graph showing strategic intent alignment analysis.



Source: Primary data

Key

- Question 1: Is the bank’s strategic intent clearly formulated?
- Question 2: Can the bank be classified as progressively strong?
- Question 3: Across the banking industry can the bank be viewed as the most preferred?
- Question 4: Is the bank staff more dedicated to serving customers compared to other banks?
- Question 5: Bank staff are empowered and motivated to foster a culture of productivity.
- Question 6: The bank’s product portfolio is so wide to the extent that customers’ diverse financial needs are always met.

All the respondents (100%) indicated that the bank’s strategic intent was clearly formulated. All the respondents concurred that the bank was progressively strong. All senior and middle managers agreed that the bank was viewed as the most preferred.

Only (seventy six) 76% of the supervisors agreed. Twenty four percent (24%) of the supervisors disagreed. All senior managers and middle managers agreed that staff were dedicated to serving customers when compared with other banks. Again only seventy six (76%) of the supervisors concurred. The remainder disagreed. Eighty percent (80%) of the senior managers indicated that staff were empowered and motivated to foster a culture of productivity. Seventy eight (78%) of the middle managers agreed. All the supervisors indicated that staff were indeed motivated and empowered. Sixty percent (60%) of the senior managers felt that the product portfolio was very wide to the extent of meeting customers' diverse financial needs. Eighty nine percent (89%) of the middle managers agreed and all supervisors agreed.

4.4 ASCERTAINING COMPETITIVENESS OF CBZ BANK.

To ascertain competitiveness of CBZ bank the following aspects were analysed; market share, profitability, brand equity, internal resources and balance sheet size, customer relationship management.

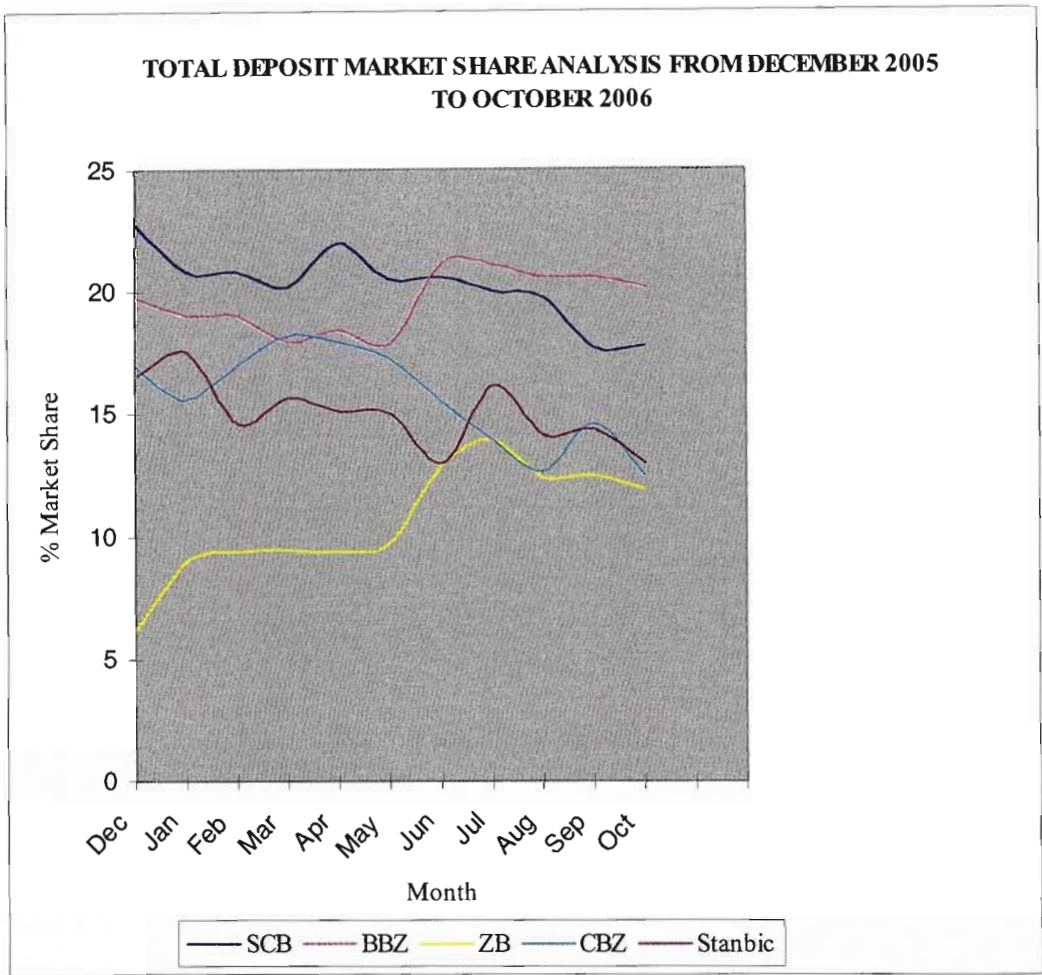
4.4.1 Profitability Analysis

CBZ Bank generated a net profit of Zim \$ 2.234 billion for the period 01 January 2006 to 30 June 2006. The results ensured that the bank occupied the market leader spot. The second best bank was Standard Chartered Bank, with a profit figure of \$1 566 540 000. CBZ Bank had the largest interest income. Standard Chartered Bank had the lowest interest expense. CBZ Bank had the lowest non interest income figure and the lowest operating expenditure. (Refer to Appendix 2)

4.4.2 Market Share-Deposit Base

The graph overleaf shows the actual total deposits market share figure of CBZ Bank as at 31 October 2006 in comparison with the other banks.

Figure 4.3: Graph showing deposit market share analysis.

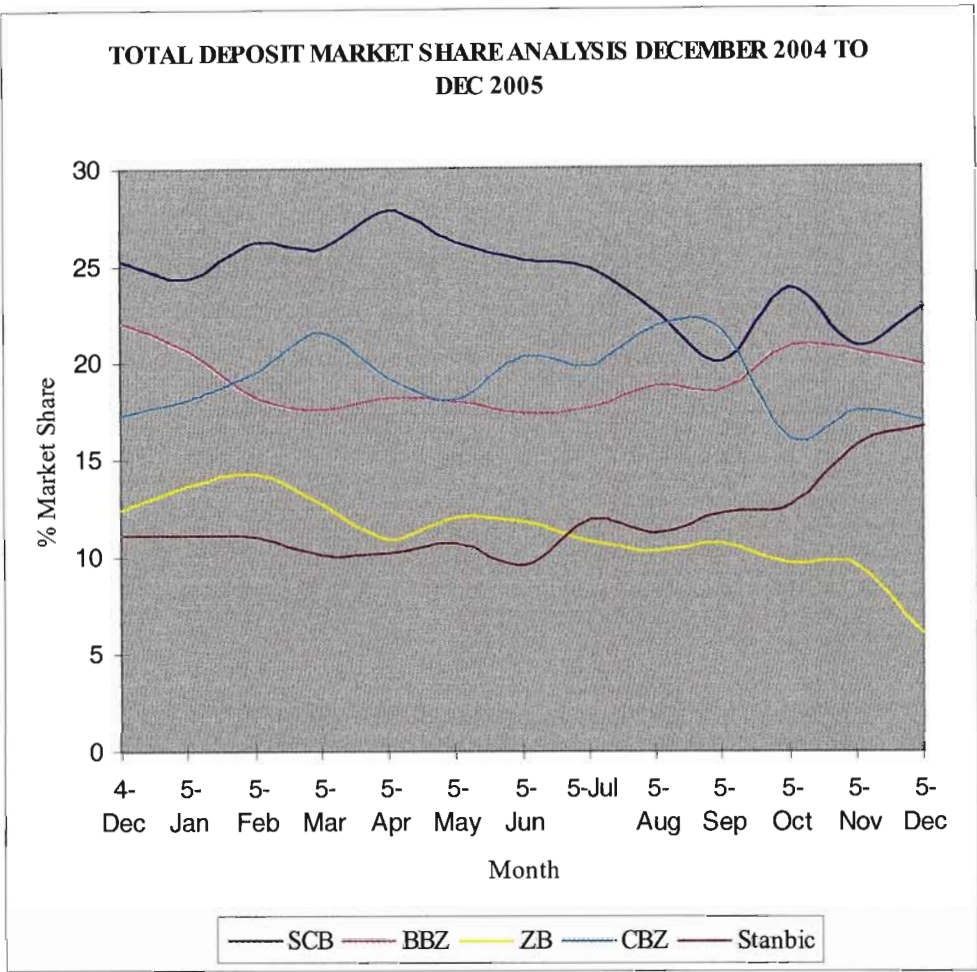


Source: Secondary data

On 31 December 2004 and 31 December 2005, Standard Bank was the market leader. The graph shows that the CBZ Bank's market share was decreasing gradually. On 31 December 2005, CBZ Bank's market share was 17%. Barclays Bank was the market leader with a deposit market share figure of 20.2%. CBZ Bank was in fourth position on 31 October 2006 with a total deposit market share of 12.5%. (refer to appendix 3 and 4)

The graph overleaf shows the actual total deposits market share figures of CBZ Bank as from 31 December 2004 to 31 December 2005 in comparison with the other banks.

Figure 4.4: Graph showing deposit market share analysis.



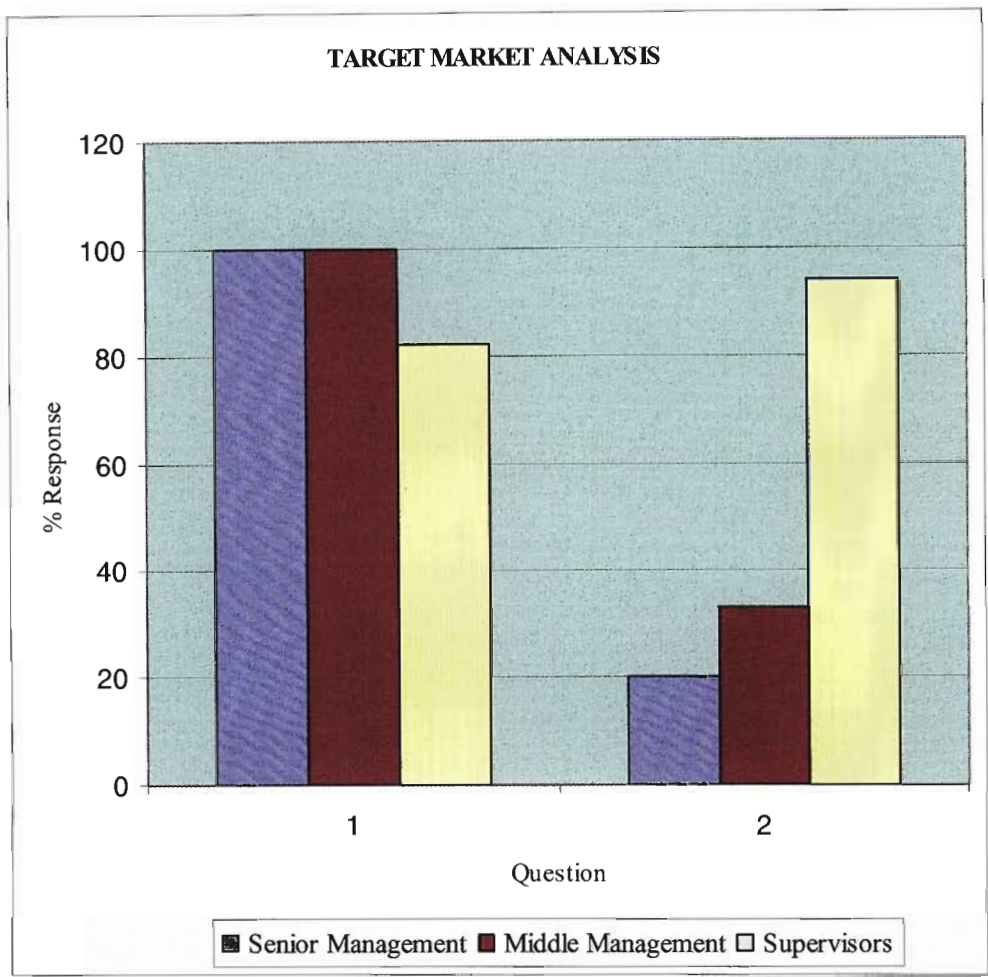
Source: Secondary data

CBZ Bank’s deposit base gradually accelerated and peaked in September 2005 before decreasing to position number four by the end of that year. Standard Bank remained the market leader for most of the period. On September 2005, CBZ Bank was the market leader with a total deposit market share of 21.7%.

4.4.3 Target Market Analysis

The following graph shows the responses collected from respondents concerning the bank’s target market.

Figure 4.5: Graph showing target market analysis.



Source: Primary data

Key

Question 1: The bank’s target market is very clear.

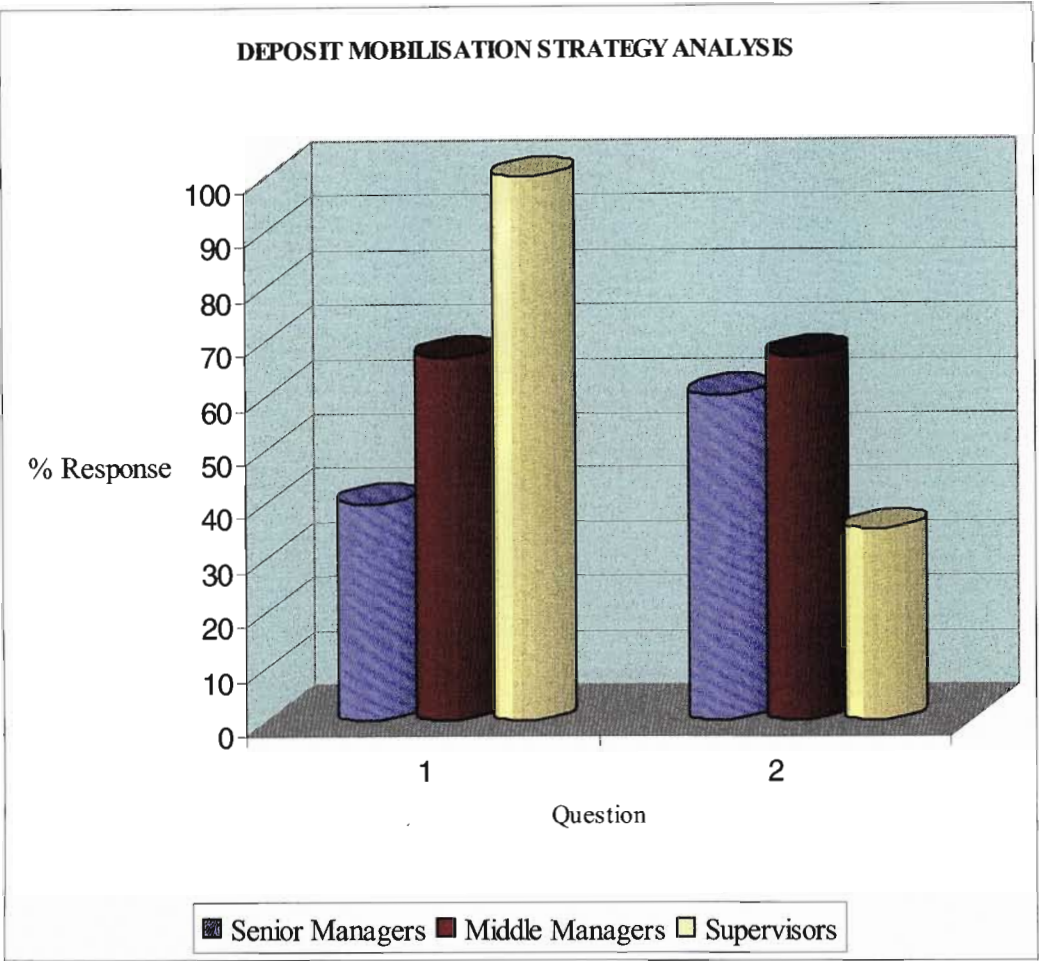
Question 2: The bank’s target market is very profitable.

All the senior managers and middle managers agreed that the target market was clear. Eighty two percent (82%) of the supervisors concurred. Eighteen percent (18%) disagreed. Twenty percent (20%) of the senior managers agreed that the bank’s target market was profitable. Thirty five percent (35 %) of the managers agreed that the market was profitable. Ninety four percent (94%) of the supervisors indicated that the market was profitable whilst 2 respondents did not answer the question.

4.4.4 Deposit Mobilisation Strategy Analysis

The following graph shows responses received from respondents regarding CBZ Bank’s deposit mobilisation strategy.

Figure 4.6: Graph showing deposit mobilization strategy analysis.



Source: Primary data

Key

Question 1: The bank has a clear deposit mobilization strategy for low cost deposits.
Question 2: The bank’s mobilization strategies are more effective compared to other banks.

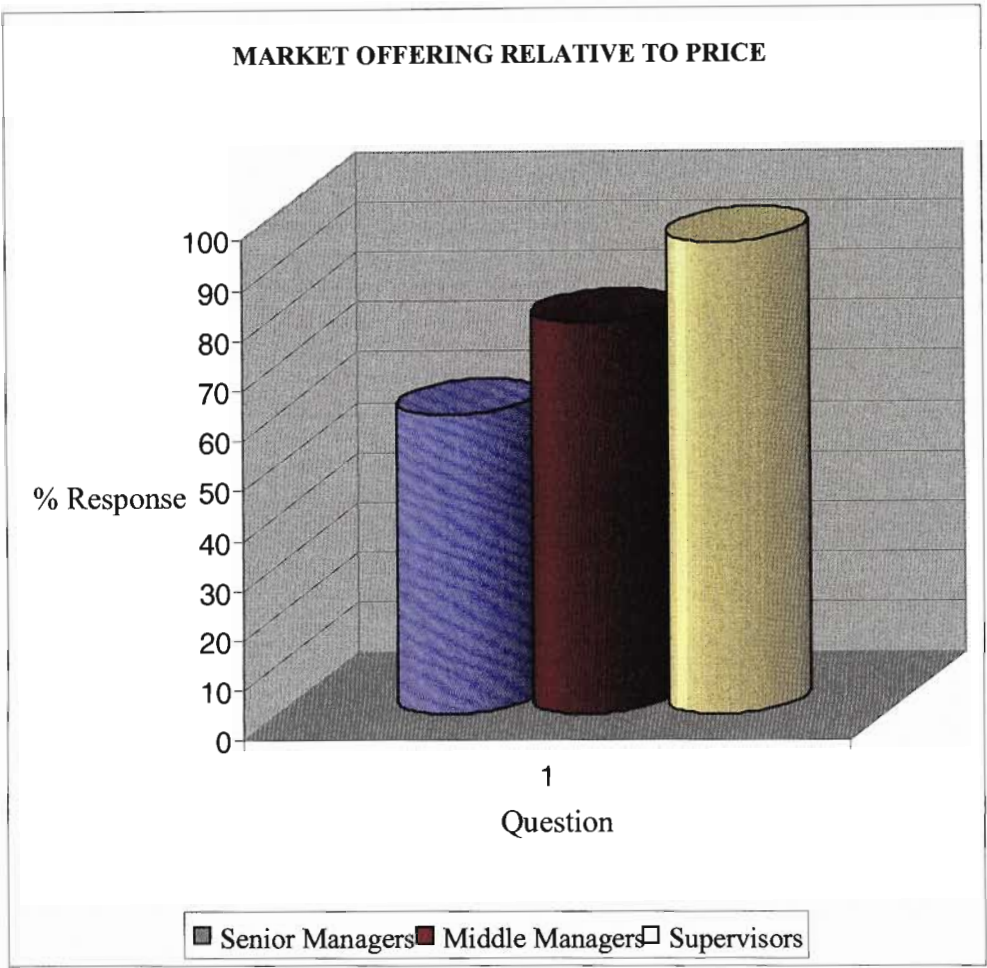
Forty percent (40%) of the senior managers indicated that the bank had a clear deposit mobilization strategy. Sixty seven (67 %) of the middle managers agreed that the bank had a clear deposit mobilization strategy. All the supervisors agreed. Sixty percent (60%) of the senior managers agreed that the bank’s deposit mobilization strategies were more effective compared to the other banks. Sixty seven percent (67%) of the middle managers

concurred. Only thirty five (35%) of the supervisors concurred. 3 respondents did not answer the question.

4.4.5 Offering proposition relative to price analysis

The following graph shows responses received from respondents regarding CBZ Bank’s product pricing relative to quality.

Figure 4.7: Graph showing offering proposition relative to price.



Source: Primary data

Key

Question 1: The bank’s pricing strategy is commensurate with the quality of service delivered.

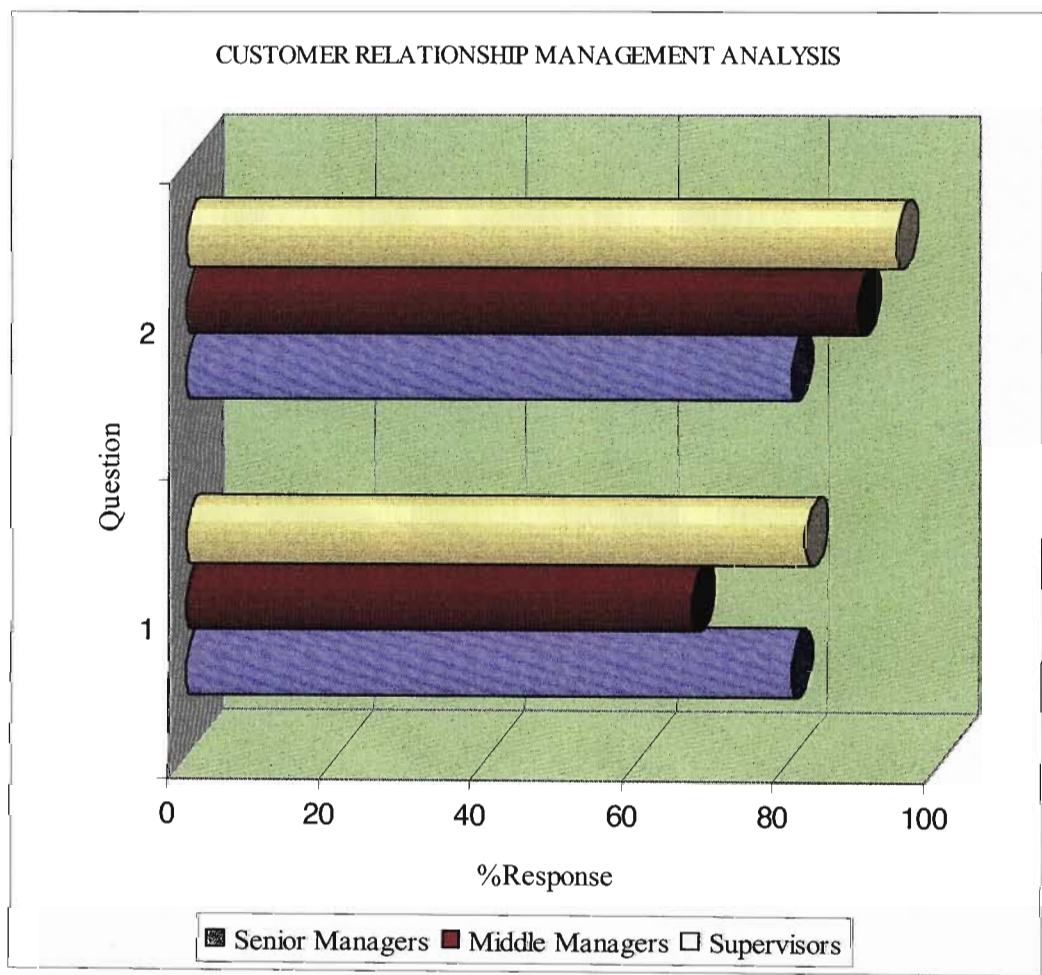
Sixty percent(60%) of the senior managers agreed that the pricing strategy was commensurate with the quality of service delivered. Seventy eight percent (78%) of the middle managers concurred. Ninety four percent (94%) of the supervisors indicated that

the pricing strategy was commensurate with the quality of service delivered. 2 respondents did not answer the question. The remainder disagreed.

4.4.6 Customer Relationship Management Analysis

The following graph shows responses received from respondents regarding CBZ Bank’s customer relationship management programme.

Figure 4.8: Graph showing customer relationship management program analysis



Source: Primary data

Key

Question 1: The bank’s complaint management system is effective.

Question 2: The bank’s client retention program is effective.

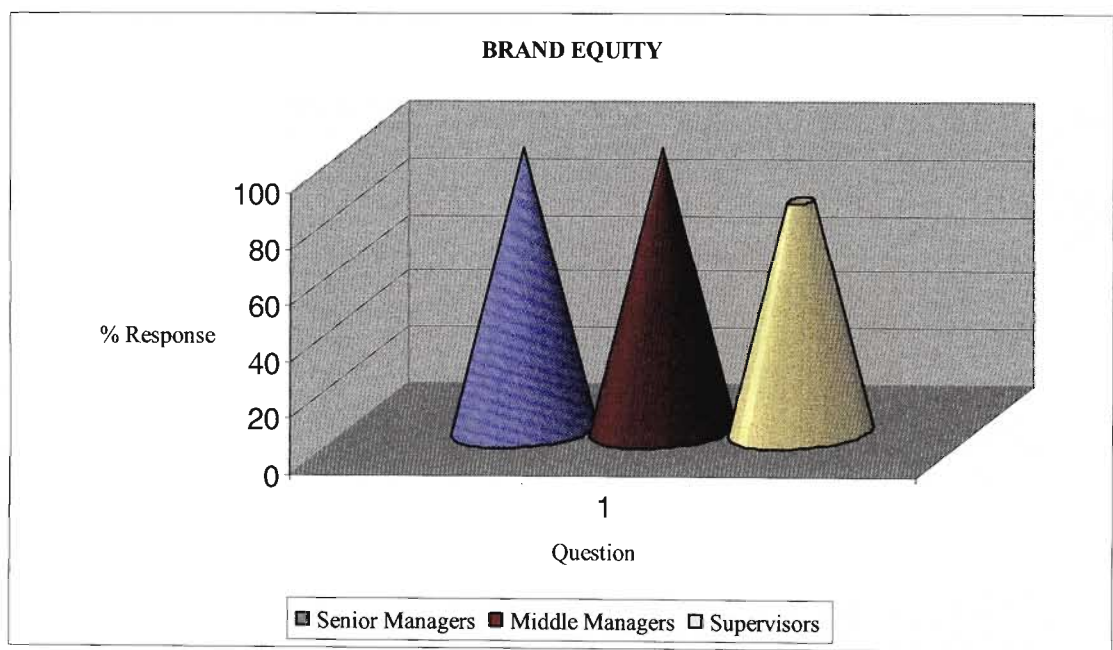
Eighty percent (80%) of the senior managers agreed that the complaints management system was effective. Sixty seven percent (67%) of the middle managers agreed and

eighty two (82%) of the supervisors agreed. 4 respondents did not answer the question. Eighty percent (80%) of the senior managers indicated that the client retention program was effective. Eighty nine percent (89%) of the middle managers indicated the same views. Ninety four percent (94%) of the supervisors concurred that the retention program was effective. Only 1 respondent did not answer the question.

4.4.7 Brand Equity Analysis

The following graph indicates respondent’ perception of the CBZ Bank Brand.

Figure 4.9: Graph showing Brand Equity Analysis



Source: Primary data

Key

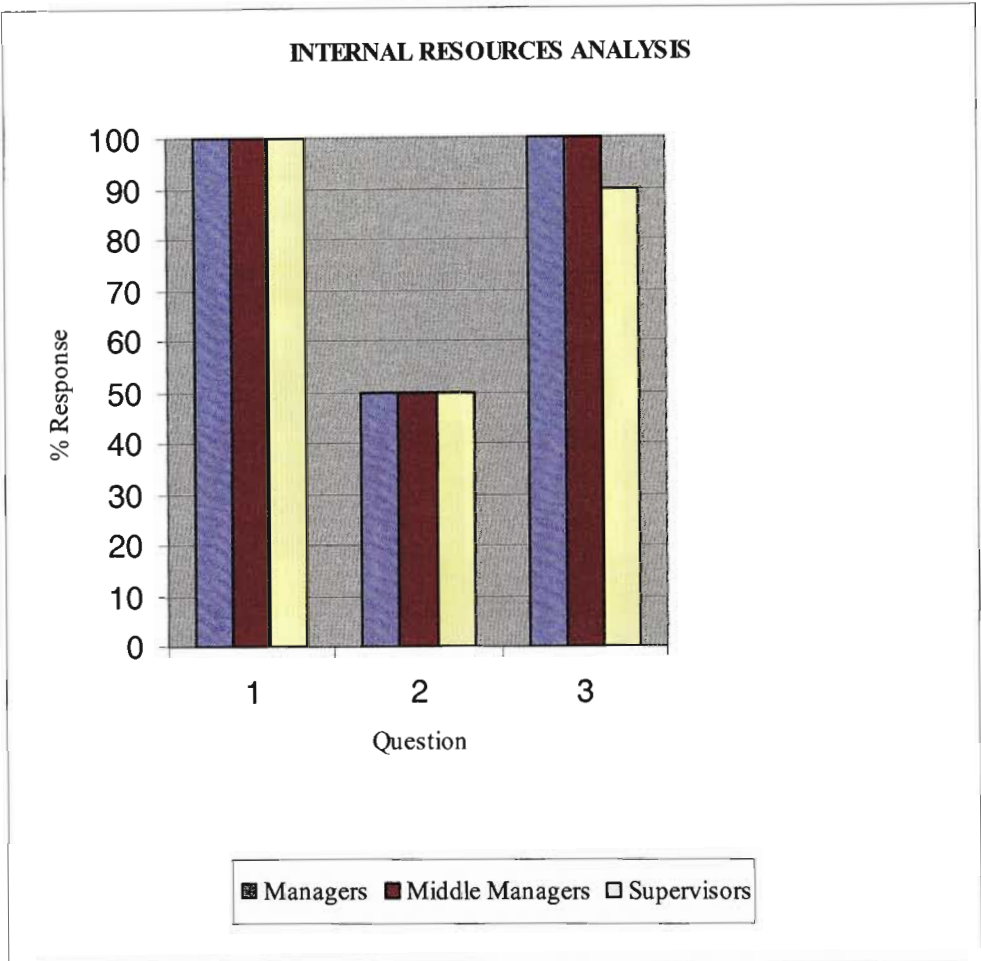
Question 1: The CBZ Bank brand is strong.

All the senior managers and middle managers agreed. Eighty two percent (82%) of the supervisors agreed. Eighteen percent (18 %) of the supervisors disagreed.

4.4.8 Internal Resources Analysis

The following graph indicates the views of respondents regarding the strength of the bank’s human and material resources at its disposal.

Figure 4.10: Graph showing Internal Resources Analysis of the Bank.



Source: Primary data

Key

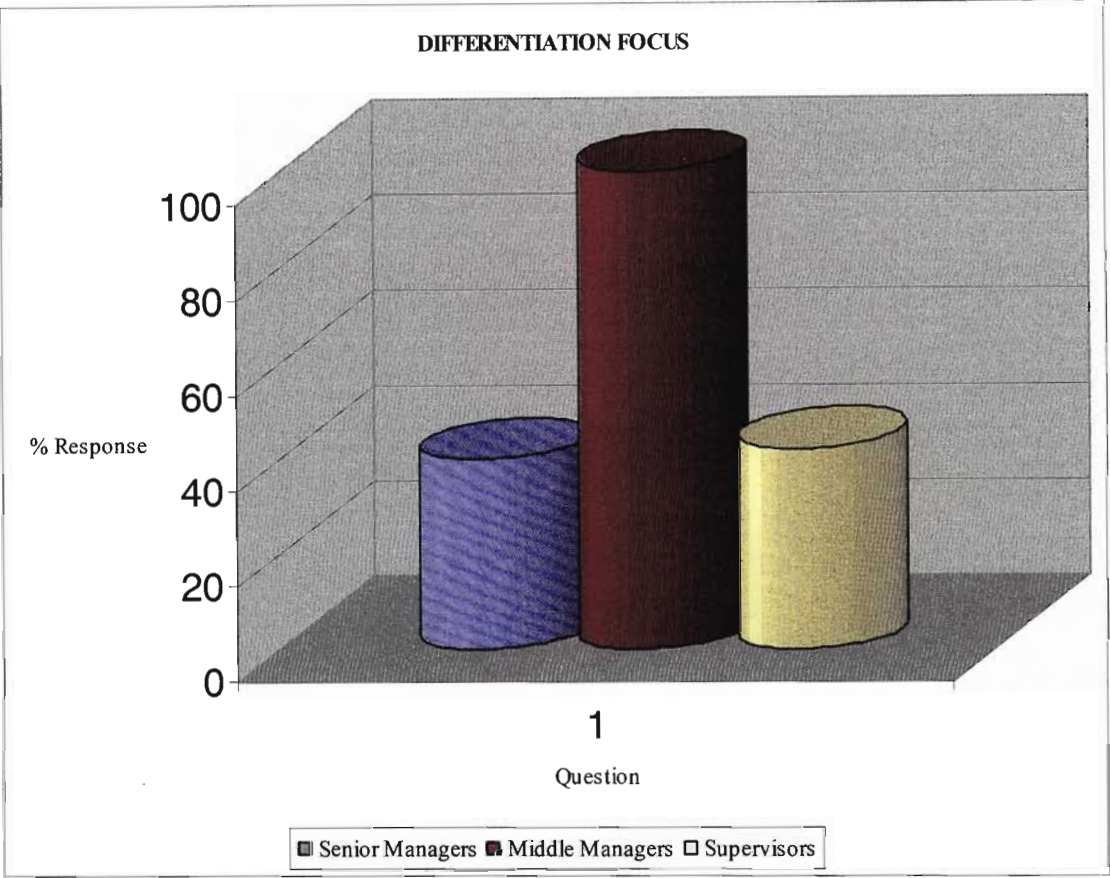
- Question 1: The Bank has a highly competent non managerial staff.
Question 2: The Bank's It System is efficient and reliable compared to other banks.
Question 3: The Bank has a highly competent managerial staff.

All respondents agreed that non managerial staff were competent. Ninety percent (90%) respondents concurred that managerial staff were competent. Fifty percent (50%) of the respondents indicated that the IT System was reliable. Two (2) respondents did not answer the question on IT System reliability.

4.4.9 Differentiation focus

The following graph indicates the views of respondents regarding CBZ Bank's differentiation strategy.

Figure 4.11: Graph showing CBZ Bank’s differentiation strategy analysis.



Source: Primary data

Key

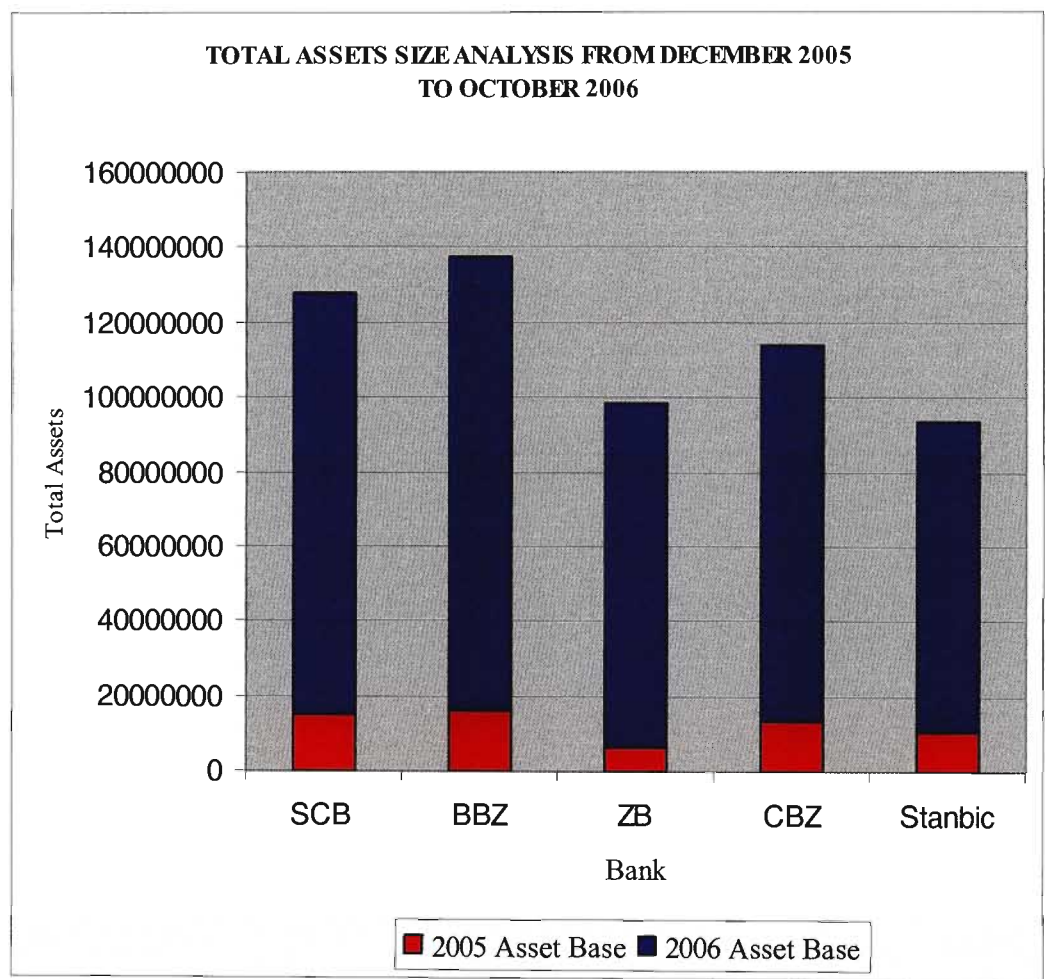
Question 1: The bank conducts its business differently from other banks?

Forty percent (40%) of the senior managers felt the differentiation strategy of the bank was evident. All the middle managers agreed. Only forty two (42%) of the supervisors agreed. 2 respondents did not answer the question.

4.4.10 Balance Sheet Size Analysis

The following graph overleaf shows CBZ Bank’s total asset base in comparison with the leading banks.

Figure 4.12: Graph showing CBZ Bank Balance Sheet Size Analysis



Source: Secondary data

CBZ Bank’s total assets were \$13 616 552 000 on 31 December 2005 compared to the Barclays Bank figure of \$ 15 942 907 000. CBZ Bank was third largest in balance sheet size during this period. In October 2006 the balance sheets of these two institutions had grown to \$ 100 523 822 000 and \$ 121 565 341 000. Barclays bank was still the market leader on 31 October 2006.

4.4.11 Risk Management

The survey showed that ten (10) respondents strongly agreed and eighteen (18) agreed that the bank's risk management initiatives were strong. Therefore, ninety (90%) of the respondents concurred with the notion that the bank's risk management initiatives were quite strong and sound. The statistic was derived from Question 2 of section D.

4.4.12 Credit Facilities-Decision Making

Fifty eight percent (58%) of the respondents indicated that credit department decision making was slow and ineffective. Twenty nine percent (29%) felt decision making in the centralised set up was good.

4.4.13 Threat Of New Entrants

Fifty eight percent (58%) of the respondents agreed. From the population it may be observed that, two (2) respondents strongly agreed that it was easy for new players to enter the market. The inferential statistic was derived from question 4 of Section B of the questionnaire.

4.4.14 Competition

Eighty seven percent (87 %) of the respondents indicated that was intense competition in the banking industry. From the population, ten (10) respondents strongly agreed and seventeen (17) respondents agreed to this inference. This statistic is derived from question 1 of section B of the questionnaire.

4.5 Conclusion

The results from the respondents indicated the diversity of opinion by the different employee grades. In some cases they all concurred on questions asked. The most important issue was that these results had to reflect the true position regarding the organisation under study and therefore validate the findings of the study. Secondary data was also analysed in order to confirm or refute the observations of the respondents. Where divergence was observed, effort was made to ascertain probable explanations for the deviation under the discussion of results chapter.

CHAPTER FIVE: DISCUSSION OF RESULTS, RECOMMENDATIONS AND CONCLUSIONS.

5.1 INTRODUCTION

This chapter discusses the results of the study as laid out in the previous chapter. Recommendations where appropriate, have been proffered and conclusions drawn from the actual findings.

5.2 DISCUSSION OF RESULTS

5.2.1 Strategic Intent Alignment

The bank's strategic intent was aligned to action on the ground. According to the results of the study the bank had a mission statement which was clear to the majority of subordinates. Seventy one percent (71%) of the respondents agreed that the bank's strategic intent was clearly formulated and hence its implications were known bank wide. Six employees strongly agreed and sixteen employees agreed that the bank's strategic intent was clearly formulated Evidence obtained from the internal memo from the Chief Executive Officer dated 25 May 2006, concerning the bank's financial performance pointed out that the bank's thought process hinged on innovation, focus and execution. This supported the view of Baldoni (2006) and Hamel and Prahalad (1994) that employees needed to understand the strategic intent in order for the organisation to succeed.

It was therefore inferred that the bank did strategize and subscribed to the strategic management concept as alluded to in the literature review section. Over fifty (50%) of the employees also felt that the bank did not involve them in making inputs into the organisation's strategic plans. The respondents' tasks entail planning, organizing, directing, evaluating and controlling the bank's activities at business level. It was therefore imperative that all of them be involved in the bank's strategy formulation process in order to invoke a sense of ownership and commitment in them.

According to excerpts from the literature review, the empowerment of the strategic intent is necessary and it was pleasing to note that the bank's employees were empowered and motivated. Consolidation on this aspect was necessary for the bank to realize real growth, sustenance and competitiveness. Equally important was the human skill which is an invaluable tool when it comes to service delivery in a service industry like the bank.

However on the issue of geographic coverage the bank was found wanting as inferred from the results. Good geographic coverage usually assists organizations to develop or expand their markets.

5.2.2 Competitiveness of the bank.

(a) Profitability

Results showed that the bank had the capability of improving its profits if it were managing its interest expenses. The bank's gross revenue for the half year ended June 2006 surpassed figures of all the competitors. That favourable performance was diluted by the high interest expense figure. The high interest expenditure was caused by their deposit portfolio which carried more expensive deposits. The bank's deposit mix (term deposits) averaged 24.6% from January 2006 to June 2006 compared to Standard Bank's favourable figure of 0.4%. The bank should have a higher savings and demand deposit mixes to enhance its profitability. The bank's non interest income was quite low compared to other competitors. In hyper-inflationary conditions, credit default rate increases. The bank may be forced to cut back on the lending book which may reduce interest income. Non interest income should cushion the bank under such circumstances. The June 2006, interest expense of \$6, 3 billion was quite high.

Seventy four percent (74%) of the respondents indicated that the bank was cost efficient. This was further highlighted by the operating expenditure figures in the profit and loss account for June 2006. Tight financial controls are the epitome of an organisation that has ambitions for growth and sustenance. Twenty six percent (26%) of the respondents thought otherwise in view of rising businesses costs in a hyperinflationary economy.

(b) Market Share-Deposit Base

According to the secondary data collected, CBZ Bank's total deposit market share was not growing significantly. The bank's total market deposit base was 17.3% on

31 December 2004. On 31 December 2005, the market share had decreased by 0.3% to close at 17%. The bank's position in terms of market share was number four. The market leader on 31 December 2004 was Standard Chartered Bank. CBZ Bank was 8% behind the market leader. The bank's deposits peaked in August 2005 with a total of 21.9% of the market share. The bank did not manage to retain these deposits resulting in a decrease of 0.3% as alluded to above. The deposit share further declined in 2006 to close at 12.5% as at 31 October 2006. At that point the bank was 8% behind the market leader.

(c) Target Market

Results indicated that the target market was clear. Most managerial cadres indicated that the target market was not profitable. Most supervisors believed that the bank was targeting a profitable segment. Assuming that management possess the necessary skills and expertise to make sound judgements compared to supervisors, it may be inferred that the bank was not committing its resources to the most profitable market.

Results showed that there was an opportunity for growth given the bank's profit potential. The financials showed that the bank could have produced exceptional results had it managed properly the interest expenditure. That situation was attributed to the high cost deposits in the bank's portfolio. The bank had a strong brand as suggested by the findings of the study. A strong brand is an asset that can aid an organisation to penetrate newer markets given the inadequate geographic coverage of the bank. The bank should have targeted a market that would boost its demand deposit portfolio and the savings portfolio.

(d) Deposit Mobilisation Strategies

On October 2006 the bank's demand deposits were 11.9% of the market share, up from 11.8% in December 2005. Savings deposits declined to 11.2% of the market share over the same period. Term deposits declined to 15.7% of the market share. The bank's total market share of the deposit portfolio declined to 12.5%. Analysis of the figures showed that these deposits were lost to smaller banks like ZB Bank, Agribank, Kingdom and First

Bank. Banks make money from deposits and a decline in deposits squeezes the amount of funds available for onward lending to borrowers. The CBZ Bank was ranked second in balance sheet size, but this was not translated into a bigger deposit market share. Demand deposits and savings deposits, which are critical to the bank's liquidity, were low compared to the other leading banks. The bank's deposit portfolio was positioned at number four as at 31 October 2006. The respondents indicated that the deposit mobilisation strategies of the bank were effective. The respondents' views were not supported by the activity on the ground since the bank's deposit base was not growing. This could have been an indication that the bank did not have a clear target market as suggested by the senior managers and middle managers. Managers may have been unwilling to openly confess that the strategies were ineffective since they were the same people who were responsible for operational strategies on the ground! This reasoning could have motivated them to take a "central tendency bias" to the question.

(e) Market Offering relative to price analysis

Lanning (1998) cited by Kotler (2003) points out that a company should design a competitively superior value proposition that is aimed at a specific market segment and backed by a superior value delivering system. According to Kotler (2003), in a hypercompetitive economy an organization can only win by creating and delivering value. Results of the study indicated that managerial cadres were not convinced about the pricing strategy. The bank should improve in this area given the fact that customers are the life blood of a company. Without a customer a company would close down. To grow a market share a company should enthrall the customers or delight their customers with a unique proposition. Companies can offer similar products but differ in the way they deliver the product to their customers. The value delivering system involves all the experiences the customer comes across on their way to purchasing the product. When customers are delighted by the experience, the price sensitivity syndrome becomes secondary! The hypothesis here is that customers will buy from the company they suspect offers them the highest perceived value. The bank can not be said to be delighting its customers when the deposit base is stagnant. If it were delighting its customers, the deposits would be growing significantly because customers would switch from the other

banks!

With regards to product research and development forty two (42%) of the respondents felt that the bank was strong in that area. However forty eight (48%) felt otherwise. These statistics were quite interesting when they were cross referenced with the question on product range. (Part A Question 11 in appendix 7). Most respondents agreed that the diverse needs of the bank's customers were always met through a wide choice of products. Probably the most enlightening answer could come from the consumers themselves! Again when this area was cross referenced with Section C question 5 in appendix 8, it was observed that 55% of the respondents felt that in the last twelve months there were innovative products introduced. 35% felt otherwise. The analysis suggested that the products introduced did not meet the customers' expectations which resulted in the department being poorly rated.

(f) Customer Relationship Management

According to (Kotler 2003), a company should distinguish the causes of customer attrition and identify those that can be managed. The findings of the study indicated that respondents concurred that the bank's customer relationship management was above average. The observation could have been attributed to the bank's service standards initiatives. The bank had generic service agreements with all its employees regarding dress code, how to handle queries and the so called "one metre rule". The one metre rule's premise was to initiate a conversation with any customer within the staff member's one metre radius. However the desired level on relationship management should be 100 % since customers are the life blood of an organisation. The survey did not include customers' views and as such the scores given by respondents could not be independently tested. Given the importance of client retention strategies, it was important for the bank's managers and officers to strongly agree on the effectiveness of their strategies when asked to rate this area. The fact that most respondents only agreed instead of strongly agree on question 1 and 2 on section C of the questionnaire meant that more effort had to be put in that area.

(g) Brand Equity

Ninety percent (90%) of the respondents confirmed that the bank's brand was strong. The strength of the brand has been attributed to the bank's publicity campaigns including the sponsoring of the CBZ FA Cup in the soccer industry. This move was also used as good Corporate Social Responsibility strategy. The strategy should help the bank to penetrate newer markets easily.

(h) Internal Resources Analysis

The high competence levels of staff could have been attributed to the bank's intensive training programmes and management development programmes. The feeling of empowerment and motivation as reflected by responses to other related questions could have been the contributing factor. A committed and productive labour force is a pre-requisite for a successful organisation. Such a corporate culture can not be easily imitated by competitors overnight as it takes time to build and harness. While results depicted intense rivalry, the bank managed to participate actively in the market. A successful stand by the bank was primarily a response to the culture of productivity and commitment by its staff as enshrined in the mission statement. On the delivery channels, responses indicated that ATMs were reliable and their spread was good. This may have been the result of the Automated Banking Centres that were created to de-congest banking halls and the promotion of plastic money usage. Responses concerning the I. T platform showed that 50% had confidence in the core system while 50% felt otherwise. New competitive strategies are technology based and reliable I.T systems are critical for the firm's competitive capability. The bank had to improve system reliability in order to conquer competition. Although not proven, a decline in the deposit figures could have been a result of system related challenges and customer dissatisfaction.

(i) Differentiation Focus

An average of sixty one (61%) of the respondents agreed that the differentiation focus of the bank was on course. Thirty two percent (32%) were not convinced hence they disagreed. With differentiation, the market should be clear about the bank and not mistake its products for other banks. The opportunity was there for the bank to migrate

the (thirty two) 32% employees to notice the differentiation strategy. This means the bank needed to put more effort in differentiating its products in the market so that the staff who actually sell the products are absolutely convinced about the differentiating factors!

(j) Balance sheet size

The study revealed that the bank had a healthy balance sheet. The bank's total asset base placed it on position number three in the market. A company with efficiently utilized assets can generate a healthy turnover and bring positive returns to the investors rapidly. The balance sheet showed a healthy fixed assets position, cash position and the bank was adequately capitalized. The stamina in the bank's balance sheet indicated its potential to expand its market by competing globally and regionally.

(k) Compliance Issues

Over 90% of the respondents agreed that the bank was compliant with regulatory authorities requirements. This subject was very important in that survival of the entity relied on its ability to uphold ethical values and ensure that the internal control systems always operated as intended. That was the safest way of safeguarding the interest of all the bank's stakeholders. Risk management initiatives entail monitoring of all the risks facing the bank including liquidity. Insolvency could cause the bank to be forcibly liquidated by the central bank as was the case with other indigenously owned banks alluded to in the motivation section of the study. Ninety percent (90%) of the respondents agreed that the bank's risk management initiatives were sound. This was the reason the bank came out as the only indigenous survivor!

(l) Decision Making

Fifty eight percent (58%) of the respondents indicated that credit department decision making was slow and ineffective. Twenty nine percent (29%) felt decision making in the centralised set up was good. The bank operated in a hyper-inflationary environment where prices escalated rapidly. It was therefore important that decisions on credit matters are fast and effective in order to ensure that credit seekers like conglomerates can access loans and overdrafts for restocking their business before prices gallop. Individuals can be

affected too when they seek loans for private consumption. Credit facilities are financial products which should meet customer expectations in terms of service delivery and turnaround time.

(m) Threats Of New Entrants

The threat of new entrants was minimal in the industry. This could have been in response to the stringent entry requirements set by the Central Bank. The Central bank introduced United States Dollar denominated minimum capital requirements in line with global standards. Registration of financial institutions was done under the ambit of the Reserve Bank Of Zimbabwe. While conditions were attainable, prospective new entrants viewed them as excessive. Fifty eight percent (58%) of the respondents agreed. However, given the level of deposits already lost by CBZ Bank to the smaller banks, the risk of losing deposits to a new entrant remains.

5.3 SPECIFIC RECOMMENDATIONS

5.3.1 Deposit Mobilisation

Banks make most profits out of deposits that are mobilised for onward lending to consumers namely corporates and individuals. The fewer the deposits the less money there is available for onward lending as alluded to above. The reason being that out of the mobilised deposits statutory reserve money has to be deposited at Reserve Bank at no interest, leaving only a part of the deposits to make profits from. It is therefore necessary for the bank to embark on an aggressive deposit mobilisation campaign to grow its low cost deposit portfolio. Given the inadequate geographic representation of the bank, it is believed that an increase in the branch network could yield an increased clientele resulting in increased deposits. CBZ Bank's deposit figure at 12.5% of the total deposit market share was way below that of the market leader, Barclays Bank which stood at 20.2%. The bank had to improve its deposit mix and reduce the figure of 15.7% of term deposits market share as these deposits were expensive. The figures for Standard Chartered Bank (1.2%) and Stanbic (0.3%) were bench marks.

5.3.2 Growth Strategy

The bank should consider acquisition of other complementary entities given its limited geographic coverage. It is quite expensive to set up brick and mortar structures countrywide, however acquiring established businesses with an existing clientele of their own already may avert this need.

Strategic alliances or co-operative strategy may also assist the bank to penetrate the untapped market in order for it to grow and also consolidate its performance.

International Strategy- The bank was wholly owned and headquartered in Zimbabwe. It had no branch network beyond the Zimbabwe border. The bank should consider an international strategy which involves selling services and goods outside its domestic market. This move may create opportunities for the bank in terms of new markets and foreign currency earnings through profits repatriation. A global investment strategy would hedge the bank against the effects of hyper-inflation.

5.3.3 Product research and development

A vibrant marketing department that would undertake product research and developmental activities is necessary in order to foster the differentiation strategy envisioned by the Bank's Managing Director. Consumers are now very knowledgeable due to the information explosion era and this means that they are aware of the wider choices available to them. The bank, through its corporate commitment/mission statement emphasised the need to satisfy the diverse needs of their customers by offering a wide range of innovative financial services solutions. The bank has to create and deliver superior value to its target customers! The bank should be unique in the way it serves its customers. The bank has to emphasise on doing similar things differently from other competitors. This may take the form of quality of service offered, the service delivery channels and product innovation. The hyper-inflationary environment does not incentivise customers to save due to the negative interest earnings. To attract deposits, the bank should really offer a superior value proposition to them.

5.3.4 Information Technology System

The bank should invest in a reliable system whose functional capabilities are fully exploited. This competitive landscape requires sophisticated and intelligent systems which can provide relevant information timeously for effective decision making.

5.4 RECOMMENDATIONS FOR FUTURE RESEARCH

The study looked at employees working for one organisation. They could have influenced each other on the outcome of the results. A truly representative sample would look at a heterogeneous sample comprising a number of different respondents from other banks and the customers themselves. The feedback from customers acts like a service barometer which indicates the extent to which the bank conforms to its business intentions. Performance gaps can then be picked from the information supplied by the independent consumers. There are a number of focus areas that this study was unable to examine. However, future studies could consider the following topics that arise from this study:

- a) What are the customer satisfaction levels of the bank's clientele?
- b) What is the impact of the bank's I.T system on service delivery?

5.5 CONCLUSION

CBZ Bank's strategic intent was clearly on course according to the results of the study. Staff was aware of the bank's thought process. Similarly the bank's strategic intent was aligned to action considerably as evidenced by the positively skewed responses to the questionnaire. The bank was in the service industry where customer tastes always altered depending on whether those were basic needs or frills. It was therefore going to be difficult for the bank to fully achieve all its corporate commitments simultaneously. The bank was competitive however areas of weakness were covered under specific recommendations above. In summary the bank had areas of weakness, strength, opportunity to be either attended to or consolidated. In a hyper inflationary environment a prudent investor would hedge against these inflationary effects by adopting strategies that result in real growth. Survival strategies take various forms. For any business to survive, entrepreneurs must focus on their most important resources. These resources

should be harnessed and developed into an organisation's strategic assets. For an organisation to consolidate its performance it has to have customers, be sensitive to their needs and respond to their needs. The bank's strategic intent was biased towards customer needs, therefore it was imperative that its staff understood its implications and practiced it! Businesses are born with a product, but die without customers! Consequently to gain competitiveness, sustenance and growth, an organisation should develop strategies that acquire these customers (growth) and repeatedly delight them in order to retain them.



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APPENDIX 1: QUESTIONNAIRE

FOR OFFICE USE ONLY: Respondent Code: _____

VOLUNTARY QUESTIONNAIRE FOR BANK STAFF

“A CRITICAL ANALYSIS OF HOW CBZ BANK LTD CAN GAIN COMPETITIVENESS, SUSTENANCE AND GROWTH IN THE HYPER-INFLATIONARY ENVIRONMENT.”

Researcher:	Delani Moyo
Supervisor:	Dr Abdul Gani
School/Programme of	Master In Business Administration - Strategic Financial Management University of KwaZulu Natal

Note to the respondent

- Although I would like you to assist me to successfully complete the research, you do not have to take part in this survey if you do not want to take part.
- Just hand in the questionnaire at the end of the survey session.
- What you say in the questionnaire will remain private and confidential. No one will be able to trace your options back to you as a person.

How to complete the questionnaire:

1. Please answer the questions as truthfully as you can.
2. There are four parts namely **A, B, C** and **D**.
3. I am only asking you about things that you should feel comfortable talking about.
4. For **part A only**, if you don't feel comfortable answering a question, **leave the question blank**. For those questions that you **do** answer, your responses will be kept **confidential**.
5. You can mark each response by making a **tick** or a **cross**, or **encircling** each response with a **PEN** (not pencil).

Thank you very much for completing this questionnaire.

Part 1: Permission to use my responses for academic research
I hereby give permission that my responses may be used for research purposes provided that my identity is not revealed in the published records of the research.

Initials and Surname _____ Postal Address: _____

Postal Code: _____
Contact Numbers: Home: _____ Cell: _____
Signature: _____

PART A:

- 1. For how long have you been working for the Bank?

☐ Less than 2 years. ☐ 2 – 5 years. ☐ +5 years.

- 2. Are you part of the Bank’s Supervisory or Management Team?

☐ Yes ☐ No

- 3. Is the Bank’s Strategic Intent clearly formulated?

☐ Yes ☐ No

- 4. Are your subordinates aware of the Corporate Statement and its implications?

☐ Yes ☐ No

- 5. Do you make any input into the Bank’s Strategic Plans?

☐ Yes ☐ No

- 6. Can the Bank be classified as progressively strong?

☐ Yes ☐ No

7. Across the Banking Industry, can the Bank be viewed as the most preferred?

☐ Yes ☐ No

8. Is the Bank staff more dedicated to serving customers compared to other banks?

☐ Yes ☐ No

9. In your view, is the organization adequately represented geographically?

☐ Yes ☐ No

10. The Bank staff are empowered and motivated to foster a culture of productivity and commitment.

☐ Yes ☐ No

11. The Bank's product portfolio is so wide to the extent that customers' diverse financial needs are always met.

☐ Yes ☐ No

PART B:

1. Rivalry among the competing banks is intensive.

<input type="checkbox"/> I strongly agree	<input type="checkbox"/> I strongly disagree
<input type="checkbox"/> I agree	<input type="checkbox"/> I do not want to answer this question
<input type="checkbox"/> I disagree	

2. The CBZ Bank brand is strong.

<input type="checkbox"/> I strongly agree	<input type="checkbox"/> I strongly disagree
<input type="checkbox"/> I agree	<input type="checkbox"/> I do not want to answer this question
<input type="checkbox"/> I disagree	

3. The Bank's products are easily substitutable.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

4. It is easy for a new Bank to enter the Financial Services Industry in Zimbabwe.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

5. The Bank conducts its business differently from other Banks

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

6. The bank is efficient in Cost Managing its operations.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

7. The Bank's pricing strategy is commensurate with the quality of service delivered.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

8. The Bank's target market is very clear.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

9. The Bank's target market is very profitable.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

10. The Bank has a clear deposit mobilization strategy for low cost deposits.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

11. The Bank's Mobilisation Strategies are more effective compared to other banks.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

12. The Bank's IT System is efficient and reliable compared to other banks.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

13. The current branch spread and ATM spread is convenient relative to other banks.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

14. The Bank's ATMs are reliable.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

15. The Bank has highly competent non-managerial staff.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

16. The Bank has highly competent managerial staff.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

17. The Bank's Staff Selection and Recruitment Policy supports acquisition of competent staff.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

18. The Bank conducts effective periodical Management Development Program.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

19. Decision-making is fast and effective in the Centralised Credit set up.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

20. The inflationary environment has negatively affected the Bank's advances portfolio in a big way.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

21. The inflationary environment has negatively affected the Bank's deposit portfolio in a big way.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

PART C:

1. The Bank's complaint management system is effective.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

2. The Bank's Client Retention Program is effective.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

3. The Bank often reviews its product packaging.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

4. The Bank has a strong Product Research and Development Department.

☐ I strongly agree

☐ I strongly disagree

☐ I agree

☐ I do not want to answer this question

☐ I disagree

5. In the last 12 months, there were new innovative products introduced.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

PART D:

1. The Bank adheres to corporate governance principles as enunciated by the Reserve Bank.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

2. The Bank’s risk management initiatives are quite strong and evident on the ground.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

3. The Bank has a clearly formulated and comprehensive Compliance Risk Management Plan covering all critical functions of the organization.

- | | |
|---|--|
| <input type="checkbox"/> I strongly agree | <input type="checkbox"/> I strongly disagree |
| <input type="checkbox"/> I agree | <input type="checkbox"/> I do not want to answer this question |
| <input type="checkbox"/> I disagree | |

APPENDIX 2: PROFITABILITY ANALYSIS

CBZ BANK LIMITED [BANK COMPARISON]				
HISTORICAL FIGURES	CBZ	STANBIC	BARCLAYS	STANCHART
	Unaudited	Unaudited	Unaudited	Unaudited
	Half Year	Half Year	Half Year	Half Year
	30.06.06	30.06.06	30.06.06	30.06.06
		Z\$M	Z\$M	Z\$M
Interest income	9,655,000	5,955,442	8,509,000	7,408,110
Interest expense	(6,331,000)	(3,937,921)	(8,341,000)	(2,927,723)
Net interest income	3,324,000	2,017,521	168,000	4,480,387
Non-Interest Income	993,000	1,917,560	1,635,000	1,120,135
	4,317,000	3,935,081	1,803,000	5,600,522
Operating expenditure	(898,000)	(1,295,062)	(1,369,000)	(2,836,545)
Net operating income	3,419,000	2,640,019	434,000	2,763,977
Charge for bad and doubtful advances	(144,000)	(403,460)	20,000	(165,862)
Profit before taxation	3,275,000	2,236,559	454,000	2,598,115
Taxation (provision)	(1,041,000)	(927,527)	(148,000)	(1,031,575)
Banking Levy			(22,000)	
Deferred tax				
Profit after taxation	2,234,000	1,309,032	284,000	1,566,540
Earnings per share (cents)		1,309	143	
Headline earnings per share		1,309	143	
Commission to Total Income (%)	23.00	48.73	90.68	20.00
Cost to income ratio (%)	26.26	49.06	315.44	102.63

APPENDIX 3: TOTAL DEPOSIT SHARE COMPARIZON 2006

COMPARISON OF COMMERCIAL BANKS - 2006					
TOTAL DEPOSITS, Z\$ MIL					
	SCB	BBZ	ZB	CBZ	Stanbic
Dec-05	9,815,751	8,498,512	2,603,608	7,303,664	7,146,427
Jan-06	10,637,382	9,748,421	4,620,946	7,996,580	9,030,293
Feb-06	11,355,191	10,351,606	5,108,115	9,267,046	7,955,886
Mar-06	12,491,948	11,120,043	5,896,052	11,255,188	9,707,689
Apr-06	15,621,953	13,149,458	6,698,561	12,827,253	10,762,486
May-06	19,642,043	17,176,509	9,276,582	16,626,006	14,361,949
Jun-06	22,989,046	23,654,618	14,374,786	17,288,796	14,518,786
Jul-06	28,216,847	29,830,764	19,733,225	19,742,440	22,933,218
Aug-06	51,267,989	53,148,075	32,186,234	32,904,316	36,331,470
Sep-06	60,213,786	70,114,785	42,558,846	49,957,118	49,121,455
Oct-06	80,327,668	91,516,811	53,980,741	56,551,820	58,850,038
MARKET SHARE (%)					
	SCB	BBZ	ZB	CBZ	Stanbic
Dec-05	22.8%	19.8%	6.1%	17.0%	16.6%
Jan-06	20.8%	19.0%	9.0%	15.6%	17.6%
Feb-06	20.8%	19.0%	9.4%	17.0%	14.6%
Mar-06	20.2%	18.0%	9.5%	18.2%	15.7%
Apr-06	22.0%	18.5%	9.4%	18.0%	15.1%
May-06	20.5%	17.9%	9.7%	17.3%	15.0%
Jun-06	20.6%	21.2%	12.9%	15.5%	13.0%
Jul-06	20.0%	21.1%	14.0%	14.0%	16.2%
Aug-06	19.8%	20.6%	12.4%	12.7%	14.1%
Sep-06	17.7%	20.6%	12.5%	14.6%	14.4%
Oct-06	17.8%	20.2%	11.9%	12.5%	13.0%

APPENDIX 4: TOTAL DEPOSIT SHARE COMMPARIZON 2005

COMPARISON OF COMMERCIAL BANKS - 2005					
TOTAL DEPOSITS, ZS MIL					
	SCB	BBZ	Zimbank	CBZ	Stanbic
Dec-04	1,577,479	1,375,958	771,552	1,077,227	694,341
Jan	1,641,158	1,393,108	923,389	1,217,942	744,875
Feb	2,099,923	1,456,482	1,142,946	1,563,708	881,322
Mar	2,269,281	1,538,894	1,109,771	1,891,870	884,588
Apr	2,850,525	1,859,721	1,120,991	1,970,446	1,042,895
May	3,129,515	2,153,330	1,430,580	2,164,309	1,284,742
Jun	3,396,895	2,332,094	1,576,421	2,722,131	1,286,276
Jul	3,810,725	2,710,990	1,650,707	3,034,427	1,827,538
Aug	3,693,296	3,073,525	1,682,855	3,587,288	1,827,116
Sep	3,789,024	3,528,378	2,024,150	4,102,842	2,311,915
Oct	6,408,404	5,607,303	2,603,608	4,296,052	3,389,003
Nov	7,088,695	6,934,297	3,269,195	5,947,756	5,323,537
Dec	9,815,751	8,498,512	2,603,608	7,303,664	7,146,427
	522.2%	517.6%	237.5%	578.0%	929.2%
MARKET SHARE (%)					
	SCB	BBZ	Zimbank	CBZ	Stanbic
Dec-04	25.3%	22.1%	12.4%	17.3%	11.1%
Jan	24.4%	20.7%	13.7%	18.1%	11.1%
Feb	26.2%	18.2%	14.3%	19.5%	11.0%
Mar	25.9%	17.6%	12.7%	21.6%	10.1%
Apr	27.8%	18.2%	10.9%	19.2%	10.2%
May	26.2%	18.0%	12.0%	18.1%	10.7%
Jun	25.3%	17.4%	11.8%	20.3%	9.6%
Jul	24.9%	17.7%	10.8%	19.8%	11.9%
Aug	22.6%	18.8%	10.3%	21.9%	11.2%
Sep	20.0%	18.6%	10.7%	21.7%	12.2%
Oct	23.8%	20.9%	9.7%	16.0%	12.6%
Nov	20.9%	20.5%	9.6%	17.5%	15.7%
Dec	22.8%	19.8%	6.1%	17.0%	16.6%
	-2.5%	-2.3%	-6.3%	-0.3%	5.5%

	SCB	BBZ	Zimbank	CBZ	Stanbic
Dec 04	25.3%	22.1%	12.4%	17.3%	11.1%
Jan	24.4%	20.7%	13.7%	18.1%	11.1%
Feb	26.2%	18.2%	14.3%	19.5%	11.0%
Mar	25.9%	17.6%	12.7%	21.6%	10.1%
Apr	27.8%	18.2%	10.9%	19.2%	10.2%
May	26.2%	18.0%	12.0%	18.1%	10.7%
June	25.3%	17.4%	11.8%	20.3%	9.6%
July	24.9%	17.7%	10.8%	19.8%	11.9%
August	22.6%	18.8%	10.3%	21.9%	11.2%
September	20.0%	18.6%	10.7%	21.7%	12.2%
October	23.8%	20.9%	9.7%	16.0%	12.6%
November	20.9%	20.5%	9.6%	17.5%	15.7%
December	22.8%	19.8%	6.1%	17.0%	16.6%

APPENDIX 5: BALANCE SHEET COMPARIZON 2005

COMPARISON OF COMMERCIAL BANKS AS AT 31 DECEMBER 2005						
	SCB	BBZ	Zimbank	CBZ	Stanbic	CBZ Bank
LIABILITIES						Mkt Shre
1. Demand Deposits	6,228,215	5,240,405	1,763,058	2,726,576	3,930,697	11.8%
2. Savings Deposits	482,388	466,722	768,564	597,987	279,331	18%
3. Time Deposits	2,670	219,134	71,987	1,887,892	1,318,158	36%
4. Foreign Currency Deposits	3,102,478	2,572,251	-	2,091,210	1,618,241	19%
5. Negotiable Certificate of Deposits Issued	-	-	406,282	-	-	0%
6. Amounts owing to the Reserve Bank of Zimbabwe	487,374	253,516	321,474	1,282,078	-	33%
7. Amounts owing to Deposit Money Banks	47,888	68,086	29,199	333,960	23,811	52%
8. Amounts owing to Other Banking Institutions	-	-	262,457	27,454	-	3%
9. Amounts owing to Other Financial Institutions	-	-	-	237,863	-	100%
10. Clearing Balances with the Reserve Bank of Zimbabwe	-	-	-	-	-	0%
11. Amounts owing to Branches	-	-	-	-	353,200	0%
12. Foreign Liabilities	145,604	188,460	1,074,305	939,468	202,513	21%
13. Contingent Claims to Private and Public Sector	1,192,128	3,078,826	286,954	811,850	433,756	10%
14. Bills Payable	-	878,271	2	51,393	25,014	52%
15. Capital and Reserves	1,650,857	1,725,840	647,893	448,054	1,606,039	1%
16. Other Liabilities	1,815,697	1,251,396	885,069	2,180,768	877,210	4%
TOTAL LIABILITIES	15,155,299	15,942,907	6,517,244	13,616,552	10,667,971	3%

ASSETS						
1. Notes and Coins	366,675	201,354	122,699	202,387	205,182	14%
2. Balances with Reserve Bank of Zimbabwe	3,263,317	2,640,503	1,161,492	2,909,419	2,117,684	20%
3. Balances with Deposit Money Banks	143,058	253,797	95,178	67,922	153,521	9%
4. Balances with Other Banking Institutions	-	-	-	139	-	1%
5. Assets in Transit with Branches	154,582	14,175	3,691	-	353,200	0%
6. Money at Call with Other Banking Institutions	-	-	-	330,578	-	97%
7. Money at Call with Deposit Money Banks	-	-	-	-	-	0%
8. Foreign Claims	3,145,373	2,629,658	758,108	2,039,592	1,904,471	15%
9. Claims on Central Government	3,914,117	4,245,492	1,060,222	3,065,153	3,285,914	15%
10. Claims on Local Authorities	1,573	46	3,477	-	-	0%
11. Claims on Non-Financial Public Enterprises	79,353	-	186,044	46,138	-	13%
12. Claims on Financial Public Enterprises	-	-	4	-	-	
13. Claims on Other Financial Institutions	-	-	-	28	-	0%
14. Claims on Private Sector	1,688,177	2,343,575	1,740,745	2,706,898	651,540	18%
15. Contingent Claims on Private and Public Sector	1,192,128	3,078,826	286,954	811,850	433,756	10%
16. NCD Holdings Issued by Deposit Money Banks	-	-	-	-	-	0%
17. NCD Holdings Issued by Other Banking Institutions	-	-	-	-	-	0%
18. Fixed Assets	91,225	62,888	49,155	129,872	357,965	10%
19. Other Assets	1,115,722	472,593	1,056,856	1,306,577	1,204,738	2%
TOTAL ASSETS	15,155,299	15,942,907	6,517,244	13,616,552	10,667,971	1.6%

DEPOSIT MIX	SCB	BBZ	Zimbank	CBZ	Stanbic	
1. Demand Deposits	63.5%	61.7%	67.7%	37.3%	55.0%	
2. Savings Deposits	4.9%	5.5%	29.5%	8.2%	3.9%	
3. Time Deposits	0.0%	2.6%	2.8%	25.8%	18.4%	
4. Foreign Currency Deposits	31.6%	30.3%	0.0%	28.6%	22.6%	
Total	100%	100%	100%	100%	100%	

APPENDIX 6: BALANCE SHEET COMPARIZON 2006

COMPARISON OF COMMERCIAL BANKS AS AT 31 OCTOBER 2006					
	SCB	BBZ	ZB	CBZ	Stanbic
LIABILITIES					
1. Demand Deposits	51,709,952	41,498,880	21,381,457	29,620,630	46,325,254
2. Savings Deposits	17,088,212	12,891,649	14,969,835	7,820,015	3,018,641
3. Time Deposits	924,697	26,983,289	15,075,550	11,976,821	228,844
4. Foreign Currency Deposits	10,604,807	10,142,993	2,553,899	7,134,354	9,277,298
5. Negotiable Certificate of Deposits Issued	-	-	-	-	-
6. Amounts owing to the Reserve Bank of Zimbabwe	3,633,760	3,388,043	11,468,143	9,445,647	1,188,068
7. Amounts owing to Deposit Money Banks	376,438	3,875,148	1,075,297	2,038,600	632,648
8. Amounts owing to Other Banking Institutions	-	-	1,602,379	640,000	-
9. Amounts owing to Other Financial Institutions	-	-	481,046	4,298	-
10. Clearing Balances with the Reserve Bank of Zimbabwe	-	-	-	-	-
11. Amounts owing to Branches	-	-	-	-	-
12. Foreign Liabilities	252,054	323,628	97,665	35,796	288,568
13. Contingent Claims of Private Sector	2,929,093	8,953,873	644,685	11,529,379	2,643,367
14. Bills Payable	-	-	-	390,302	262,369
15. Capital and Reserves	9,799,443	8,982,509	12,812,717	4,297,048	13,466,210
16. Other Liabilities	15,482,727	4,525,329	9,712,612	15,590,932	5,804,065
TOTAL LIABILITIES	112,801,183	121,565,341	91,875,285	100,523,822	83,135,332

ASSETS					
1. Notes and Coins	3,720,359	2,515,112	2,493,760	2,416,949	2,449,399
2. Balances with Reserve Bank of Zimbabwe	26,137,040	27,719,901	29,836,627	18,602,893	16,369,494
3. Balances with Deposit Money Banks	7,027,101	778,354	1,112,713	715,094	1,234,005
4. Balances with Other Banking Institutions	-	-	-	5,006	-
5. Assets in Transit with Branches	1,124,108	65,502	222,825	-	-
6. Money at Call with Other Banking Institutions	400,000	-	-	-	-
7. Money at Call with Deposit Money Banks	-	780,000	-	-	-
8. Foreign Claims	10,132,765	10,896,198	3,691,611	4,728,880	9,921,118
9. Claims on Central Government	38,274,584	42,136,203	10,796,405	28,045,141	29,258,563
10. Claims on Local Authorities	25	1	7,266	-	-
11. Claims on Non-Financial Public Enterprises	1,148,365	-	1,752,853	2,989,609	-
12. Claims on Financial Public Enterprises	-	-	-	-	-
13. Claims on Other Financial Institutions	-	-	-	28	-
14. Claims on Private Sector	14,999,706	19,368,387	24,062,736	22,484,379	17,727,506
15. Contingent Claims on Private Sector	2,929,093	8,953,873	644,685	11,529,379	2,643,367
16. NCD Holdings Issued by Deposit Money Banks	-	-	-	-	-
17. NCD Holdings Issued by Other Banking Institutions	-	-	-	-	-
18. Fixed Assets	1,370,710	2,282,114	1,943,217	2,840,693	2,171,818
19. Other Assets	5,537,327	6,069,695	15,310,587	6,165,771	1,360,063
TOTAL ASSETS	112,801,183	121,565,341	91,875,285	100,523,822	83,135,332

2. Savings Deposits	21.3%	14.1%	27.7%	13.8%	5.1%
3. Time Deposits	1.2%	29.5%	27.9%	21.2%	0.4%
4. Foreign Currency Deposits	13.2%	11.1%	4.7%	12.6%	15.8%
Total	100%	100%	100%	100%	100%

APPENDIX 7 SURVEY RESULTS –PART A

QUESTION	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO ANSWER	TOTAL	MEAN	MODE	STANDARD DEVIATION
1 For how long have you been working for the Bank?	10	17	3	0	1	31	6.2	17	7.1902712
2 Are you part of the bank's supervisory or management team?	12	16	3	0	0	31	6.2	16	7.3620649
3 Is the bank's strategic intent clearly formulated?	6	16	7	2	0	31	6.2	16	6.1806149
4 Are your subordinates aware of the corporate statement and its implications?	2	10	11	7	1	31	6.2	11	4.5497253
5 Do you make input into the bank's strategic plans?	5	14	8	2	2	31	6.2	14	5.0199602
6 Can the bank be classified as progressively strong?	4	19	2	1	5	31	6.2	19	7.3280284
7 Across the banking industry can the bank be viewed as the most preferred?	3	23	2	1	2	31	6.2	23	9.4180677
8 Is the bank staff more dedicated to serving customers compared to other banks?	13	15	0	3	0	31	6.2	15	7.2594766
9 In your view, is the organization adequately represented geographically?	7	13	6	3	2	31	6.2	13	4.3243497
10 The bank staff are empowered and motivated to foster a culture of productivity and commitment	9	16	5	1	0	31	6.2	16	6.5345237
11 The bank's product portfolio is so wide to the extent that customer's diverse financial needs are always met.	5	10	10	3	3	31	6.2	10	3.5637059
SUM	144	319	100	50	38	651			
WEIGHT	22%	49%	15%	8%	6%	100%			
P.M.D						1.49439			

Part B-SURVEY RESULTS

QUESTION	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO ANSWER	TOTAL	MEAN	MODE	STANDARD DEVIATION
1 Rivalry among the competing banks is intensive.	10	17	3	0	1	31	6.2	17	7.1902712
2 The CBZ Bank brand is strong.	12	16	3	0	0	31	6.2	16	7.3620649
3 The Bank's products are easily substitutable	6	16	7	2	0	31	6.2	16	6.1806149
4 It is easy for a new Bank to enter the Financial Services Industry in Zimbabwe.	2	10	11	7	1	31	6.2	11	4.5497253
5 The Bank conducts its business differently from other Banks	5	14	8	2	2	31	6.2	14	5.0199602
6 The Bank is efficient in Cost Managing its operations.	4	19	2	1	5	31	6.2	19	7.3280284
7 The Bank's pricing strategy is commensurate with the quality of service delivered.	3	23	2	1	2	31	6.2	23	9.4180677
8 The Bank's target market is very clear.	13	15	0	3	0	31	6.2	15	7.2594766
9 The Bank's target market is very profitable.	7	13	6	3	2	31	6.2	13	4.3243497
10 The Bank has a clear deposit mobilization strategy for low cost deposits.	9	16	5	1	0	31	6.2	16	6.5345237
11 The Bank's Mobilization Strategies are more effective compared to other banks.	5	10	10	3	3	31	6.2	10	3.5637059
12 The Bank's IT System is efficient and reliable compared to other banks.	4	11	9	5	2	31	6.2	11	3.7013511
13 The current branch spread and ATM spread is convenient relative to other banks.	11	16	2	1	1	31	6.2	16	6.9065187
14 The Bank's ATM's are reliable.	11	13	3	4	0	31	6.2	13	5.5407581
15 The Bank has highly competent non-managerial staff.	9	20	0	0	2	31	6.2	20	8.5556999
16 The Bank has highly competent managerial staff.	10	17	2	1	1	31	6.2	17	7.1203932
17 The Bank's Staff Selection and Recruitment Policy supports acquisition of competent staff.	4	20	2	1	1	31	6.2	20	7.8230429
18 The Bank conducts effective periodical Management Development Program.	3	15	6	4	3	31	6.2	15	5.0695167
19 Decision-making is fast and effective in the	2	7	11	7	4	31	6.2	11	3.4205263

Centralised Credit set up									
20 The inflationary environment has negatively affected the Bank's advances portfolio in a big way.	9	18	1	0	3	31	6.2	18	7.4632433
21 The inflationary environment has negatively affected the Bank's deposit portfolio in a big way.	5	13	7	4	2	31	6.2	13	4.2071368
SUM	144	319	100	50	38	651			
WEIGHT	22%	49%	15%	8%	6%	100%			
P.M.D						1.49439			

APENDIX 7 SAMPLE RESULTS STATISTICS

QUESTION	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY AGREE	NO ANSWER	TOTAL	MEAN	MODE	STD DEV
1 Rivalry among the competing banks is intensive.	10	17	1	0	0	28	5.6	17	7.635444
2 The CBZ Bank brand is strong.	12	13	3	0	0	28	5.6	13	6.426508
3 The Bank's products are easily substitutable	6	12	8	2	0	28	5.6	12	4.774935
4 It is easy for a new Bank to enter the Financial Services Industry in Zimbabwe.	2	10	9	6	1	28	5.6	10	4.037326
5 The Bank conducts its business differently from other Banks	4	3	7	2	2	28	5.6	7	2.073644
6 The Bank is efficient in Cost Managing its operations.	4	18	2	0	4	28	5.6	18	7.127412
7 The Bank's pricing strategy is commensurate with the quality of service delivered.	3	20	2	1	2	28	5.6	20	8.080842
8 The Bank's target market is very clear.	11	14	0	3	0	28	5.6	14	6.503845
9 The Bank's target market is very profitable.	7	8	8	3	2	28	5.6	8	2.880972
10 The Bank has a clear deposit mobilization strategy for low cost deposits.	7	13	7	1	0	28	5.6	13	5.272571
11 The Bank's Mobilization Strategies are more effective compared to other banks.	5	10	10	1	3	28	5.6	10	4.086563
12 The Bank's IT System is efficient and reliable compared to other banks.	4	11	9	2	2	28	5.6	11	4.159327
13 The current branch spread and ATM spread is convenient relative to other banks.	11	15	1	1	0	28	5.6	15	6.913751
14 The Bank's ATM's are reliable.	10	14	3	1	0	28	5.6	14	6.107373
15 The Bank has highly competent non-managerial staff.	9	17	0	0	2	28	5.6	17	7.368853
16 The Bank has highly competent managerial staff.	10	17	0	1	0	28	5.6	17	7.635444
17 The Bank's Staff Selection and Recruitment Policy supports acquisition of competent staff.	5	20	2	1	0	28	5.6	20	8.261381
18 The Bank conducts effective periodical Management Development Program.	2	17	6	2	1	28	5.6	17	6.655825
19 Decision-making is fast and effective in the Centralised Credit set up	2	7	11	8	0	28	5.6	11	4.505552

20 The inflationary environment has negatively affected the Bank's advances portfolio in a big way.	9	18	1	0	0	28	5.6	18	7.893035
21 The inflationary environment has negatively affected the Bank's deposit portfolio in a big way.	5	13	7	1	2	28	5.6	13	4.774935
SUM	138	287	97	36	21	579			
WEIGHT	24%	50%	16%	6%	4%	100%			
SKEWNESS	0.9423								
STANDARD DEVIATION	5.5194								
CORREL	0.812								
MEAN DEVIATION	1.5452								

SAMPLE RESULTS STATISTICS

SECTION C <i>SAMPLE</i> SURVEY RESULTS STATISTICS									
QUESTION	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO ANSWER	TOTAL	MEAN	MODE	STD DEV
1 The Bank's complaint management system is effective.	3	19	3	0	3	28	5.6	19	12.25969
1The Bank's Client Retention Program is effective.	4	22	2	0	0	28	5.6	22	13.520355
2The Bank often reviews its product packaging.	4	14	8	2	0	28	5.6	14	11.260551
3The Bank has a strong Product Research and Development Department.	1	12	7	5	3	28	5.6	12	10.074721
4In the last 12 months, there were new innovative products introduced.	2	15	5	6	0	28	5.6	15	11.031772
	14	82	25	13	6	140			
WEIGHT	10%	59%	18%	9%	4%	100%			
SKEWNESS		1.4303							
STD DEVIATION		6.1441							
CORRELATION		0.9359							
MEAN DEVIATION		1.0085							

SAMPLE RESULTS STATISTICS

SECTION D <i>SAMPLE</i> SURVEY RESULTS STATISTICS									
QUESTION	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO ANSWER	TOTAL	MEAN	MODE	STD DEV
1 The Bank adheres to corporate governance principles as enunciated by the Reserve Bank.	14	14	0	0	0	28	5.6	14	7.4966659
2 The Bank's risk management initiatives are quite strong and evident on the ground.	10	17	1	0	0	28	5.6	17	7.3143694
3 The Bank has a clearly formulated and comprehensive Compliance Risk Management Plan covering all critical functions of the organization.	14	14	0	0	0	28	5.6	14	7.2249567
SUM	38	45	1	0	0	84			
WEIGHT	45%	54%	1%	0%	0%	100%			
SKEWNESS		0.5633							
STD DEV		7.0892							
CORRELATION		0.9613							
MEAN DEV		0.1009							

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RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL : ximbap@ukzn.ac.za

15 JANUARY 2009

MR. D MOYO (203518315)
GRADUATE SCHOOL OF BUSINESS

Dear Mr. Moyo

FACULTY OF MANAGEMENT STUDIES POSTGRADUATE	
2009 -01- 14	
UNIVERSITY OF KWAZULU-NATAL WESTVILLE CAMPUS	
DATA CAPTURED:	SIGN:
NAME:	SIGN:

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0791/06M

I wish to confirm that ethical clearance has been approved for the following project:

"A critical analysis of how CBZ Bank LTD can gain competitiveness, sustenance and growth in the Hyper-Inflationary Environment"

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

Yours faithfully


.....
MS. PHUMELELE XIMBA

cc. Supervisor (Dr. AS Gani)
cc. Mrs. C Haddon