TITLE OF DISSERTATION:

AN INVESTIGATION INTO THE TURNAROUND STRATEGIES FOR THE ZIMBABWE BANKING SECTOR WITH SPECIFIC REFERENCE TO ZIMBABWE ALLIED BANKING GROUP (ZABG BANK)

Submitted by

Ephraim Chidhakwa      (B 1024785)

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE MASTERS IN BUSINESS LEADERSHIP PROGRAMME OF BINDURA UNIVERSITY OF SCIENCE EDUCATION, FACULTY OF COMMERCE,

BINDURA, ZIMBABWE.

October, 2012

SUPERVISOR: MR. C MASANGO
APPROVAL FORM

The undersigned certify that they have read this dissertation and have approved its submission for marking after confirming that it conforms to the departmental requirements.

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Supervisor  Date

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Departmental Chairperson  Date
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Signed:..........................................................

Date :..........................................................
DECLARATION

I declare that the report is a result of personal work and personal initiative of the researcher. The researcher has acknowledged the work of other authors and past research work. The researcher also declares the misuse of company time and resources to get this project done in time.

Researched and authored by E. Chidhakwa
ABSTRACT

It is every business’s main objective to operate profitably, and if this is not achieved over consecutive trading periods with no immediate hope of recovery, this becomes a serious concern. ZABG Bank’s continued poor performance and negative capital base of the Bank gave rise to undertake the study. The objective is to investigate turnaround strategies that can be adopted to ensure the Bank’s success into the future. An explanatory research was carried out by methodological triangulation of personal interviews and desk top research in order to gather in-depth insights of the research study that facilitated analysis of both primary and secondary data collected. The quota sampling technique selection of three representatives of the bank shareholders, six bank’s executive management, ten middle management, ten general employees and ZABG Bank’s top twenty customers were interviewed. The importance of the study is multifaceted, as it would improve the overall performance for the bank and other bank’s key stakeholders like the employees and customer will ultimately benefit as the bank regains its competitive performance in the industry. Most research literature available is mainly based on other parts of the world and the region, this study provides locally developed turnaround strategies from Zimbabwean perspective. Findings of the research included the lack of funding from the shareholders, lack of innovative strategies by executive management resulting in functional departments which resulted in failure to support business operations effectively. Furthermore, inadequate communication with key stakeholders negatively affected stakeholder buy-in to effectively implement turnaround strategies. Due to incapacitated major shareholder to recapitalise the Bank it was recommended that potential investors and strategic partners be quoted as financial resources are critical for any organization’s operations. Corporate restructuring, revenue growth and cost containment strategies are some of the key recommendations that may be adopted by the bank.
ACKNOWLEDGEMENTS

I would like to register my heartfelt appreciation for the guidance and utmost support that I received from my supervisor, Mr. C. Masango throughout this project.

I am most grateful to my wife Eugenia and my four children for their understanding during my studies as I deprived them of quality family time to concentrate on my studies for the degree programme and more so on this dissertation. Thank you all for your encouragement and criticism.

My sincere gratitude also goes to Raymond Lande, Mr. Uzhenyu and all my Masters in Business Leadership 2010 class for their assistance.
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CHAPTER ONE

1.0 INTRODUCTION

This chapter introduces this research study on the topic “An investigation into the turnaround strategies in the Zimbabwe Banking sector with specific reference to Zimbabwe Allied Banking Group (ZABG Bank)”. This chapter gives the overview of the background to the study, defines the research problem, research objectives, questions to be answered by the study and the significance of the research limitations and delimitations are also highlighted.

1.1 Background of the Research

Zimbabwe Allied Banking Group was established in January 2005, as a result of supervisory action by the Reserve Bank of Zimbabwe. It was established from three troubled financial institutions being Barbican Bank, Royal Bank Zimbabwe Limited and Trust Banking Corporation. All the three banks’ physical assets and some workers were taken over by ZABG Bank.

The main objectives of the formation of ZABG Bank were to protect depositors’ funds and restore market confidence in the banking sector. The loss of confidence was due to several factors that included alleged unethical practices by the Reserve Bank of Zimbabwe, poor corporate governance, poor risk management, and insider trading which led to the Banks’ liquidity challenges and subsequent currency shortages, as highlighted in the Reserve Bank of Zimbabwe Monetary Policy of 2004. Following on from this background, ZABG Bank adopted the corporate strategy of mass banking, serving all customer segments of the bank. ZABG Bank’s market share at inception in 2005 was at about 5% but that steadily declined to 1% as at the end of 2010, in terms of customer deposits. The challenge was the bank continued to record financial losses in the consecutive trading periods of 2009 to 2011.

From the analysis of Earnings and Profitability as at 31 December 2010, industry average Return on Assets (ROA) was 4%. ZABG Bank recorded a ROA of -21% due to the loss position. The highest ROA was recorded at Trust at 73% after recording the take on value of its assets as income. Kingdom Bank, Metropolitan Bank and CBZ had 4% each.
Industry average Return on Equity (ROE) was 30% for commercial banks. ZABG recorded a ROE of 0%. The highest ROE at commercial banks was attained by Trust at 84% followed by CBZ at 47%. Agribank had the lowest ROE at -78%. (According to ZABG Research Dept. 2011)

Table 1 Banking Sector Profitability Review as at 30 June 2010

<table>
<thead>
<tr>
<th>Institution</th>
<th>Attributable profits</th>
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<tr>
<td>1 CBZ Bank Limited</td>
<td>8,511,246.00</td>
</tr>
<tr>
<td>2 Standard Chartered Bank</td>
<td>3,715,818.00</td>
</tr>
<tr>
<td>3 Stanbic Bank</td>
<td>2,121,000.00</td>
</tr>
<tr>
<td>4 ZB Bank</td>
<td>1,546,695.00</td>
</tr>
<tr>
<td>5 Kingdom Bank Limited</td>
<td>1,211,180.00</td>
</tr>
<tr>
<td>6 Metropolitan</td>
<td>1,154,200.00</td>
</tr>
<tr>
<td>7 BancABC</td>
<td>911,000.00</td>
</tr>
<tr>
<td>8 FBC Bank Limited</td>
<td>324,059.00</td>
</tr>
<tr>
<td>9 ZABG</td>
<td>Not published</td>
</tr>
<tr>
<td>10 Royal Bank</td>
<td>Not published</td>
</tr>
<tr>
<td>11 Premier</td>
<td>(4,167.00)</td>
</tr>
<tr>
<td>12 Interfin</td>
<td>(397,532.00)</td>
</tr>
<tr>
<td>13 MBCA Bank Limited</td>
<td>(626,312.00)</td>
</tr>
<tr>
<td>14 Barclays Bank</td>
<td>(787,238.00)</td>
</tr>
<tr>
<td>15 TN Bank</td>
<td>(2,107,000.00)</td>
</tr>
<tr>
<td>16 NMB Bank Limited</td>
<td>(2,197,031.00)</td>
</tr>
<tr>
<td>17 AGRIBANK Limited</td>
<td>(2,782,743.00)</td>
</tr>
<tr>
<td>18 Renaissance- Under curatorship</td>
<td>N/A</td>
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Source: (Compiled by ZABG Research Division 2010)

The commercial banks’ performances shown in the table shows that some banks were managing to operate profitably in the same market place where the other players were posting losses. ZABG in fact failed to publish its financial statements because it is believed that they incurred huge losses. What was clear at the moment was that the Bank had a huge negative capitalization of $15,348,157.00 as at 31 December 2011 as disclosed by The Reserve Bank of Zimbabwe in its Monetary Policy statement of January 2012.
Table 2. Banking Sector Profitability Review (January to June 2011)

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<td>1 Standard Chartered Bank</td>
<td>12,696,623</td>
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<tr>
<td>2 CBZ Bank Limited</td>
<td>11,252,706</td>
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<tr>
<td>3 BancABC</td>
<td>5,470,000</td>
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<td>4 ZB Bank</td>
<td>3,764,400</td>
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<td>5 Stanbic Bank</td>
<td>3,309,000</td>
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<tr>
<td>6 FBC Bank Limited</td>
<td>2,063,510</td>
</tr>
<tr>
<td>7 Metropolitan</td>
<td>1,382,414</td>
</tr>
<tr>
<td>8 TN Bank</td>
<td>1,074,961</td>
</tr>
<tr>
<td>9 Barclays Bank</td>
<td>928,453</td>
</tr>
<tr>
<td>10 Kingdom Bank Limited</td>
<td>814,804</td>
</tr>
<tr>
<td>11 MBCA Bank Limited</td>
<td>468,213</td>
</tr>
<tr>
<td>12 NMB Bank Limited</td>
<td>148,500</td>
</tr>
<tr>
<td>13 ZABG Bank</td>
<td>Not published</td>
</tr>
<tr>
<td>14 Ecobank</td>
<td>(1,483)</td>
</tr>
<tr>
<td>15 AGRIBANK Limited</td>
<td>(359,450)</td>
</tr>
<tr>
<td>16 Royal Bank</td>
<td>(1,522,764)</td>
</tr>
<tr>
<td>17 Interfin</td>
<td>(1,608,974)</td>
</tr>
<tr>
<td>18 Renaissance- Under curatorship</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: ZABG Research Division compilation 2011

ZABG Bank remained operational but under deteriorating conditions due to loss of its customer base, continued declining of profitability, negative capitalization due accumulated losses and no capital injection from the major shareholder, the Government of Zimbabwe. It was against this background that the writer sought to make an investigation into the turnaround strategies in the banking sector with specific reference to ZABG Bank.
Table 3. Capitalization of the Banking Sector as at 31 December 2011

<table>
<thead>
<tr>
<th>COMMERCIAL BANKS</th>
<th>BANK’S CAPITAL</th>
<th>CAPITAL REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBZ BANK</td>
<td>65,219,416.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>STANCHART</td>
<td>53,204,639.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>BARCLAYS BANK</td>
<td>33,374,247.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>BANCABC</td>
<td>32,075,487.14</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>STANBIC BANK</td>
<td>31,974,967.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>ZB BANK</td>
<td>20,695,741.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>NMB BANK</td>
<td>19,788,114.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>MBCA BANK</td>
<td>19,484,022.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>METROPOLITAN BANK</td>
<td>17,955,298.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>FBC BANK</td>
<td>16,824,331.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>INTERFIN BANK</td>
<td>16,275,804.88</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>AGRIBANK</td>
<td>14,144,691.57</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>TN BANK</td>
<td>13,380,596.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>TRUST BANK</td>
<td>13,703,203.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>ROYAL BANK</td>
<td>3,422,410.00</td>
<td>12,500,000.00</td>
</tr>
<tr>
<td>ZABG BANK</td>
<td>(15,348,157.00)</td>
<td>12,500,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MERCHANT BANKS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TETRAD INVESTMENT</td>
<td>12,726,213.00</td>
<td>10,000,000.00</td>
</tr>
<tr>
<td>ECOBANK</td>
<td>10,883,265.00</td>
<td>10,000,000.00</td>
</tr>
<tr>
<td>GENESIS INVESTMENT</td>
<td>(3,204,691.00)</td>
<td>10,000,000.00</td>
</tr>
<tr>
<td>RENAISSANCE</td>
<td>(Under Curatorship)</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: (Reserve Bank of Zimbabwe MPS, Jan 2012)

The majority of commercial banks in Zimbabwe have managed to recapitalise to the minimum levels required by the Reserve Bank of Zimbabwe. The negative capitalisation for ZABG is evidence of its negative operating position, further confirmed by its failure to produce audited financial statements.

1.1.1 Macro-environmental issues

Zimbabwe as a country has been viewed negatively by the outside world, mainly the Western countries. This was due to an unstable political environment arising from failure to hold credible elections then and absence of property rights to protect international investors. These developments have resulted in high political risk levels negatively impacting on foreign direct investment (FDI) inflows into the country and international financial support up to the present day in December 2011. This can be further worsened by the perceived threats through seemingly inordinate legal statutes like the Indigenisation Act, and the Land Reform Act.

Banking institutions in Zimbabwe were operating in a harsh and eminently negative macro economic environment that is characterised by shortages of foreign currency, persistent power
cuts and water shortages, escalating prices of basic consumer commodities, low industry capacity utilisation, brain drain and political instability. The environment negatively affected growth of the financial services sector. However the situation took a turn in February 2009 following the dollarization of the economy and the formation of the Government of National Unity (GNU), giving rise to competition in the banking industry as there was a scramble for the few customers who were able to bring decent business in terms of deposits to the bank. Savings rate per capita are however very low as the general public and the private sector lost confidence in the banking sector hence prefer to keep their money at home. This has resulted in low deposit level rates and ratios in the Banks.

1.1.2 Meso-environmental issues

The formation of ZABG was designed to protect depositors and creditors of the three banks, namely, Barbican Bank, Royal Bank and Trust Bank. It was a one-stop financial services institution offering services in wholesale banking, treasury, retail banking, leasing, asset management and stockbroking services. It is important to note that, ZABG had one of the largest balance sheets among the commercial banks in Zimbabwe, at inception in 2005.

The setting up of ZABG was done by the Reserve Bank of Zimbabwe which appointed the Board of Directors, Management Team and the Organisation Structures.

The major shareholder of ZABG Bank is the Government of Zimbabwe which owns 92.8% while the remainder is held by other depositors and creditors. ZABG Bank has strong links with the Regulatory Authorities as it is the brain child of the Reserve Bank of Zimbabwe, with the aim of restoring confidence that had been lost in the financial sector. This background forms some assurance that the bank is likely to be safe to deal with from the customers ‘point of view’. The bank is a wholly owned Zimbabwe financial institution and decisions of any nature are all made locally. The bank has a retail branch network of seventeen branches and two agencies nationwide.
1.1.3 Micro-environmental issues

The Zimbabwean banking sector is still much undercapitalized, and most banks are being forced to be more innovative in order to attract corporate and blue chip clients including personal account holders. It has become the survival of the fittest.

Porter's five forces, the framework for the industry analysis and business strategy development, include threat of substitute products, the threat of established rivals, the threat of new entrants, the bargaining power of suppliers and the bargaining power of customers (Porter, 1979).

The following are some of the major challenges faced by banks in Zimbabwe:

a. Low confidence in the financial services sector due to nasty historical experience,

b. Failing information technologies due to outdated machinery as technological advances protect companies from competition. This applies to products and services.

c. Falling real deposits due to falling real disposable incomes and declining industrial base,

d. Cut throat competition among banks-threats from new players like BancABC, TN Bank and Ecobank that brings about sustainable competitive advantage through innovation.

e. Bargaining power of customers as they sometimes negotiate on bank charges threatening to change banks if their proposals are not granted.

f. Serious threat of established rivals. 60% of the commercial banking sector market share in Zimbabwe is basically dominated by about 5 banks while 40% is shared among the remaining 11 banks.
1.2 Statement of the Problem

ZABG Bank was assumed to be one of the largest banks in Zimbabwe at its inception in 2005 by virtue of amalgamation of three banks with a customer base of over 70,000. However, the bank’s performance has continued to deteriorate, posting losses in consecutive years despite the inheritance of a sizeable customer base. The dollarization of the economy compounded the institution’s woes as its asset base was shaky and in the negative.

Table 4. Top three performing banks as at 30 June 2011

<table>
<thead>
<tr>
<th>Commercial bank</th>
<th>Attributable Profits 30/06/2011</th>
<th>Profits</th>
<th>Attributable Profits 30/06/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Chartered Bank</td>
<td>12 696 623</td>
<td>3 715 818</td>
<td></td>
</tr>
<tr>
<td>CBZ</td>
<td>11 252 706</td>
<td>8 511 246</td>
<td></td>
</tr>
<tr>
<td>Stanbic</td>
<td>3,309,000</td>
<td>2 121 000</td>
<td></td>
</tr>
<tr>
<td>ZABG</td>
<td>N/A(Loss undisclosed)</td>
<td>N/A(Loss undisclosed)</td>
<td></td>
</tr>
</tbody>
</table>

Source: ZABG Research Division Compilation July 2011.

The bank was struggling to meet some of its mandatory financial obligations to the extent that in March 2009 almost 60% of staff was sent on a compulsory 6 months leave. This initiative was meant to contain costs. The challenges continued unabated resulting in the bank failing to publish its financial statements for 2009 and 2010. ZABG was failing to operate profitably in the same market where the other players were enjoying profits since 2009 and these profits increased significantly in 2011.

ZABG has emerged as the most heavily undercapitalized commercial bank with a negative capital base of USD 15 348 157.00 as at 31 December 2011. This state of affairs has been of serious concern to the stakeholders, raising fears that the bank may be heading for possible closure.

The aim of this research is therefore to analyse areas that need improvement in the bank by assessing current performance, to identify the external factors that affect the bank’s performance, to assess how key stakeholders can be involved and ultimately coming up with turnaround strategies that ensure the bank’s future success.
1.3 Main Research Question

What turnaround strategies can be developed at ZABG to ensure future success of the bank?

1.3.1 Sub-Questions:

1) Where does the bank need to improve?
2) What are the critical external factors affecting banks’ performance?
3) How can stakeholder engagement be used in successful turnaround strategy?
4) How can the challenges identified above be effectively addressed through turnaround strategies to ensure future success?

1.4 Research Objectives

1) To establish areas of improvement in ZABG bank.
2) To determine the critical external factors affecting ZABG Bank’s performance.
3) To ascertain the stakeholder involvement in a successful turnaround strategy.
4) To identify the turnaround strategies that will effectively ensure ZABG’s success.

1.5 Research Propositions

1) That poor functional areas affect overall Bank performance.
2) That macro-environment factors, can negatively affect the bank.
3) That stakeholder engagement can be used as successful turnaround strategy.
4) That appropriate selection of turnaround strategies can be implemented to revive performance of a failing Bank.
1.6 Justification of the Study

The continued poor performance and negative capital base of the bank has given rise to the need to undertake this study. This study will also bring about other ancillary benefits to stakeholders as listed below:

Table 5. Benefits of the research to Stakeholders

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>• Going concern</td>
</tr>
<tr>
<td></td>
<td>• Increased profitability</td>
</tr>
<tr>
<td></td>
<td>• Increased market share</td>
</tr>
<tr>
<td>Customer</td>
<td>• Improved customer service</td>
</tr>
<tr>
<td>Employees</td>
<td>• Improved staff morale</td>
</tr>
<tr>
<td>RBZ</td>
<td>• Minimum supervision</td>
</tr>
<tr>
<td>Shareholder / Government</td>
<td>• Dividend</td>
</tr>
<tr>
<td>Other Banks</td>
<td>• Benchmark turnaround Strategies</td>
</tr>
<tr>
<td>Academia</td>
<td>• Locally developed research study</td>
</tr>
</tbody>
</table>

Source: Researcher own compilation

1.6.1 To the Bank

Consecutive negative profitability undermines the objectives of an entity there by threatening its going concern. ZABG is not an exception to this fundamental business principle. Failure to produce audited financial results may be viewed as an organisational failure and results in loss of customer confidence that ultimately drives the customer away. The research study will provide the most appropriate turnaround strategies to increase their customer base, which increases sales, leading to improved performance, increase market share and subsequently increased profitability.

1.6.2 To the customers

In view of the stiff competition in the Zimbabwe banking sector, the turnaround strategies developed will aim to improve customer satisfaction that will develop customer loyalty. Customer focused products will be prioritised by all organisations as they seek to attract and retain them, through innovation and technology.
1.6.3 To the Shareholders

All business owners venture into businesses to make profits hence this research enables banks to come up with strategies to improve sustainable profitability, that leads to increased return on assets and return on equity to the Shareholders.

1.6.4 To the Bank employees

Improved organisation performance leads to increased capacity for the bank to improve working conditions thereby awarding some work incentives like staff loans, performance related bonuses and profit sharing schemes. This will resultantly boost staff morale.

1.6.5 To the Academia

Most research studies carried out were centred for other parts of the world, whereas this research is particularly centred for Zimbabwe as a case study of ZABG Bank, operating under a multi-currency regime, (following the collapse of its own currency due to hyper-inflation). This is a case study research for turnaround strategies, for the first commercial bank that was formed by an Act of Parliament in Zimbabwe.

1.7 Assumptions

The research was made on the following assumptions;

The multi – currency framework in the country will prevail over the research period, participants involved in the study will give true reflection of their views and accurate information and that in the period of the study, the structure and operations of the bank will remain constant.

1.8 Outline of this Dissertation.

On completion of the research it will be presented in the following format:

Chapter 1. Introduction- will introduce the entire research study.

Chapter 2. Literature review- reviews available literature on turnaround strategies.

Chapter 3. Methodology- ensures that researcher gets appropriate data or framework that is valid and accurate to make rightful conclusions and recommendations.
Chapter 4. **Data Presentation and Analysis** - analyses both qualitative and quantitative data obtained.

Chapter 5. **Conclusions and Recommendations** - made from the research findings.

### 1.9 Key Definitions

Turnaround Strategies - refers to all necessary strategies to revive a failing company to sustainable competitive viability.

Investigation – thorough enquiry pertaining to issues affecting ZABG bank’s performance and what strategies can use to ensure its future success.

Banking Sector – According to this study banking sector mainly refers to commercial banks in Zimbabwe

Market Share- The percentage of total portfolio enjoyed by a bank. (Based on customer deposits and profitability)

Stakeholders- All interested parties that include shareholders, bank management, bank employees bank customers, the Reserve Bank of Zimbabwe, the Government and unions.

### 1.10 Abbreviations

ZABG BANK- Zimbabwe Allied Banking Group herein referred to as the “Bank” and/or ZABG

RBZ- Reserve Bank of Zimbabwe also referred to as Central Bank.

RBZ MPS – Reserve Bank of Zimbabwe Monetary Policy Statement

CAQDAS- Computer Aided Qualitative Data Analysis Software
1.11 Limitations of the study

The limitation of this study was to access certain information which was considered private and confidential as banks feared that information if released might be used by competitors. The case study can not be generalised to other institutions as they might not have similar background formation and information.

1.12 Delimitations of the study

The research study focused on some branches of ZABG Bank and the other commercial banks were used for benchmarking purposes. The investigation period mainly focused on post Zimbabwe dollar era, into the multi-currency regime period starting 2009 to December 2011.

1.13 Summary of the Chapter

This chapter laid the foundation of the dissertation. It gave the background to the formation of ZABG Bank and introduced the research problem and research objectives and propositions. Then justification of the research was provided, definitions were presented, the methodology was briefly described and justified, the dissertation was outlined and the limitations and delimitations were stated. The next chapter will focus on a review of relevant literature.
CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

In the previous chapter, the scene for the research was set. This chapter examines available relevant literature by earlier researchers and authorities in corporate strategies with particular emphasis on turnaround strategies for companies in distress. The broad background area of the study and the gaps identified will be discussed. The parent discipline and immediate discipline will lead to the crafting of the theoretical framework which will guide the study.

According to Sharp et al. (2002) two major reasons for reviewing the literature are that the preliminary search helps to generate and refine research ideas and it demonstrates good knowledge of the research area. The benefits include assisting the reader to understand more about the problem and to make comparisons with other research studies.

2.1 Taxonomy of literature review
Educational Resources Information Center (1982) defines a literature review as an “information analysis and synthesis, focusing on findings and not simply bibliographic citations, summarizing the substance of the literature and drawing conclusions from it”. According to Cooper (1988) literature review can be classified according to types of literature review focus, goal, perspective, coverage, organization, and audience. The first characteristic is the focus of the review. Cooper (1988) identifies four potential foci: research outcomes, research methods, theories, or practices or applications. Literature reviews that focus on research outcomes are perhaps the most common.
2.1.1 Types of Literature Reviews

2.1.1.1 Quantitative literature review
According to Gall, Borg, and Gall (1996), two common types of quantitative reviews are narrative reviews and meta-analytic reviews. Before the method of meta-analysis became prevalent, almost all quantitative reviews were narrative. Narrative reviews emphasized better-designed studies, and organized their results to form a composite picture of the state of the knowledge on the problem or topic being reviewed. The number of statistically significant results, compared with the number of non-significant results, may have been noted. However, despite their frequent use, narrative reviews tend to be significantly affected by the reviewer’s subjectivity. Research has indicated that the conclusions of one narrative review can differ completely from another review written by a different author, even when exactly the same articles are reviewed (Light and Pillemer, 1984).

Today meta-analytic reviews have taken the forefront. The reviewer collects a representative or comprehensive sample of articles, codes those articles according to a number of aspects, finds a common metric that allows the study outcomes to be synthesized, and then examines how the characteristics of a study covary with study outcomes.

2.1.1.2 Qualitative Literature Reviews
According to Ogawa and Malen (1991) when a body of literature is primarily qualitative, or contains a mixture of quantitative and qualitative results, it may be necessary to conduct a qualitative review, either alone or as a complement to a quantitative review.
2.2 Turnaround situations

Pretorius (2008) highlights that, a company facing similar challenges as those faced by ZABG is in a turnaround situation. He splits the preconditions for a turnaround event into four distinct categories performing well, underperformance, distress and finally decline. A turnaround situation is determined by its own configuration of preconditions as follows:

Table 6. Turnaround situations and their preconditions matrix

<table>
<thead>
<tr>
<th>Turnaround situations and their unique preconditions matrix</th>
</tr>
</thead>
</table>
| Performing well                                           
| Dwindling sales, losing                                   
| Distress                                                  
| Crisis                                                    |
| Resource abundance                                        
| Resource scarcity                                         
| Internal/Operational                                      
| External/Strategic                                        
| Causality (Origin of distress)                            |

<table>
<thead>
<tr>
<th>Performing well</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good sales demand/market</td>
</tr>
<tr>
<td>Established CA</td>
</tr>
<tr>
<td>Invisible cost/unit</td>
</tr>
<tr>
<td>Underperformance</td>
</tr>
<tr>
<td>Good sales demand, pressure</td>
</tr>
<tr>
<td>on contribution Margin, Low</td>
</tr>
<tr>
<td>capacity Utilisation, Cash</td>
</tr>
<tr>
<td>strapped</td>
</tr>
<tr>
<td>Distress</td>
</tr>
<tr>
<td>Dwindling sales, losing</td>
</tr>
<tr>
<td>Market share, Losing CA</td>
</tr>
<tr>
<td>Expenses increase Demand</td>
</tr>
<tr>
<td>Crisis</td>
</tr>
<tr>
<td>Rapidly dwindling sales, losing</td>
</tr>
<tr>
<td>Market Share, Lost CA</td>
</tr>
<tr>
<td>CA, Demand changes,</td>
</tr>
<tr>
<td>Cash strapped</td>
</tr>
</tbody>
</table>

Source: Pretorius Model (2008)

Pretorius (2008) further states that businesses in the ‘performing well” quadrant experience good sales demand, growing market and established competitive advantage hence no need for a turnaround. For the quadrant “underperforming”, capacity utilization is low and a poor positioning on competitive advantage is evident. Consequently a turnaround situation is inevitable top address the very inefficiencies that create the underperformance. The businesses under “distress” are characterized by abundant resources but declining sales demand due to loss of competitive advantage, turnaround situation is inevitable to address the loss of market share, quality and/or service issues causing the distress.”Decline” is a definite crisis that requires a turnaround strategy.
In support of the above notion, http://www.turnaround-sa.com, the overall goal of turnaround strategy is to return an underperforming or distressed company to normal in terms of acceptable levels of profitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavourable industry characteristics.

The http://www.turnaround-sa.com further indicate that, turnaround management philosophy revolves around short-term survivability (getting the business "out of the hole") while endeavouring not to compromise longer-term turnaround viability (how to "climb the mountain") thereafter.

In doing so, they seek answers to the following questions:

- How did it fall into the hole? (causes of distress).
- How deep is the hole? (severity of the financial crisis, and number and nature of internal and external constraints faced).
- How will it get out of the hole? (short-term turnaround strategy).
- What does it mean to be out of the hole? (short-term financial turnaround objectives and stakeholder support).
- How will it climb the mountain? (longer-term turnaround strategy inclusive of asset reduction and strategic repositioning).
- How high is the mountain? (vision).

Turnaround strategies often fail since they focus on achieving a longer-term vision without getting out of the hole in the first place – thereby dying in the process. Turnaround strategies also often fail because they focus on getting out of hole without a strategy for sustainable recovery. Such turnarounds which focuses on short-time survivability or a financial turnaround alone tend to be short-lived.

According to www.turnaround-sa.com, to get out of the hole successfully, certain longer-term sacrifices often need to be made if the financial crisis is severe. Seamlessly dovetailing the actions of getting out of the hole, and climbing the mountain, requires careful stakeholder management.
2.3 Key areas that need improvement in a bank

According to Slatter et al (2008); the major internal causes observed for the banking sector are what the organisation can control and do something to improve their situation. These include marketing aspects, operational aspects, financial factors, poor control systems, and human resources factors.

2.3.1 Marketing aspects

The unique natures of bank products create challenges to bankers in their attempt to market them and the complexities of the market place in which the industry operates.

According to Moutinho (2000) there are fundamental differences between the manufacturing and the service sector and the underlying reasons for the differences are concerned with customer expectations and the resulting perception of value and quality. In support to Moutinho (2000), explains that managers of service industries need to be concerned with five basic characteristics that make the management of service offerings different from managing of products. These factors are intangibility, inseparability, perishability, heterogeneity and ownership. These unique factors if not well managed can lead to poor organisational performance levels.

Ziethmal et al (2003) further indicates that banking is all about trust and customers need to be assured that their investments are safe when left with banks. Bank services are an economic activity whose output is not a physical product, but is generally consumed at the time it is produced and provides value in the form of convenience, timeliness, comfort or health. The customer perceptions and preferences have a significant impact on the banks’ success as the future. Businesses will be defined not by their products but by their customers hence the organization’s major asset will be its ongoing relationship with customers who should be viewed in terms of a long-term commitment.

Most players in the financial services sector tend to have a one size fit all approach in dealing with customer and have seldom attempted to provide products and services according to customers taste and preferences. This is because it is not yet fully understood exactly what consumers want. It has been argued that the best proposal for banks' strategies is to focus on those determinants of loyalty that are more intangible and more difficult to imitate, such as the customer service (Rowe, 1997). Aspects such as image, the quality of service perceived by the
customer, and satisfaction, have also been related to the loyalty of the consumer in the banking sector.

Market share can thus be increased through managing the marketing mix elements which are product, price, distribution and promotion aimed at meeting customer needs (McGrath and Michael, 1999).

In light of the above any lack of marketing mix and customer focused services may contribute to poor customer service which could result in customer dissatisfaction and ultimately lead to loss of business. As such a review of these marketing aspects may be necessary for ZABG Bank as that would ensure business success.

2.3.2 Operational issues

The following are some of operational aspects that affect the bank’s performance:

2.3.2.1 Technology
Recent developments in bank service delivery channels highlight the importance of understanding how customers decide to favour a specific delivery channel. This knowledge is particularly valuable as banks continue to address the financial impact of new technology-based channels and their success in transferring low value-added transactions to electronic channels.

Zeithaml and Gilly (1987) found that some people feel strongly that the use of machines (i.e. technology interfaces) dehumanizes service encounters and, consequently, value their perceived quality of human interaction. Moon et al (2000), in a study of influences on the intention to adopt self-service options, confirmed that the need for interaction with employees was a negative influence on the intention to use self-service options, mediated by the expected service quality of the self-service options. The location of the delivery channel, staff skills and competencies, branch ambience, the charges, accessibility of delivery channel (uptime or down time of ICT driven channels) are some of the key determinants of choice of delivery channel.
2.3.2.2 Credit risk policy

According to The Reserve Monetary Policy (2004), some of the common operational failures have been observed as caused by poor credit risk management. The Reserve Bank of Zimbabwe, noted with concern the gradual deterioration in asset quality as reflected by the level of non-performing loans which are now trending towards the watch list category. Asset quality challenges can potentially heighten liquidity risks given the current operating environment where credit is largely financed by volatile short term deposits. In this regard, it is imperative that banking institutions enhance their credit risk management systems with special emphasis on credit assessment, origination, administration, monitoring and control standards (RBZ Monetary Policy Statement, Jan 2012)

In this light the operational aspects of ZABG Bank require assessment as the effect on service delivery plays a fundamental role in any service industry. Credit control basically covers credit risk which helps in protecting the bank from lending to undesirable elements ultimately could save the bank from potential losses.

2.3.3 Financial aspects

2.3.3.1 Pricing and Tariffs

Reserve Bank of Zimbabwe (RBZ) Governor Gideon Gono criticized some banks for levying high charges to sustain “utopia-style packages” for their management. In his MPS statement of 2009, he noted that the mismatch between lending and deposit rates needed to be addressed. Goodman (2006) argues that optimal pricing is crucial for the success of the business but it has been noted that charges in Zimbabwean financial institutions exceed optimal levels. Lending rates are high and range between 12%-18%. Deposits rates attract a paltry 2% interest per annum thereby discouraging savings. He further added that he received pleas from the banking public to intervene against excessive bank charges levied by some banks. Under the current conditions of reduced general market liquidity, he urged shareholders; boards of directors and management in banking institutions to have a frank re-look at their pay structures and other overheads, The Reserve Bank of Zimbabwe Monetary Policy Statement (2009).

Economist David Mupamhadzi (Business Digest May 2010) said that bank charges in Zimbabwe were punitive, and discouraged people from using formal channels for savings, a situation that is
undesirable especially given the liquidity problems that the economy is facing. "Banks should play a leading role in mobilizing savings across the whole country through offering attractive returns, however in the case of Zimbabwe this is not happening because of the high bank charges and the low returns on deposits," he said. "Most banks in the region do not use bank charges as a main source of income, a situation which is prevalent in Zimbabwe. He said the proposed use of e-banking was a step in the right direction, and is in line with developments in the region and beyond.

In light of the foregoing ZABG bank could be one of the banks that is faced with overpricing which may have short time benefits of quick profits but not sustainable one as customers can easily switch banks looking for cheaper services. This may call for benchmarking exercise for a possible review of bank charges to facilitate adopting of financial turnaround strategies that out-competes rivals but still maintaining sustainable profitability.

2.3.3.2 Capitalization

Capitalization can be regarded both as internal and external cause for corporate failure as this can be raised from existing shareholders or by issue of new shares to potential investors. The recent financial crisis in Zimbabwe raised fundamental issues about the bank capital. As noted by The Reserve Bank Monetary Policy Statement (Jan. 2012), stated that despite several extensions of recapitalization deadlines, a few banking institutions had failed to conclude their recapitalization initiatives therefore there would be no prudential basis for the continued existence of such entities.

Various proposals have been put forth which argue that banks should hold more capital Basel III (2010). An underlying premise in all the arguments is that there are externalities due to the safety net provided to banks and thus social efficiency can be improved by requiring banks to operate with more capital especially during financial crises. Bankers, however, have typically argued that being forced to hold more capital would jeopardize their performance especially profitability. This argument that higher capital need not be beneficial has found some support in the academic literature as well. (Calomiris and Khan, 1991). The issue of what effects capital has on bank performance and how these effects might differ between crises and normal times. Berger and Bouwman (2011) argued that when considering survival probability, holding fixed bank’s asset and liability, higher capital mechanically implies that a higher survival probability
On the contrary, theories on the disciplining role of demandable debt suggest that a bank with more demandable debt and less capital may make better loans that are less likely to default and cause bank failure, Calomiris and Khan (1991). Berger and Bouwman, (2011) broadly summarized their findings as follows; firstly, capital is especially beneficial during banking crises. It helps banks of all sizes during such crises – higher pre-crisis capital increases the odds of survival and enhances market share for banks of all sizes and it increases profitability for all but medium-sized banks during such crises. Second, small banks benefit in all respects from higher capital during market crises and normal times as well. For large and medium banks, higher capital improves only profitability during market crises and only market share during normal times. While the survival and market share results are highly robust, the profitability results are less so.

There is also some supporting banking theories suggesting that there is a positive relationship between a bank’s capital and market share Berger and Carletti (2011) while Holmstrom and Tirole (1997) further argues that if capital improves monitoring incentives then higher capital could enhance return on equity thus profitability. Market share seems to be linked with the level of capitalisation as a security measure for depositors. More so capitalized banks are able to take advantage of business opportunities that will enhance diversification of income streams and culminate into better market share.

Some turnaround strategies fail because not enough resources were allocated to successfully implement them. Lack of resources is generally a bigger threat to capital-intensive strategies, Kubinski (2002). This follows that it would be important to plan and ensure availability of resources if a successful turnaround is to be achieved.

2.3.3.3 Financial distress

Enron, an energy company was named "America's Most Innovative Company" by "Fortune (magazine)" for six consecutive years, from 1996 to 2001. Enron was hailed by many, as an overall great company, praised for its large long-term pensions, benefits for its workers and extremely effective management until its exposure in corporate fraud. As was later discovered, many of Enron's recorded assets and profits were inflated or even wholly fraudulent and
nonexistent. Debts and losses were put into entities formed "offshore" that were not included in the firm's financial statements, and other sophisticated and arcane financial transactions between Enron and related companies were used to take unprofitable entities off the company's books. At the end of 2001, it was revealed that it’s reported financial condition was sustained substantially by institutionalized, systematic, and creatively planned accounting fraud. After a series of revelations involving irregular accounting procedures bordering on fraud perpetrated throughout the 1990s involving Enron and its accounting firm Arthur Andersen, Enron stood on the verge of undergoing the largest bankruptcy in history. In August 2000, Enron's stock price hit its highest value of $90. At this point Enron executives, who possessed the inside information on the hidden losses, began to sell their stock. At the same time, the general public and Enron's investors were told to buy the stock. Executives advised investors that the stock would continue to climb until it reached possibly the $130 to $140 range, while secretly unloading their shares. Many saw this as a great opportunity to buy Enron stock. Enron shares dropped from over US$90.00 to just pennies and the investors incurred heavy losses. Enron had been considered a blue chip stock, so this was an unprecedented and disastrous event in the financial world. A combination of creative accounting, insider trading, false declaration, directors reneging on their fiduciary duties, bribery (albeit as gifts) and the general lack of a culture of corporate ethics resulted in the adverse consequences as regards customer confidence.

Enron had given the stakeholders in the USA hope as the company of the future, the same way ENG Capital in Zimbabwe had. Investors lost significant funds when ENG digressed from its core business, resulting in its failure to account Z$61 billion of investor money resulting in the company being liquidated.

The foregoing factors could also raise fears that ZABG bank may have deep-rooted financial problems, possibly in form of creative accounting too as it was noted from the Reserve Bank Monetary policy that ZABG is undercapitalised to the tune of USD 15 348 157.00 as at 31 December 2011, and its apparently failure to publish its audited financial statements for two consecutive years 2010 and 2011. Some sound financial turnaround strategies for the bank would definitely be necessary to ensure the bank’s success into the future.
2.4. Human resources factors
Some of the human resources issues that can have a significant impact on the banks’ future success are:

2.4.1 Employee engagement
In the context of successful turnarounds, Manimala (1991) observed that the more effective and long-lasting employee management strategies for troubled organisations were based on employee engagement and culture building.

Heggde & Panikar (2011) asserts that human resources have to actively partner with the business leadership and develop strategies to create capabilities within the organization to speed up the execution of the corporate turnaround programme.

2.4.2 Top Management engagement
Prasad (2006) argued that it is the top management who sets the style and tone of management in the organisation and therefore can involve and empower their employees. Empowered employees are energetic, passionate and experience a feeling of ownership over jobs, which will encourage and motivate the employees to offer their innovative best for the company with a customer service mindset. Murphy (2008) supports that the nature of the top management team in a company is of greater significance, for the success or failure than any of the company’s products, skills or physical assets.

On the contrary Arogyaswamy et al., (1995) argues that leaders are often a contributing source of organisational decline. Executives either directly caused the problems at the heart of crisis or failed to recognize the problems early enough (Bibeault, 1982). Top management change is widely recognised as a precondition for successful turnarounds (Bibeault, 1982; Hofer, 1980; Schendel et al 1976; Slater 1999).

2.5 CORPORATE RESTRUCTURING

2.5.1 Corporate Structure
According to a report by the Reserve Bank of Zimbabwe Monetary Policy Statement dated July 2005, (RBZ MPS) there were several problems that beleaguered the financial institutions in Zimbabwe. A number of banking institutions had deep-rooted structural anomalies and poor corporate governance practices during 2003/4 period. As a result since 2005, the Reserve Bank
advocated for consolidations through mergers and acquisitions as laudable market-oriented solutions to troubled banking institutions.

The RBZ Monetary Policy Statement further stated that a number of banking institutions have been noted to be using associate entities in their group structures as conduits for indulgence in regulatory arbitrage, and engagement in non-permissible activities. The Reserve Bank as Monetary Authorities, reiterated that Bank Holding Companies are still subject to oversight by the Reserve Bank. As such, no person shall obtain significant shareholding holding in or be appointed to the board/ senior management of a Bank Holding Company without the approval of the Reserve Bank. Renaissance Merchant Bank was cited as the latest case in point. Depositors’ funds were siphoned under a well orchestrated and calculated fraudulent intricate web of related party transactions. (RBZ MPS Jan 2012).

It would be necessary to investigate if among challenges being experienced by ZABG bank resulting in its poor performance had any bearing towards any corporate structural problems.

2.6 EXTERNAL CAUSES OF CORPORATE FAILURE

According to Pandit (2002) external causes are beyond the firm's control and are exogenous factors. In general, the external factors can cause sickness to an industrial unit only in so far as it is internally weak. (Manimala 1991, Khandwalla 1992, Pearce and Robbins 1993, Scherrer 2003, Panchali 2005) indicated that the developments in the external environment causing industrial sickness include unforeseen competition (increased domestic and foreign competition, product or service innovations by competitors), changes in customer expectations, adverse governmental or controlling authority behaviours, unfavourable market conditions, industrial unrest, insufficient or excessively costly inputs, fluctuations in commodity prices, natural calamities changes in international markets, financial market instability and technology changes (Balgobin and Pandit 2001, Walshe 2004); innovations in technology, recessionary conditions (Barker 2005).

2.6.1 Competition

The United States of America banking industry has experienced significant changes in the recent years. Banks may even provide some insurance services through the bank holding companies that may constitute a financial supermarket in which clients can find all the financial services they need in one place. These changes came as a result of the regulatory changes in the banking industry that allowed commercial banks to expand into new activities.
The main characteristic that has marked the evolution of the financial system has been increased competition in the sector, Kelly (1998). The banking business has undergone changes in consumers’ demand for services, technological changes, and the entry of new competitors from businesses outside banking. Due to this, an increasingly open and competitive framework has been formed, in which many financial entities are beginning to be concerned to develop defensive strategies in order to avoid indiscriminate loss of customers. According to Rowe and Barnes (1989), firms should strive to maintain long term relationships with their customers in order to obtain the advantages of a clientele loyal to the firm.

According to Berger et al. (1993) and Molyneux et al., (1996)’s numerous studies on bank competition in a highly concentrated banking sector in the Netherlands they noted that the optimum size, the size of the market and, the demand-side, the perception regarding the extent to which the products on offer differ determine the number of viable banks and the natural level of concentration and competition. If the banking market is characterised by increasing returns to scale, the optimum size of an individual bank (in terms of an efficient operation) will constantly increase with expanding demand.

Groenveld and Boonstra (2005) argued that “The examination of competition and concentration cannot be a purely academic exercise. The traditional analyses, based on macro-data and concentration indices, fail to capture many of the dynamic developments in the markets for financial services. At the end of the day it simply comes down to the price and quality of banking products. And customer perceptions of their banks should be included as an important factor when assessing the competitive standing in retail banking. Much more emphasis should be placed on practical experiences and information obtained directly from these end users of banking services. The level of customer satisfaction regarding banks is a key variable and fairly easy to measure. If a highly concentrated banking sector with high entry barriers would lead to non-competitive behaviour, customer satisfaction could be rather low. Not only because the price for banking products could be too high, but also because the quality of the service could be too low.”

Kow (2004) further indicates that the development and use of innovative technologies would obviously, give a competitive advantage to organizations and help them to gain market acceptance and market share quickly, while the investments in research and development can
be gradually recovered with new product exclusivity protected by patents. Banks attempt to distinguish themselves from competitors by following divergent strategies and presenting different corporate images.

In view of ZABG bank continued poor performance competition could be intense, and leading to reduction in its market share. ZABG bank at its inception in 2005 was enjoying a deposit market share of 3% however according to RBZ statistics ZABG bank deposit market share has dwindled to 0.8 % as 31 December 2011. In this regard a competitor analysis may be deemed necessary to ascertain how ZABG bank is faring with intense competition with a view to regain competitive advantage via adoption of sound turnaround strategies.

2.6.2 Government and regulatory policies

Government policies and regulatory policies have a direct impact on the banks’ operations and below are some of the examples.

2.6.2.1 Reserve Bank of Zimbabwe

The Reserve Bank of Zimbabwe (RBZ) is the regulatory authority for financial services sector in Zimbabwe. As a result all banks are required to comply with its directives. Some of the compliance issues include the statutory reserve ratios, minimum capital levels, export and import guidelines, the documentation to be taken in for all type of bank account holders and corporate governance guidelines among many others.

However, some of its changes in policy may affect some of the players in the market. For example, recently The RBZ Monetary Policy Statement dated 21 January 2012 revoked previously granted dispensations. The banks that had been granted special dispensations of up to eight more months to finalise their recapitalisation discussions with potential investors were all of a sudden given two weeks to conclude negotiations and submit their final plans thereof. Failure to submit firm re-capitalisation plans meant that the financial institution must not be operational “It follows that with effect from 1 April 2012 any financial institution that is not compliant with the minimum capital requirement shall not be allowed to conduct banking business. For avoidance of any doubt, all dispensations for compliance with the minimum capital requirements granted to non-compliant institutions are hereby revoked with immediate effect and superseded by the timeframes detailed herein”.

The Reserve Bank of Zimbabwe Monetary Policy Statement dated 21 January 2012, The Governor Dr. Gideon Gono stated that “Since 2005 The Reserve Bank has advocated for
consolidations through mergers and acquisitions as laudable market-oriented solutions to troubled banking institutions. Globally, mergers and acquisitions have become a major strategic option for banking aimed at entrenching a strong, efficient and diversified financial sector that ensures the safety of depositors’ funds plays an active developmental role in the economy and competes effectively in the global financial system.”

A series of well-publicized mergers and acquisitions have transformed some national banks into regional or even international banks. Some banks in Zimbabwe used the strategy to consolidate their balance sheet and consolidated market share. Good examples of this nature are FBC which acquired ZBS and CBZ acquired Beverley building society. However not all mergers have been successful in the Zimbabwean context as Kingdom Bank and Meikles mergers did not succeed after being successfully launched.

ZABG Bank was stated in the Monetary Policy Statement as one of the banks that was undercapitalised as at 21 January 2012 hence the implementation of such policy changes would obviously threaten the bank’s future existence. It therefore became critical that ZABG Bank had to engage potential investors to recapitalise the bank or take up the recommendations by RBZ to merge or be acquired as a last resort of a turnaround strategy.

2.6.2.2 Government policy

O’Neill (1986) studied turnaround strategies on commercial banks in the United States of America. He established that the Federal laws restricted banks to offering bank-related products and limits the extent and type of branches that commercial banks can use within state borders.

The Government of Zimbabwe introduced the legal statute like the Indigenization Act which stipulates that any foreign investor must be prepared to take up a maximum of 49% stake while 51% should be indigenous Zimbabweans. The apparently inordinate legal statues may affect the prospects of turnaround strategies as ZABG may wish to quote potential foreign investors who may be discouraged.

2.6.2.3 Unfavourable market conditions

According to Sterling (2001) some strategies often fail because the market conditions they were intended to exploit change before the strategy takes hold. Product life cycles are shorter, disruptive technologies emerge with greater frequency, and financial markets can be fickle,
Some financial institutions that used to operate during the Zimbabwe dollar era were re-issued with their operating licenses during the multi-currency regime however due to unfavourable market conditions, increased statutory reserves, demand for banking services in a perceived overbanked economy has seen some of the players failing to opening doors for business. Some of the banks in this category are Time Bank of Zimbabwe and Barbican Bank

Brenbein (2002) asserts that a buoyant economy and financial sector create a conducive atmosphere for enhanced customer confidence and conversely; political instability, macroeconomic and institutional failures and inadequacies are most likely to lead to a decline in customer confidence. Financial Institutions the world over have been confronted with a number of challenges, that have incapacitated their ability to serve customers efficiently and effectively. This leads to a decline in business performance which inevitably requires an adoption of a successful turnaround strategy if the company has to be revived.

The Zimbabwean economy is generally subdued, operating under capacity. Political sanctions have often been linked to the country’s woes. ZABG bank is operating in the same marketing place as other banks that seem to be performing profitably for example BancABC, Standard Charted Bank Barclays bank, Stanbic and ZB Bank just to mention but a few. It is interesting to note that ZABG bank seems to be struggling in its performance under same market conditions therefore it would be important to assess the contribution of the political and economic environment on ZABG bank performance.
2.7  Stakeholder engagement

The organization’s various strategies are influenced by a range of different groups, which have an interest in the organization. Thomson (1994) defines stakeholders as any group or individual who can affect or is affected by the performance of the organization.

Table 7. A distressed company faces three sets of stakeholders.

<table>
<thead>
<tr>
<th>Capital market stakeholders</th>
<th>Organisational Stakeholders</th>
<th>Product/Market stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholders</td>
<td>Management</td>
<td>Customers</td>
</tr>
<tr>
<td>Banks</td>
<td>Employees</td>
<td>Suppliers</td>
</tr>
</tbody>
</table>

Source: Corporate Renewal Solutions (2011)

The stakeholders form the central part of the organization and must be consulted, informed and given feedback about all the strategic decisions to be taken. The model further demonstrates the linkages between the stakeholders allowing for any changes to be accommodated and that include turnaround initiatives.

According to http://www.turnaround-sa.com, stakeholders are seldom interested in a turnaround plan that may look good on paper, but which won’t show results in the foreseeable future. Stakeholders often require short-term results first before finally approving a longer-term plan. In turnaround management it is therefore imperative to resolve the financial crisis, and rapidly show an impact on cash flow and the bottom line to prove survivability.

Selection of turnaround strategies therefore has to heed turnaround phasing requirements, typically, stabilise the business, and execute first-stage restructuring such as reorganisation, cost reduction and working capital reduction using short-term or internally generated finance. Having gained the support and confidence of stakeholders, embark on the major restructuring programme involving revenue enhancement and strategic repositioning using finance of a longer-term nature. (http://www.turnaround-sa.com)
In this light, it would appear ZABG bank should not be facing any challenges as its major shareholder is the Government of Zimbabwe. This aspect has always given customers some form of assurance that a Government owned bank would not face challenges to the extent of collapsing because the shareholders would always come up with a rescue package. ZABG bank under circumstances was bound to come up with turnaround strategies to ensure its sustainable business operations.

2.8 Types of turnaround strategies
According to Castrogiovanni and Bruton (2000), a turnaround strategy should be purposely made for a specific turnaround case, addressing the cause of decline. The following are some strategies that affectively address the challenges identified.

2.8.1 Marketing strategies
The importance of innovative marketing strategies in bringing about successful turnarounds has been highlighted by several researchers (Hofer 1980, Grinyer et.al. 1988, Goldston 1992). However, corporate turnaround literature has paid little attention to the value of market intelligence and planning in the company turnaround process Harker (2001). The marketing oriented business is customer-focused, and generates and disseminates market intelligence that is widely used throughout the firm (Jaworski et.al., 1993). Such firms are able to sense and respond to market forces with greater precision than more inward-looking rivals (Day 1994). However, there is scant attention in the literature on the role of marketing and sales in the corporate turnaround process (Goldston, 1992).

Sales is a critical function involving four elements that are apparent more in the successful Turnarounds, such as environmental comprehension, market selection, innovative market offers, and managed relationships (Bibeault 1982, Harker and Harker, 1998). Much has been written about marketing orientation in the management and marketing literature (Jaworski et.al., 1993, Slater 1999). Such importance given to marketing is borne out in the findings that customer focus is an important feature of successful turnarounds, where customer focus permeated the whole organization and was fully supported by the top management. The turnaround organization’s customer efforts were characterised by the appointment of exclusive managers and sales people for key accounts, who worked tirelessly to build the respect and trust of customers so essential for building up a sound relationship (Swan et.al., 1988, Harker and Harker, 1998).
Along with the enhancing marketing and sales activities, successful companies would also try to improve their product quality. It is observed that poor quality of products is a major cause of corporate failure as it is obvious that without a good quality product marketers would toil in vain. Successful businesses compete on quality rather than on costs, with a view to developing competitive advantage (Rosairo, 2004). Repositioning has also been described as an ‘entrepreneurial’ turnaround strategy. Market penetration and niche positioning have also been identified as valuable strategies for the successful corporate turnarounds (Hofer, 1980).

According to Harker (1996),’s contribution based on the studies he carried out on the impact on marketing on turnaround strategies between 1980 and 1994. He concluded that all managers of the successful turnaround companies were involved in market visits, customer contacts and competitor intelligence and their operations were an important part of the organizations’ revival. In contrast, the management of the only company that failed to turnaround had a fragile understanding of the industry, market needs and competitive conditions and their inability to grasp the fundamentals of their own business inhibited the development of a sound survival strategy.

In this regard any lack of innovative market intelligence, customer focused business orientation could contribute to failure in bringing about successful turnarounds in the banks.

2.8.2 Strategic and Operational strategies

Peace and Robins,( 1993) used an operating contingency to segment downturns that resulted from poor strategy (inability to adapt to changing environment) from downturns that resulted from poor operations or from poor implementation of an otherwise sound strategy. They suggested a list of strategic cures to achieve turnaround where the downturn was a result of bad strategy and a list of operating cures to achieve turnaround where the downturn was a result of poor operational efficiency. There are two broad types of turnaround strategies, strategic turnarounds and operating turnarounds that may be followed.

The Robbins and Pearce II, (1983) turnaround model acknowledges internal and external causes of decline. The focus of the model is retrenchment of costs and assets. The retrenchment forms part of any successful turnaround, but it is not the only focus area of importance.
The following model finally allows for the recovery phase.

Table 8. A model of turnaround process

<table>
<thead>
<tr>
<th>TURNAROUND SITUATION</th>
<th>TURNAROUND RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cause</td>
<td>Retrenchment phase</td>
</tr>
<tr>
<td>Internal factors</td>
<td>Cost reduction</td>
</tr>
<tr>
<td>External factors</td>
<td>Efficiency maintenance</td>
</tr>
<tr>
<td>Situation severity</td>
<td>Stability</td>
</tr>
<tr>
<td></td>
<td>Asset Reduction</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial Expansion</td>
</tr>
<tr>
<td></td>
<td>Recovery</td>
</tr>
</tbody>
</table>

Source: Robbins and Pearce, 1992

Robbins and Pearce, (1992) contributed significantly by identifying retrenchment and recovery in turnaround situations. They also added internal and external factors and concentrated on the severity of situation. Finally they concentrated on the recovery: when turned around the business focus is on efficiency maintenance and entrepreneurial expansion.

Identification of internal and external causes of decline in ZABG bank helps in establishing the exact turnaround situation (diagnosis) which enables turnaround management to come up with the correct remedy through appropriate turnaround strategies leading to recover of any business performance.
2.8.2.1 Strategic Turnaround

Hofer (1980) distinguishes strategic turnaround and operational turnarounds. He based his turnaround modelling on the pattern of decline in the business. These patterns then dictate which turnaround strategies to be followed. Hofer (1980:21) opines that before beginning a turnaround, the going concern value of the business must be greater than its liquidation value. From that “health check” where both strategic and operational healths are weak, a combination approach is advocated.

2.8.2.2 Strategic repositioning as a turnaround strategy

According to http://www.turnaround-sa.com, strategic repositioning holds the most potential but is the most neglected turnaround strategy according to academic research. When properly employed, strategic repositioning yields the most spectacular and sustainable turnaround results. Strategic repositioning changes the mission and customer value proposition of the distressed company by changing what products are offered to what markets and in which fashion.

In doing so it changes the revenue - cost - asset structure of the business, yielding improved profitability and return on capital employed. It may do so by growing, shrinking or refocusing the business. For the single business unit, strategic repositioning entails a complete rethink of why it is in business and how it is to achieve a sustainable competitive advantage. For the multi-business unit or multi-product line situation, strategic repositioning may additionally entail portfolio disinvestment, as in asset reduction, to focus on the core business.

Conversely, it may entail growing the portfolio to enhance sales and profitability. Growth, however, normally requires investment inter alia in new technology and people, and switching costs exist. If the business is in severe distress, lack of turnaround funding often prohibits this line of action. Strategic repositioning is therefore in practice more often employed after cost reduction has been successful, if at all.

In the case of ZABG bank, a strategic repositioning turnaround may be concerned with areas like redefining original corporate strategy as it appears to have so many divisions under one group. This may be necessary to establish whether the strategic business units are adding
value to the group. A review existing technology in processing efficiency compared to competitors, and of corporate structure to check if it is still aligned to achieving the bank’s goals. A holistic assessment may be necessary as the bank seems to be struggling in its performance; this would assist in arresting and redressing the challenges with view to turnaround the bank’s fortunes.

2.8.2.3 Operational turnaround

Pearce and Robbins, (1993), states that operating turnarounds are non-strategic in nature. Operating turnaround strategies are cost and reduction strategies and are recommended for organisations in less severe turnaround situations. (Quinn et al., 1988; Pearce and Robbins, 1993) argue that drastic turnarounds coupled with asset reductions are recommended for firms in more severe turnaround situations. Quinn et al. (1988) identifies organisations requiring severe operating turnarounds as organisations that are operating extremely far below breakeven point. Quinn et al. (1988) identifies four different types of operating strategies which all focus on performance targets as follows;

a) Revenue increasing strategies,

b) Cost cutting strategies,

c) Asset reduction strategies

d) Combination strategies which make use two or more of the preceding strategies.

According to Quinn et al., (1988); Hambrick and Schecter, (1983) the selection of a turnaround strategy should depend on the situation, in particular the business's closeness to breakeven. If a business is far below breakeven, an asset reduction strategy is warranted and if a business is moderately below breakeven, a revenue-generating strategy is called for. They state that in such a situation, the business probably does not have enough idle capacity to allow major asset disposal, nor is it close enough to breakeven to prosper simply by cutting costs. The business must make a concerted effort to increase volume. Quinn et al. (1988) further highlights that if a business is very close to breakeven, a cost-cutting strategy is appropriate. Such a strategy will be sufficient to push the business to acceptable profit levels without exposing it to undue risks (Hambrick and Schecter, 1983).
According to De Gennaro et al. (1993) assert that interest rate risk and credit risk are generally considered most important problems to the thrift industry's problems. They state that the industry's policy of funding long-term loans, principally mortgages, with short-term financing, principally deposits, makes it vulnerable to unexpected increases in interest rates.

ZABG bank operations forms the core of the bank success hence it becomes critical for a bank to ensure that its operational are perfect. Any short comings in the bank’s operations would in turn affect service delivery leading to customer dissatisfaction ultimately possible loss of customers .As all the divisions are interrelated, they finally contribute to the bottom line hence in order to manage the deteriorating situation the bank would need to adopt the most appropriate turnaround strategies to ensure its success into the future.

1.1.1 2.8.2.4 Entrepreneurial and Efficiency Turnaround Strategies

Filatotchev and Toms, (2006), Heggde and Panikar, (2011) tend to agree on following the strategic and operating strategies by highlighting tentative classification of turnaround actions. They made use of multiple variables to represent turnaround strategies operational, entrepreneurial and efficiency turnaround actions. Robey (1986) summarised the turnaround strategies as reflected in figure 2.4 below.

Table 9: Classification of Turnaround Strategies

<table>
<thead>
<tr>
<th>Entrepreneurial Turnaround</th>
<th>Efficiency Turnaround</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product /market refocusing</td>
<td>Operating costs</td>
</tr>
<tr>
<td>◆ New products</td>
<td>◆ Employee productivity</td>
</tr>
<tr>
<td>◆ Increased research and</td>
<td>◆ Direct product costs</td>
</tr>
<tr>
<td>development</td>
<td></td>
</tr>
<tr>
<td>Market Share</td>
<td>Asset reduction</td>
</tr>
<tr>
<td>◆ Price reduction</td>
<td>◆ Increase plant capacity</td>
</tr>
<tr>
<td>◆ Marketing effort</td>
<td>◆ Divest ailing divisions</td>
</tr>
<tr>
<td></td>
<td>◆ Reduce inventories</td>
</tr>
</tbody>
</table>

Source: Robey (1986)
Entrepreneurial turnaround strategies involve product/market refocusing and revenue generating actions while efficiency turnaround strategies involve cost cutting and unproductive assets reduction actions (Hambrick and Schecter, 1983; Robey, 1986).

2.8.3 Financial strategies

According to Heggde and Panikar, (2011) the objective of financial strategy is to use the financial strength of the business as an asset and to restructure the business through reduction in the par value of shares, reduction in the rates of interest, postponement of maturity of debt and conversion of debt into equity. Pretorius (2009) highlights that the achievement of normal operations as a result of reviving an organisation is associated with the return to positive cash flow and proposes strategies and practices to respond to the turnaround situations.

O’Neill (1986) further identified the variables which contribute to turnaround in commercial banks. He states that interest costs represent the highest category of costs for banks, loans represent the largest revenue source for banks. They represent the greatest proportion of the bank’s assets and are typically the most profitable of the bank's assets. Cash and treasury/demand deposits are important. Banks may speed up turnaround by moving their low yield cash and treasuries to higher yield applications. O’Neill (1986) assert that short-term funds such as demand deposits should only be used for short-term applications such as cash and securities and likewise longer-term funds should be used for long-term yields such as loans.

O’Neill (1986) highlights that loan income can be easily increased by better selection of clients and follow up on non-performing debtors. The bank's ability to price products and/or to invest wisely becomes of importance. He further indicates that labour costs represent the second highest cost opportunity for banks, after interest costs. He highlights that overhead costs include all costs other than interest and labour. Such costs may be easier to reduce than personnel costs. The operating expense/earning assets is a good measure of efficiency. According to O’Neill (1986) the variables suggested by previous researcher’s models as key determinants for turnaround in other industries do successfully discriminate banks. They show that turnarounds in banks are indeed fuelled by both revenue generation and cost control, as supported by Quinn et al. (1988) and Schendel (1976).
Hambrick and Schecter (1983) O’Neil (1986) found that in commercial bank turnarounds, revenues are increased by such methods as the increased use of loan capacity, better use of inventory, better pricing and better quality. Costs are minimized through methods such as the control of interest costs, the minimization of loan losses and the minimization of operating and overhead costs.

O’Neill (1986) further asserts that increased revenue in turnaround banks can be attributed to better management of the loan portfolio where few loans are written off, and better pricing. These revenue increasing options have a higher marginal impact on net income than further cost reduction options. As Quinn et al. (1988) indicated, turnaround strategies which are based on a combination of cost cutting and revenue increases require a careful comparison of the marginal returns.

According to Hambrick and Schecter (1983), revenue generating strategy is an attempt to increase sales by some combination of product reintroductions, increased advertising, increased selling effort and lower prices. Peace and Robins (1993: 620) argue that the idea of revenue generation is best captured by a piecemeal strategy that is characterised by increased capacity utilisation and increased employee productivity. Hambrick and Schecter (1983) define a product /market refocusing strategy as a strategy that involves shifting of emphasis into defensive or lucrative niches. The advantage is of focussing on well defined areas for which common statistics and economic forecasts are generally available.

A cost cutting strategy involves cut-backs in administrative research and development, marketing and other seemingly discretionary expenses which include improved management of receivables and inventories Hambrick and Schecter, (1983). For an organisation with eroding markets of profitability, the effort to stabilise operations and restore profitability always entails strict cost reductions followed by a shrinking back to those segments of the business that have the prospects of attractive profit margins Peace and Robins, (1993). Hambrick and Schecter (1983) define an asset reduction strategy as a strategy that involves disposal of assets, primarily fixed assets.

Hambrick and Schecter (1983), further states that businesses with high market share tend to avoid the unpleasant retrenchment strategies which are asset reduction and cost-cutting. They typically involve firings (often of close associates) or a dismantling of earlier visions of the scale of the business.
2.8.3.1 Financial Restructuring

According to http://www.turnaround-sa.com, financial restructuring is part of turnaround management, but the mistake is often made to merely restructure a distressed company. To turn a distressed company around, it needs implementation of a turnaround strategy to fix the distressed company. The fixing component is often neglected in restructuring plans approved by lenders.

The http://www.turnaround-sa.com further indicates that, the distressed company under turnaround management typically faces any of a number of financial issues. It requires funding to meet both its short-term commitments during emergency management, and to cover turnaround restructuring costs. This may include working capital for trade creditor and interest payments, restructuring costs such as professional fees, closure and retrenchment costs, investment in new technology and systems, the balance sheet has to be restored to solvency, excessive gearing needs to be corrected.

A successful turnaround programme may often affect financial results on the operating profit level only. This requires the capital structure to be aligned with the projected level of operating profit and cash flow to avoid interest charges keeping the company in the red. The debt structure represents excessive short-term and insufficient long-term debt.

Refinancing therefore involves not only the injection of new funds in the form of loan or equity finance, but also changing the existing capital structure per se.

Table 10. Resolving turnaround funding

<table>
<thead>
<tr>
<th>Internal Funding</th>
<th>New funders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital reduction</td>
<td>Sale &amp; leaseback</td>
</tr>
<tr>
<td>Asset realisation</td>
<td>Securitise income streams</td>
</tr>
<tr>
<td><strong>Existing funders</strong></td>
<td>MBO</td>
</tr>
<tr>
<td>Re-term</td>
<td>Private equity</td>
</tr>
<tr>
<td>Standstill agreements and moratoria</td>
<td>Business rescue fund</td>
</tr>
<tr>
<td>Debt/equity swaps</td>
<td></td>
</tr>
<tr>
<td>Creditor agreements</td>
<td></td>
</tr>
</tbody>
</table>

Source: Corporate Renewal Solutions (2011)
The http://www.turnaround-sa.com, further summarises its assertions as follows, a distressed company should first exhaust all possibilities for internal turnaround funding such as working capital reduction and asset realisation. Public sector companies, and companies with benevolent shareholders or belonging to a strong group, can normally still rely on parent / group turnaround funding. Failing this, it has no option but to find external funding.

Banks and other providers of loan capital invariably look for ways to safeguard and decrease rather than increase their exposure. If a workout is deemed feasible, lenders may in some cases provide a measure of additional finance, but against unencumbered assets or surety. Lack of funding is a known and serious stumbling block preventing successful turnaround management. Finding turnaround funding in the form of private equity funding is even more difficult, given the difficulties associated with loan finance, private equity should be the logical answer. The turnaround private equity market is well-developed overseas, but unfortunately not in Zimbabwe.( http://www.turnaround-sa.com)

ZABG bank may need to examine its financial aspects. The bank’s failure to produce its audited financial statements in past two consecutive trading periods, which is mandatory particularly for financial institutions, raises more questions than answers. Stakeholders are bound to start speculating the possible reasons for such corporate failure which could further dent the corporate image of the bank. The bank appeared to be operating with inadequate capitalisation according to RBZ Monetary Policy Statement of January 2012. It would be interesting to establish why the bank is not adopting some suggested sources of funding in the foregoing literature. A thorough review of ZABG bank’s financial cost structure compared to the revenue streams may facilitate coming up with suitable turnaround strategies

2.8.4 Human resources strategies

2.8.4.1 Downsizing or Retrenchments

Literature on human resources strategies has a lot written on downsizing efforts, especially those adopting a top-down approach, simply focus on reducing the number of employees (Cameron 1994, Cascio 2003). Firms experiencing negative trends of performance typically resort to retrenchment as their most prominent turnaround strategy (O’Neill 1986, Pant 1991, Smith, et al. 1995). According to Mishra and Mishra (1994), the downsizing, strategy commonly adopted by troubled organisations in the early 1980s was mainly an effort to
reduce the number of employees in order to stay competitive. That trend continued into the 1990s with firms attempting to cut costs through staff-reduction to remain competitive in the global marketplace Appelbaum et al., (1987) Cameron et al., (1991).

According to Arogyaswamy et al. (1995) Band (1995), downsizing is one tactic within a corporate strategy for shifting the organizational structure from what it is now to what it has to be in order to sustain competitive edge and satisfy customers' needs. The overt effect of downsizing is a net reduction in headcount and usually a net labour cost reduction. The covert aspects are more critical to the strategic wellbeing of the company and will ultimately determine its long-run profitability, quality of service/product, over the last decade; downsizing has become the preferred route to improve efficiency for North American organizations Morris et al., (1999). The trend towards leaner organizations in the name of reducing waste, increasing speed and lowering costs has had a profound effect on the way organizations work pricing strategy productivity and efficiency and employee satisfaction levels (Cameron and Smart, 1998)

In concurrence with Arogyaswamy et al (1995), Heggde and Panikar, (2011) state that this strategy is usually pursued and is arguably among the first and most popular strategies that is adopted and implemented by troubled firms. However Smith et al. (2008) argue that many top managers rush to implement this strategy without logically thinking through it. They further argue that downsizing as a strategy should not be applied to all situations but many Chief Executive Officers and Boards of Directors do so simply because the strategy was successfully implemented by another organization. This results in organizations adopting strategies that are not designed for their challenges, and in a manner that does not promote commitment to the change by implementers of the change.

An assessment of the impact, if any, of this popularized turnaround approach would be interesting to check how it would assist ZABG in achieving cost reduction in the bank as a turnaround strategy.
2.8.4.2 Top Management Changes

According to Heggde and Panikar (2011), company executives either directly cause the problems at the heart of an organisation’s crisis or fail to recognise the problems early enough. Several researchers generally agree that top management are often a contributing source of decline. Carter and Schwab, (2008) argued that they are less motivated to engage in turnaround strategies especially if they are strongly committed to the firm’s current strategy or attribute decline to external causes only. They further argue that changes of the top management team can provide important signals to outside stakeholders like lenders and creditors that the firm is separating itself from past failed strategies. Such signals can increase the willingness of outside stakeholders to support the struggling organisation in spite of potential disadvantages associated with organizational knowledge loss and transition frictions Quinn et al. (1988) asserts that veteran top managers ought to be changed even if they are all competent managers who are trying their best and even if the newcomers have no more ability, and less direct expertise than the veterans.

Smith and Graves, (2005) support the appointment of successors from outside the organization because new senior managers are able to offer fresh insights into the causes of decline and the skills and motivation necessary to bring about organizational change. Although existing top management tend to be very knowledgeable about their current operations, they often lack the required broader knowledge and capabilities to initiate and guide organizational changes. Heggde and Panikar (2011) argue that top management change is therefore a precondition for successful turnarounds.

On the contrary Boyne and Meier (2009) argue that the replacement of top managers makes no difference to the likelihood of recovery. When a decline arises, top management develops and implements turnaround strategies that address an imminent organisational crisis and therefore become the change agents to reverse organisational decline.

Smith and Graves, (2005) Carter and Schwab, (2008) Heggde and Panikar (2011) concur on the change of top management and appointment of new team to lead a successful turnaround. In the case of ZABG bank the majority of top management presently there, may not have been with the bank at inception or were not in similar positions then. It would therefore be important to examine the impact of any change of top management advocated by most researchers in coming up and implementation of a successful turnaround in ZABG bank.
2.9 Additional turnaround models

Some turnaround researchers have identified a number of turnaround actions and strategies, for example, Bibeault (1982) contribution proposed five stages in organisational turnaround, namely, top management change, evaluation (diagnosis), emergency actions, stabilisation and re-posturing/ returns to normal growth.

O’Neil (1986:621) identified four primary methods of turnaround strategies that include, management (new head executive, new definition of business, new top management team, morale building among employees) cutback (cost cutting, financial and expense controls, replacing loss making subsidiaries) growth (new product promotion methods, entering new product areas, acquisitions, add markets) and restructuring (change in organisational structure, new manufacturing methods)

Arogyaswamy et al. (1995) proposed a two stage contingency model with decline-stemming stage and recovery stage (the former focusing on increasing stakeholder support, enhancing efficiency and improving internal climate depending on the severity of decline and availability of slack resources and the latter on enhancing the firm’s competitive position).
2.9.1 Arogyaswamy et al. (1995) contribution

Table 11. Business turnarounds

<table>
<thead>
<tr>
<th>FIRM TURNAROUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recovery Strategy emphasis</strong></td>
</tr>
<tr>
<td>Strategic reorientation</td>
</tr>
<tr>
<td>Declining –stemming tactics</td>
</tr>
<tr>
<td>Decline-stemming goals</td>
</tr>
<tr>
<td>Incremental strategic change &amp; more effective implementation of existing strategic orientation</td>
</tr>
<tr>
<td>Decline-stemming tactics</td>
</tr>
<tr>
<td>Efficiency gains</td>
</tr>
<tr>
<td>Improved stakeholder relations</td>
</tr>
<tr>
<td>Stabilisation of internal climate &amp; decision process</td>
</tr>
</tbody>
</table>

- If Downsizing emphasis is on work designs
  - Revenue increases
  - Involving stakeholders if firm change process
  - E.g. Unions, Lenders, & Board representation
  - Top management change, Decentralisation and involving employees in change process/Changing reward & control systems/-Leadership communication emphasising the need for new thing and organisational flexibility

- Efficiency gains
  - Improved stakeholder relations
  - Stabilisation of internal climate & decision process

- Decline-stemming tactics
  - Downsizing that reduces headcount/-Asset & Cost reduction
  - Recommitting powerful stakeholders to organisational strategy & mission/E.g.: securing expanded lines of credit from lenders/Obtaining wages concessions from unions
  - Top management continuity/-Tighter controls without over concentration Increase employee aspirations through higher targets on reward and control systems/-Leadership communication emphasising the continuing efficacy of traditional firm values & strategies

Source: Arogyaswamy et al. (1995)

Arogyaswamy et al. (1995) concentrates on strategic re-orientation and incremental strategic changes. They debate the constraints of turnaround modelling highlighting their major concerns as modelling focusing primarily on retrenchment and efficiency improvements as initial response to decline and the turnaround often does not model the most important contingencies affecting the turnaround process.

It proposes that turnaround businesses demonstrate two distinct outcomes in response to decline. The first response is “decline –stemming strategies” that reverses the dysfunctional consequences of decline and the second, “recovery strategies that position the business to better compete in its industry.

The other researchers Slatter et al (2006) also proposed seven generic turnaround strategies detailed on table .2.6 below;

**Table 12. Generic turnaround strategies**

<table>
<thead>
<tr>
<th>Seven key ingredients</th>
<th>Generic turnaround strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Crisis stabilisation</td>
<td>- taking control</td>
</tr>
<tr>
<td></td>
<td>-Cash management</td>
</tr>
<tr>
<td></td>
<td>-Asset reduction</td>
</tr>
<tr>
<td></td>
<td>-Short term financing</td>
</tr>
<tr>
<td></td>
<td>First step cost reduction</td>
</tr>
<tr>
<td>2.New Leadership</td>
<td>- Change CEO</td>
</tr>
<tr>
<td></td>
<td>-Change of other senior management</td>
</tr>
<tr>
<td>3.Stakeholder focus</td>
<td>-communications</td>
</tr>
<tr>
<td>4.Strategic focus</td>
<td>-Redeﬁne core businesses</td>
</tr>
<tr>
<td></td>
<td>-Divestment and asset reduction</td>
</tr>
<tr>
<td></td>
<td>-product –market refocusing</td>
</tr>
<tr>
<td></td>
<td>-Downsizing</td>
</tr>
<tr>
<td></td>
<td>-outsourcing</td>
</tr>
<tr>
<td></td>
<td>-Investment</td>
</tr>
<tr>
<td>5.Organisational Change</td>
<td>-Structural changes</td>
</tr>
<tr>
<td></td>
<td>-Key people changes</td>
</tr>
<tr>
<td></td>
<td>-Improved communications</td>
</tr>
<tr>
<td></td>
<td>- Building commitment and capabilities</td>
</tr>
<tr>
<td></td>
<td>-New terms and conditions of employment</td>
</tr>
<tr>
<td>6.Critical process improvements</td>
<td>-Improved sales and marketing</td>
</tr>
<tr>
<td></td>
<td>-cost reduction</td>
</tr>
<tr>
<td></td>
<td>-Quality improvements</td>
</tr>
<tr>
<td></td>
<td>-Improved responsiveness</td>
</tr>
<tr>
<td></td>
<td>-Improved information and control systems</td>
</tr>
<tr>
<td>7. Financial restructuring</td>
<td>-Reﬁnancing</td>
</tr>
<tr>
<td></td>
<td>-Asset reduction</td>
</tr>
</tbody>
</table>

*Source: Slatter et al (2006)*

2.9.3 Evans et al (2003) contribution

Evans, et al (2003:244) identified possible external mechanisms of growth in the recovery phase of turnaround situations as the following, mergers and acquisitions, joint developments, strategic alliance, public-private partnerships, management contracts and franchising.

Evans et al (2003) further indicate that most of the above mechanisms of growth haven been successfully implemented and produced positive results hence was worth considering for ZABG bank as possible solutions and options for growth. The specific methods of growth
relating to ZABG bank was identified through the empirical investigation conducted with specific reference to the management team at ZABG bank.

2.9.4 Pretorius (2008) contribution
One of the recent researches by Pretorious (2008) proposes strategies and practices to respond to the turnaround situations as follows:

Table 13. Strategies and practices to respond to turnaround situations

<table>
<thead>
<tr>
<th>Strategies and practices to respond to turnaround situations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Porter strategies for growth</strong></td>
</tr>
<tr>
<td>Protect/Maximise Market share/Optimise capacity/Organic &amp; Inorganic</td>
</tr>
<tr>
<td><strong>Efficiency strategy</strong></td>
</tr>
<tr>
<td>Protect/Strengthen CA/Cost cutting/Capacity improvement/Asset reduction</td>
</tr>
<tr>
<td><strong>Forced Repositioning strategy</strong></td>
</tr>
<tr>
<td>Strategy revision/Alternative revenue streams/Find new</td>
</tr>
<tr>
<td><strong>Last resort strategy</strong></td>
</tr>
<tr>
<td>Defensive merger/Divestiture/Liquidation/Ask debt forgiveness</td>
</tr>
<tr>
<td><strong>Resource</strong></td>
</tr>
<tr>
<td>Internal/Operational</td>
</tr>
<tr>
<td>External/Strategic</td>
</tr>
</tbody>
</table>

Source: Pretorius (2008)

Pretorius (2008), states that the business turnaround essentially demands a new choice of Porter’s generic strategic options as a focal point. With abundant resources he concludes that Porters’ matrix is still core but when there is scarcity of resources the focus moves towards finding efficiency first. In the last resort strategy it requires divestiture or liquidation and the start up of new ventures which may involve determining the new positioning and where competitive advantage will be sought.

A closer examination of the bank resources was therefore necessary to ensure appropriate selection of a turnaround strategy. The implementation of the various strategies as described in the abovementioned section provides possible solutions and options for growth relating to the banking sector in general and in particular ZABG Bank.
2.9.5 Thompson (2010) Contribution

Thomson (2010) argued that successful turnaround have progressive step as follows:

*Setting the foundation before building the addition.* - Once you have taken stock and squarely faced the need for a turnaround and transformational change, step back and address some core foundational elements before jumping into quick-fix solutions that may have high public relations value, but little tangible value in sustaining positive business outcomes.

Some core foundational elements.

*Ensure you have a robust strategic plan that all stakeholders believe in.* If not, get the right minds inside and outside the organization to develop one. There are tons of resources available to help. The main point here is that strategic planning is a global body of knowledge that requires intelligent understanding and application.

*Get weigh-in before you get buy-in to acknowledge the call to action.* It is fine to be passionate about the need for a turnaround. But your “fire in the belly” must also be viewed as a “burning platform” by all stakeholders, including the board of directors, the leadership team, and all employees. This is a time to over communicate and do a lot of listening. In other words, employees in particular need to weigh in on the need for transformational change, and you need to listen carefully to their concerns. After all, as a leader, you want to build “followership” and not just polite support for the call to action that will be implemented by employees.

*Get the right team in place—those who are ready to do battle.* Make no mistake about it—a business turnaround is *not* for the faint of heart. You need to have a team around you that’s composed of individuals who are battle tested and ready to lead the organization on a transformational journey that may have more valleys than peaks. This team must be able to ride the waves. Maxwell (2007) states “Leaders touch a heart before they ask for a hand. It’s one thing to communicate to people because you have something of value to say. It’s another to communicate with people because you believe they have value.”

Thomson (2010) further indicates that if you follow these principles, you can stay on the right track during any kind of turnaround.

2.10 Turnaround planning

Turnaround practitioners and other stakeholders are often constantly challenged with type I and type II errors. A type I error is to turnaround a company that should not turn around a business that should be turned have been turnaround. To alleviate this problem Quinn et al (1988) assesses the business turnaround by asking:
• If the business is worth saving?

• Sustainable or disinvest or liquidate?

To arrive at appropriate answers to these questions Gopal (1991) proposed that, an analysis should include an investigation of strengths and weaknesses of the business, market, organizational structure, quality of manpower and finances. The importance of establishing the business value at an early stage of turnaround, is confirmed by Brockman and Turtle (2005). Cocq et al. (2006) conclude that, there seems to be consensus that some form of feasibility and/or due diligence must be done to confirm this consideration. It is of utmost importance that the personnel of the bank are aware of the turnaround situation and the planned turnaround execution.

2.11 Gap to be filled

While there may be literature on turnaround strategies it is predominantly for other parts of the world and mainly focus on manufacturing industry. The limited literature available on commercial banks is also for other countries other than Zimbabwe. This research on turnaround strategies is for the commercial banking sector in Zimbabwe operating under a multicurrency regime, with specific reference to turnaround around strategies for ZABG Bank.

2.12 Challenges experienced in turnaround strategies

Arogaswamy et al (1995) argue that under some conditions, turnaround may not be feasible. In other settings, the organization may lack the capabilities or resources to implement an appropriate turnaround strategy correctly. Even if implemented correctly, in a feasible setting, organizational outcomes of a turnaround strategy still depend on emergent factors for example, competitor actions, which can prevent or delay any turnaround. Cater and Schwab (2008) indicates that, turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support

Quinn et al (1988) argue that before starting any turnaround, an explicit calculation should be made to determine whether the turnaround effort will be worth it. They assert that firms often embark on turnaround efforts on a knee-jerk reaction to the myth that nothing can be worse than failure.
In most developing nations, political instability is usually the basis of the following governments’ inconsistent policies capable of negatively affecting the operations of all companies whether buoyant or distressed for example, financial policies on banks’ interest rates, import duties on raw materials, increase in fuel price and salaries of workers etc. In all these situations, a worthy corporate leader and a turnaround expert must think fast and fashion out appropriate strategies capable of coping with such exigencies, Knight (2009).
### 2.13 Theoretical framework

#### Table 14. The Theoretical Framework

<table>
<thead>
<tr>
<th>Problem/Input</th>
<th>Output/Solutions</th>
</tr>
</thead>
</table>
| Where does the bank need to improve? (Internal Issues) | -Customer care/CRM/Sales & Adverts  
- Robust technology/Risk Mgt Control systems  
- New Leadership/Staff Engagement/Job Evaluation /Skills Audit  
- Capitalization, Asset quality/, pricing  
--Corporate Restructuring |
| What are Critical external factors affecting performance? | -Intense Competition/New Entrants  
- Govt/Regulatory authorities/Compliance  
- Unfavourable market conditions /Adaptation |
| How can stakeholders be used in successful Turnaround strategies? | -Communication/Shareholder support  
Stakeholders buy-in |
| How can the challenges be effectively addressed through turnaround strategies | -Marketing Strategy/Customer Focus  
Strategic & Operational /Upgrade  
Technology/Divest non performing units  
Human Resources – Staff realignment/Retrenchment  
Financial Strategy/Cost reduction and Revenue Enhancement |

**Source: Researcher own compilation**

This theoretical framework above will generally guide how this research study is going to be carried out. Firstly areas that needed improvement in the bank were identified by a current situation analysis, then a review of literature by prior researchers in the study area of turnaround strategies was done with a view to coming up with the appropriate turnaround strategies. Accordingly any operational challenges identified were matched with by appropriate operational turnaround strategies and Likewise areas affected by strategic problems were to be resolved by strategic turnarounds.
2.14 Summary of the Chapter

This chapter discussed what previous researches proposed and propounded on the study area of turnaround strategies. Key areas of improvement in the bank and the possible reasons were identified. The literature revealed the various turnaround strategies which include strategic, operating, entrepreneurial and efficiency turnaround strategies Quinn et al. (1988); and the other classification in terms of human resources, market strategies, financial strategies (Heggde and Panikar, 2011). Various turnaround models and strategies were discussed leading to the crafting of the theoretic framework which guides the research study. The majority of the research is based mainly on other industries, especially manufacturing companies and capital intensive organisations Rasheed, (2005). The literature on turnaround strategies mainly relates to other parts of the world, there is no literature on turnaround strategies in Zimbabwe, in particular the Zimbabwean commercial banks. This research will help in creating tailor made turnaround strategies in the commercial banks from a Zimbabwean perspective. The next chapter will concentrate on the research methodology backed up by academic ancestors on research methods, and discussion on how the data and information is gathered and the relevant justifications given.
CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

In chapter two, the available literature was reviewed leading to crafting of this research theoretical framework. This chapter focuses on the research design and the methods used to collect data. This section included a review of the type of data collected, sampling techniques, data analysis procedures and data presentation. Justifications for methods used in this study were also given.

3.1 Research design

Zikmund (2000) defines a research design as a master plan specifying the methods and procedures for collecting and analyzing the needed information, while Yin, (2003) indicates that a research design is the logical sequence that connects the empirical data to the study’s initial research questions and ultimately to its conclusions. He further states that it also guides the researcher in the process of collecting, analysing and interpreting observations, allowing them to draw inferences concerning causal relations among the variables under investigation.

3.2 Choice and justification of research methodology

1.2 3.2.1 Research Philosophy

According to Crossan (2002) there are three reasons why the exploration of philosophy may be significant with particular reference to research methodology;

i) It helps the researcher to refine and specify the research methods to be used in a study by clarifying the overall research strategy to be used. This includes the type of evidence gathered, its origin, its interpretation and how it helps to answer the research questions posed.

ii) Knowledge of research philosophy assists the researcher to evaluate different methodologies and methods and avoid inappropriate use and unnecessary work by identifying the limitations of particular approaches at an early stage.

iii) It helps the researcher to be creative and innovative in either selection or adaptation of methods that were previously outside his or her experience.
White (2000) states that research can be carried out by using either of two schools of research which are qualitative and quantitative approaches. Nau (1995) argues that although a distinction is commonly drawn between qualitative and quantitative aspects of scientific investigation, the two approaches complement each other. Research can therefore be carried out by using a combination of the two approaches as also supported by Silverman (2000).

1.2.1 3.2.1.2 Quantitative approach

According to Denzin and Lincoln (1994), in quantitative research, measurement is usually regarded as the only means by which observations are numerically expressed in order to investigate casual relations or associations. They further argue that quantitative research is probably the less contentious of the two schools, as it is more closely aligned with what is viewed as the classical scientific paradigm. While White (2000) defines quantitative research as an iterative process through which evidence is evaluated; and theories and hypothesis are refined and tested.

1.2.2 3.2.1.3 Qualitative approach

Qualitative research is defined as an investigation in which the researcher attempts to understand the larger reality by examining in a holistic way, components of that reality within their contextual setting Denzin and Lincoln, (1994). Wilson (2006) defines the qualitative approach as an unstructured research methodology that is carried out using a small number of carefully selected individuals to produce non quantifiable insights into behaviour, motivations and attitudes. Strauss (1989) highlights that in qualitative research; mathematical techniques are of minimal use although implicit counting and measuring are usually involved.

In support of White (2000), Mark et al (2005) states that qualitative methods are flexible as compared to the quantitative methods. They allow more spontaneity and adaptation of the interaction between the researcher and the respondent. White (2000), assets that qualitative methods use open-ended questions which allow the respondents to respond in their own words and can thus provide more detailed information unlike the quantitative methods that are rigid and require respondents to choose from fixed responses. However, sometimes the responses may be rather complex. Mark et al. (2005) state the other advantage of using
qualitative methods as that the flexibility of the method allows the researcher to probe the respondents by further asking “how” and “why” questions.

Nau (1995) asserts that blending qualitative and quantitative methods of research can produce a final product which can highlight the significant contributions of both schools of research. Yin (2003) argues that the choice of whether to use quantitative or qualitative research depends on the nature of the research, the type of information required, the availability of resources such as time, finance and human capital and the context of the study.

This research employed the qualitative approach because the case study methodology is qualitative in nature (Silverman, 2000). The information required to answer the research questions was obtained through personal interviews with all the targeted participants. The participants included shareholder representatives, ZABG bank executives, middle managers, bank employees and bank customers. A desk research was also used which enabled the researcher to gain an in-depth understanding of the bank’s performance.

The researcher selected use of a case study design.

3.2.1.4 Justification of the use of case study research

A case study, as defined by Robson (2002) ‘a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” Yin (2003) also highlights the importance of context, adding that, within a case study, the boundaries between the phenomenon being studied and the context within which is being studied are not clearly evident. This is the complete opposite of experiment, where the research is undertaken in a highly controlled context. It also differs from survey strategy where, although the research is undertaken in context, the ability to explore and understand this context is limited by the number of variables for which data can be collected.

The choice of the case study research was because it has the following advantages, effective ways of explaining the situation, provides superior answers to the questions of why as well as and how certain things happen. It provides a chronological chain of events, lessons that are to be learned from the case and that the research may become immediately useful in addressing issues arising from the case.
The case study strategy was the most suitable strategy for this research. The research study covered the areas that required improvement and coming up with turnaround ideas that could assist the ZABG Bank implement strategies that revive performance to sustainable competitiveness.

3.3.1 Disadvantages of a case study

Saunders (2009) indicates that transferability is sometimes referred to as external validity, a concern that the research results are generalisable. That is whether the findings may be equally applicable to other research settings, like other organisations. This may be a particular worry if it is a case study research in one organisation. It may be that you may want to test the robustness of the conclusions by exposing them to other research settings in a follow-up study.

This error term was managed by the elaboration of the research limitations that specify that the findings of this research may be applicable to organisations of a similar background and formation.

3.4 Criteria for judging quality

Reliability of the research is one way of criteria for judging quality. This refers to the extent to which data collection techniques or analysis procedures will yield consistent findings. This can be assessed by checking if the measures yield the same results on other occasions, will similar observations be reached by other observers and is there transparency in how sense was made from the raw data? (Easterby-Smith et al 2008:109)

In addition Robson (2002) asserts that there may be four threats to reliability. The first is subject or participant error. This is easy to control by choosing a neutral time for the participants. Similarly there may be subject or participant bias where for example interviewees may have been saying what they thought their bosses wanted them to say. Researchers should be aware of this potential problem when designing research. Elaborate steps should be taken to ensure anonymity of respondents to questionnaires. Thirdly, there may be observer error, which is managed by introducing a high degree of structure to the interview schedule. Finally, observer bias, which suggests that there may be different ways of interpreting replies.
The threats to reliability were managed by prior preparation of uniform interview guides for each class of participants who were asked their respective questions and that the responses are captured verbatim to ensure credible analysis.

1.2.3 3.5 Population

Wilson (2006) defines a population as the total group of people that the researcher wishes to obtain information from or examine and making inferences on. In this research the population of interest were defined as people comprising five ZABG shareholders, ten bank executives, twenty middle management, three hundred bank employees and ZABG Bank customers. The customers are estimated at about three thousand mainly based in Harare.

1.2.4 3.6 Sample and Sampling procedure

Sapsford (2007) defines a sample as a subset of a population, usually with the implication that it resembles the population closely on key characteristics and is representative of the population. The purpose of sample is to approximate the measurement of the whole population with calculable margins of error (Sapsford, 2007).

For the purpose of this research the sample size comprised three bank’s shareholders (represented by ZABG board members), eight bank executives, ten middle managers, ten general employees and fifty bank customers all based in Harare. This location was convenient to the researcher and this assisted in the management of time and research costs.

1.2.4.1 3.6.1 Sampling Methods

According to Girden (2001) there are two sampling procedures that can be either probability or non-probability sampling.

1.2.4.2 3.6.2 Probability Sampling

Girden (2001) highlights that with probability sampling, there is a certain probability that that every member can be included in the sample. Probability sampling methods include simple random sampling, systematic sampling, stratified sampling and cluster sampling. This systematic approach enables probabilities to be assigned to the likelihood of each member of the population being surveyed and showing the extent to which the values obtained in the survey can be projected to the whole population.
3.6.2.1 **Simple random sampling** - every member has a chance of being selected. The selection is based on random numbers generated by a computer or a published table of random numbers. It is applicable where a complete listing of the population is available. Saunders, (2009)

3.6.2.2 **Systematic sampling** – requires a full listing of the population but members do not need to be numbered. A skip interval is calculated and the members are selected on the basis of this interval. (Saunders, 2009)

3.6.2.3 **Stratified random sampling** - a procedure in which the chosen sample is forced to contain potential respondents from each of the key segments of the population. The strata can be either proportionate or disproportionate. (Saunders, 2009)

3.6.2.4 **Cluster sampling** – clusters of the population units are selected at random and then all or some of the units in the chosen clusters are studied. (Saunders, 2009)

1.2.4.3 3.6.3 **Non Probability Sampling**

Non probability sampling is a method of selecting those individuals who are most likely to provide information rich or fruitful data. Bernard (1995) argues that the study’s research objectives and the characteristics of the study population, such as size and diversity, determine which and how many people to select. Denzin & Lincoln (2005) state that in qualitative research methods only a sample of the population is selected for any given study, qualitative research therefore use non-probability type of sampling. This includes convenience sampling, judgment sampling and quota sampling.

3.6.3.1 **Judgement sampling**

Denzin and Lincoln (2005) describe judgement sampling as one of the most common sampling strategies which involve grouping participants according to preselected criteria relevant to a particular research question. Judgment sampling involves the selection of suitable units for analysis by the researcher (Salant and Dillman, 1994).

3.6.3.2 **Convenience sampling**

Girden, (2001) Denzin and Lincoln, (2005) this is a sampling method that entails selecting participants who are accessible and available. They may provide useful information but the results are not likely to be a true representative of the population.
3.6.3.3 Quota sampling

According to Girden (2001), quota sampling obtains samples with certain characteristics that are representative of the various elements of the population. The characteristics include age, place of residence, gender, class, profession and industry (Bernard, 1995). Denzin and Lincoln (2005) state that the criteria selected allow the researcher to focus on people they think would be most likely to experience, know about, or have insights into the research topic.

For this study, the researcher used (non-probability sampling technique) combination of judgemental, convenience, and quota sampling methods to facilitate obtaining participants that would mostly likely have the experience and valuable insights into study area.

3.7 Choice of respondents

According to Patton (2002) the choice of respondents may depend on the importance of the decisions, nature of the research and purpose of the study. The choice was based on the assumption that the selected respondents are likely to give valuable information that will enhance the validity of research findings and were considered to be a true representative of the population.

The justification of selecting the samples from the major shareholder representatives, executives, middle management, employees and customers to participate in the personal interviews was to ensure that key stakeholders were represented. Employees are often left out of strategic planning, but they usual drive the operations that implement the turnaround hence their contribution was sought so that their valuable input can be considered in analysing findings. Customers were selected on the basis that they are key stakeholders in ZABG Bank, who would not want to see the bank failing as that would also affect their businesses.

3.8 Data collection methods

According to Zikmund (1991) there are various types of data collection methods which include survey, focus group, desk analysis, participation and experiment.
3.8.1 Data Collection Instruments

Pierce (2009) highlights that there are a number of research instruments which are survey, questionnaires, test, scale rating, tool designed to measure the variables, characteristics or information of interest often a behavioural or psycho characteristics.

In order to successfully carry out this research the following techniques were chosen to compliment the selected research instruments.

3.8.1.1 Personal Interviews

For the purpose of this study interviews were conducted individually with all the selected participants.

According to Cohen and Manion (1999), interviews involve gathering relevant data through direct verbal interaction between the interviewer and interviewee and specified by research objectives. The purpose of choosing this method for the selected respondents was to gain a considerable amount of information that addresses the research questions and objectives. The questions used in personal interviews were derived from the literature review in Chapter 2. The researcher enlisted the services of research assistants who acted as the interviewer and used the interview guide asking open-ended questions to prompt interviewees to explain the questions freely (refer to annexure). The researcher then asked follow up questions in order to probe further details and attitudes towards a particular question asked.

According to Leedy and Ormrod (2001), there are several guidelines that should be followed when conducting personal interviews which include making sure that interviewees are representative of the group, focusing on the actual rather than the abstract, not putting words in participants’ mouths and remember that you are not only getting the facts.

3.8.1.2 Desk Research

Saunders et al (2009) assert that this documentary secondary data method is often used in research projects that also use primary data collection methods. These can be an important source of raw data in its own right. They can be used to generate statistical measures such as data on profitability derived from company records (Bryman, 1989).
Saunders et al (2009) further state that those research projects that make use of documentary secondary data often do so as part of a within-company action research project or a case study of a particular organisation. It is against this background that the researcher selected this method of desk analysis as part of this study, to compliment the other methods as indicated above.

3.9 Nature and source of data

There are basically two types of data sources which are primary data and secondary data (Salant and Dillman, 1994).

3.9.1 Primary data

Saunders (1997) indicated that primary data are collected especially to address specific research objectives. A variety of methods ranging from qualitative research to surveys to experiments can be employed. Lancaster (2005) concurs and states that, primary data is sought for its closeness to truth and control over error. It may, however, expensive and time consuming to effectively collect as compared to secondary data. The researcher selected the use of primary data for its advantages of its closeness to the truth and control over error as highlighted by Lancaster (2005). In this research it refers to data which was gathered through use of personal interviews.

3.9.2 Secondary data

According to Saunders (1997) secondary sources may be either official or unofficial and include a wide variety of textbooks, yearbooks, periodical journals, research reports and gazetteers. The researcher used secondary data sources that included textbooks, journal, business magazine, published financial statements, RBZ Reports and Monetary Policy Statements (MPS), Banking Survey Supplements, journals and the internet.

A combination of primary and secondary data was collected for the purpose of this research.

3.10 Ethical considerations

Research ethics according to Zikmund (2000) relates to questions about how to formulate and clarify the research topic, design the research findings in a moral and responsible way. The general ethical issue here is that the research design should not subject those involved in the research (the research population) to embarrassment, harm or any other material disadvantage.
The research design may need to consider the extent to which one collects data from research population that is unaware of the fact that they are the subject of research and so should have their consent Gibb (1995) to avoid any disputes. In this study, the researcher obtained formal approval to undertake the research in the organisation; as that will address any problems relating to cognitive access. The problems may emanate from suspicion about why one is undertaking the research project, the use of the data collected and perceptions to those one wishes to be your research participants. It is therefore important to explain the research project clearly and concisely. In order to gain cooperation from the intended participants, one needs to state how you believe they will help in the study, provide assurances about the general ethical issues that include but not limited to, privacy, consent, embarrassment, harm, objectivity, confidentiality and anonymity.

3.11 Data presentation and analysis procedures

The qualitative data was analysed by going through all the questions and establishing common themes, patterns and relationships (Miles & Huberman, 1994). Neuman (2006) argues that there is no standard format in data analysis in qualitative research. Data was presented variously. Most of the results are summarised and presented qualitatively and some in the form of tables and graphs and the appropriate inferences were made.

3.12 Research constraints

It was relatively difficult to secure appointments to interview all targeted bank Executives individually due to their very busy schedules, hence, the researcher managed to interview 6 out of the targeted 8 of the targeted Executives comprising the key heads of departments in ZABG Bank.

The research was carried out when the banking sector was experiencing general liquidity crisis as a result some bank customers were not willing to spare time for this research hence 40 were interviewed instead of the targeted 50.

The research was limited on the basis that customers interviewed were all ZABG Bank customers, however, this was based on the fact the they know the operations of their bank and they are more likely to give meaning contributions than non-account holders.
The research study was mainly limited to the geographical area of Harare, however, and the selection of the participants was catering for all classes of bank stakeholders hence was considered to be a fair representation of the population.

3.13 Summary of the Chapter

This chapter discussed in detail the methodology that was used in the research, the research design and the justification for choosing it. The chapter also discussed the research philosophy and the research strategy that was used to carry out the research, as well as the case study methodology which was used by the researcher. The research made use of qualitative data because the case study methodology is qualitative in nature (Silverman, 2000). The research was carried out by conducting interviews to gather in-depth information from the bank management while questionnaires were distributed to bank employees and customers. The next chapter presents the research findings and their analysis.
CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

In this chapter the researcher presents the research findings from personal interviews and the desk research and then proceeds to analyse these results through the use of content analytic tables. The results in the tables were explained followed by a discussion of the implications and the link to literature. The chapter comprises of five sections that summarise the responses of the categories of selected respondents and the findings of the desk top research and the analysis thereof.

4.1 RESPONSE RATES

As indicated in methodology section, the following key participants shown in table 4.1 were selected for this study:

Table 15: Respondents

<table>
<thead>
<tr>
<th>RESPONDENT CATEGORY</th>
<th>INTERVIEW TARGETS</th>
<th>TOTAL INTERVIEWED</th>
<th>RESPONSE RATE - %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder representative</td>
<td>3</td>
<td>2</td>
<td>67</td>
</tr>
<tr>
<td>Anchor Customers</td>
<td>50</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Executive Management</td>
<td>8</td>
<td>6</td>
<td>75</td>
</tr>
<tr>
<td>Middle Managers</td>
<td>10</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>General Employees</td>
<td>10</td>
<td>10</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher’s own compilation

Out of a targeted sample of 81 about 83.9% of the targeted participants were successfully interviewed and this was encouraging.
4.2 OUTCOME FROM EXECUTIVE MANAGEMENT, MIDDLE MANAGEMENT AND EMPLOYEES

4.2.1 Marketing aspects

4.2.1.1 ZABG’s Bank target market

Responses on ZABG’s Bank target market are tabulated in the table below basing on the comments of the study participants.

<table>
<thead>
<tr>
<th>Table 16. ZABG’s target market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Management</td>
</tr>
<tr>
<td>• Mass market</td>
</tr>
</tbody>
</table>

Source: Researcher own compilation

The table above shows that executive management and employees of ZABG indicated that the banks’ target market is the mass market. Middle Management stated the bank’s target markets include civil servants, individual accounts and corporate customers. This implies that ZABG targets mass market.

Rowe, (1997) argues that most players in the financial services sector tend to have a one size fit all approach in dealing with customer and have seldom attempted to provide products and services according to customers taste and preferences. In support Lewis (1986) states that focusing on everyone is like focusing on no one.

4.2.2 Rating of ZABG brand

Study participants were asked by the researcher to rate the ZABG brand. The ratings are presented in the figure below. Key for the figure 1= poor up to 5 excellent.
According to majority of the Executive management interviewed (56%) rated ZABG brand as good while 20% rated it very good, 4% rated it excellent and on the other hand 18 % indicated that it is fair and 2 % said it is poor. Some 17% of middle managers said the brand is poor, 63% said it is fair while 18% said it is good. On the other hand 60% employees argued that ZABG brand is poor, 34% added it is fair while 6% rated the brand as good. This implies that the ZABG brand is fair. In addition to the study findings Rowe (1997) argues that most players in the financial services sector tend to have a one size fit all approach in dealing with customer and have seldom attempted to provide products and services according to customers taste and preferences. Lewis (1986) supports this notion, stating that,” it must be clear what personality the corporate brand wishes to communicate in the market place and this becomes the anchor product brand”

It has been argued that the best proposal for banks' strategies is to focus on those determinants of loyalty that are more intangible and more difficult to imitate, such as the customer service. Aspects such as image, the quality of service perceived by the customer, and satisfaction, have also been related to the loyalty of the consumer in the banking sector. Market share can thus be
increased through managing the marketing mix elements which are product, price, distribution and promotion aimed at meeting customer needs (McGrath and Michael 1999).

Moreover Ziethmal et al (2003) indicate that banking is all about trust and customers need to be assured that their investments are safe in the banks. Bank services are an economic activity whose output is not physical product, but is generally consumed at the time it is produced and provides value in the form of convenience, timeliness, comfort or health. Benkenstein and Studldreier, (2002) supports the view stating that customer perceptions and preferences have a significant impact on the banks’ success.

4.2.3 How branch network is performing in terms of competitiveness and profitability

The survey wanted to determine whether ZABG branch network is performing and profitability. The findings are tabulated below.

Table 17: Findings on how branch network is performing in terms of profitability

<table>
<thead>
<tr>
<th>Category</th>
<th>Comments</th>
<th>Comments</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Management</td>
<td>Some branches are incurring losses while the majority are making marginal profits</td>
<td>Most branches are failing to meet their operating costs.</td>
<td>Poorly performing branches have been downgraded to Agencies</td>
</tr>
<tr>
<td>Middle Managers</td>
<td>19 branches nationwide, competitive but not profitable</td>
<td>Most branches are making marginal profits while the remainder are struggling</td>
<td>The Bank has been affected by negative capital resulting failure to offer credit facilities there by affecting profitability</td>
</tr>
</tbody>
</table>

The majority of the Executive managers highlighted that most of the ZABG branch network is performing well below profitability targets with a few barely breaking even and making losses. On the other hand the middle managers said that only a few branches are making marginal profits while the remainder are struggling and were making losses. They also indicated that bank was overally affected by negative publicity which is affecting performance.
4.2.4 Opportunities available for the bank and what it is doing to capitalise on them

The research sought to determine the opportunities available for the ZABG bank and what the bank is doing to capitalise on them. A qualitative survey was undertaken and the views of the, executive management, middle managers and employees are analysed.

The executive managers highlighted that with capitalisation the bank can respond to customer needs and target offshore finance. Moreover executive managers indicated that opportunities available for the ZABG are to bank the unbanked population. Others also added that recapitalisation should lead to capture the unbanked informal sector and rural banking. Other opportunities for the bank are to fully utilise the ICT system to launch innovative products which are debit cards and international cards. The participants added that opportunities for the bank can be through expanding the branch network to cover remote areas thereby providing products and services nationwide.

On the other hand the middle managers of ZABG that participated in the survey indicated that capitalisation should be finalised first to give the bank lending opportunities to generate interest income. Other middle managers stated that due to the government stake in the bank all government departments should bank with the bank, opportunities for the bank are from banking government related departments. In addition to that, the other respondents added that the bank should recapitalise and capture the unbanked informal sectors.

Furthermore employees of ZABG indicated that the opportunities for the bank can be through providing credit facilities such as personal loans and mortgages, wide branch network and establish a strong brand. Other employees added that the bank has great opportunities given enough capital and new executive team, as it has a good customer base and qualified employees. On the other hand employees of ZABG also added that massive opportunities in the bank are linked to government and civil servants, but resources to re- capitalise are limited.

In support to the study findings above Holmstrom and Tirole, (1997) state market share is linked with the level of capitalisation as a security measure for depositors. More so capitalized banks are able to take advantage of business opportunities which will enhance diversification of income streams and culminate into better market share.
On the other hand Berger and Bouwman (2011) broadly state that capital is an opportunity for banks as it is especially beneficial during banking crises. It helps banks of all sizes during such crises – higher pre-crisis capital increases the odds of survival and enhances market share for banks of all sizes and it increases profitability for all but medium-sized banks during such crises. Secondly, small banks benefit in all respects from higher capital during market crises and normal times as well. For large and medium banks, higher capital improves only profitability during market crises and only market share during normal times. While the survival and market share results are highly robust, the profitability results are less so.

Furthermore opportunities for banks are illustrated by O’Neill (1986) who highlights that the bank can capitalize opportunities on loan income and can be easily increased by better selection of clients and follow up on non-performing debtors. The bank’s ability to price products and/or to invest wisely becomes of importance. He further indicates that labour costs represent the second highest cost opportunity for banks, after interest costs. Such costs may be easier to reduce than personnel costs. The operating expense/earning assets is a good measure of efficiency.

4.3 OPERATIONAL ASPECTS

4.3.1 Rating of ZABG service delivery

The researcher investigated the service delivery of ZABG bank. The findings are analysed below.

On the same subject, 60 % executive managers interviewed said that bank service delivery against competitors was good as ZABG staff is friendly and customer focused. Some 30% of the participants added that the banks service delivery is fairly satisfactory as some service delivery channels needed to be increased for instance ATMs and POS. While the remaining 10 % of the executives’ rated ZABG service delivery against competitors as poor for lack of innovative products and skills drain.

Research findings further revealed that 50% middle managers of ZABG rated bank service quality as average after introducing internet and SMS banking however it is still affected by non availability of basic delivery channels like ATMs, POS and international cards. 30% of the participants stated that lack of resources has compromised service delivery hence it is below the competitors levels while only 20% argued that service delivery is good as it has been the sole
reason why the bank has been able to return some of its customers contrary to negative publicity of the bank.

Some 55% of employees of ZABG indicated that the bank service delivery was fairly satisfactory when compared against competitors. Some 25% of the interviewed employees indicated that service delivery was good but only hampered by unavailability of resources. That is what has kept existing clients from going to other banks. On the other hand 20% stated that ZABG service delivery was below standard against competitors due to non supportive operational procedures and products.

In support to the study findings, Kow (2004) states that the development and use of innovative technologies would obviously give a competitive advantage to organizations and help them to gain market acceptance and market share quickly, while the investments in research and development can be gradually recovered with new product exclusivity protected by patents. Banks attempt to distinguish themselves from competitors by following divergent strategies and presenting different corporate images.

Moreover Moon et al (2000), in a study of influences on the intention to adopt self-service options, confirmed that the need for interaction with employees was a negative influence on the intention to use self-service options, mediated by the expected service quality of the self-service options. The location of the delivery channel, staff skills and competencies, branch ambience, the charges, accessibility of delivery channel (uptime or down time of ICT driven channels) are some of the key determinants of choice of delivery channel.

4.3.2 Comparison of ICT system currently being used at ZABG against competitors

A comparison of ICT system currently being used at ZABG against competitors was undertaken in the research and the findings are analysed as follows.

Executive managers added that ICT system currently being used is competitive but not fully utilised due to unpaid software licence fees. The system currently supported competitive products such as internet and SMS banking. Other respondents stated that the ICT system is extremely good, as it was user friendly and had local back up. In addition it was been used by other players on the market.
Some 35% Middle managers stated that the ICT system currently being used is fair however it was still not offering distinct technological advantage on the market. Moreover some 55% middle managers indicated that the ICT system currently being used by the bank against competition is competitive as it the one being used by other banks. On the other hand the remaining participants stated that the ICT system is becoming outdated arguing that competitors are always updating theirs.

Research findings reveal that some of employees of ZABG argued that the ICT system would be good if it were constantly updated.

In line with the research findings, Kow (2004) indicates that the development and use of innovative technologies would obviously, give a competitive advantage to organizations and help them to gain market acceptance and market share quickly.

4.4 Financial aspects

4.4.1 Banks major revenue and costs

Findings in the study indicate that executive management and supported by desk top analysis indicated the bank’s major sources of income and main costs as presented below.

- Major Income source for ZABG
  i. Account Service fees
  ii. Cash Withdrawal Fees
  iii. General Commissions

NB: (This is according to contribution to total income so net interest income was out of the picture)

- Major Expense items for ZABG
  i. Staff Costs
  ii. Occupancy costs
  iii. Licence Fees

The Costs to Income ratios for past 2 years were 1.71 in 2011 and 1.91 in 2010. Operating costs of 2010 almost engulfed the income generated mainly due to bloated headcount, high occupancy costs, unbundling costs and inflated loan book impairment. For 2011 the cost to
income ratio was still high due to basically the staff costs, high occupancy and license fees compared to depleting revenue base and poor loan book performance.

O’Neill (1986) identified the variables which contribute to turnaround in commercial banks. He states that interest costs represent the highest category of costs for banks, while interest income from loans represents the largest revenue source for banks. They represent the greatest proportion of the bank's assets and are typically the most profitable of the bank's assets. However, the current reality on the ground is revenue was mainly coming from non-funded income. Whilst it was revealed that the bank has a functional Asset and Liability Committee (ALCO) the bank’s sources of revenue has remained skewed towards non funded income bringing the effectiveness of the ALCO to the forefront.

4.4.2 How bank priced its products and services compared to the market

The research sought to investigate qualitatively how ZABG has priced its products and services compared to the market. The findings from the research respondents are analysed below.

According to some 75% of the Executive Managers, the bank has priced its products and services competitively in line with the market. The other 25% indicated that ZABG has priced its products and services a bit on high side although it was generally in line with other competitors.

Similarly about 90% of the middle managers indicated that the bank has priced its products and services slightly higher than the market as this was the bank’s major source of revenue. Others indicated that the bank services are competitively priced.

To further support the study findings, it has been noted that literature review on pricing highlighted that bank charges in Zimbabwe were punitive, and discouraged people from using formal channels for savings, a situation that is undesirable especially given the liquidity problems that the economy is facing.

4.4.3 How the banks balance sheet can be restructured considering its current form

Research participants in the Executive and Middle Management level were asked by the researcher how the balance sheet can be restructured considering its current negative form. The views of the respondents are presented below.
The research revealed that the executive management of ZABG were of the view that the balance sheet should be restructured by significant equity injection to revive business operations and restore customer confidence in order to regularise its current negative form.

The middle managers of ZABG that took part in the research stated that there should be refinancing, capital injection by existing or new investors and possible dilution of the current shareholding structure so as to improve the balance sheet. Some participants stated that the bank should approach the major shareholder for fresh capital or takeover of the huge debt or consider selling its debt or convert the debt to 3 year redeemable debentures.

The desk research findings also revealed that the weak balance sheet can be restructured through, growing the asset base, overhauling the loan book, aggressive collection of non-performing loans, raising liquid assets composition, lock retained loss and overturning the bottom line.

In addition to the study findings, Hambrick and Schecter (1983) indicated that a distressed company under turnaround management typically faces any of a number of financial issues. It requires funding to meet both its short-term commitments during emergency management, and to cover turnaround restructuring costs. On the other hand Peace and Robins (1993) argue that a successful turnaround programme may often affect financial results on the operating profit levels. The debt structure represents excessive short-term and insufficient long-term debt.

In support O’Neill (1986) further asserts that increased revenue in turnaround banks can be attributed to better management of the loan portfolio where few loans are written off, and better pricing. These revenue increasing options have a higher marginal impact on net income than further cost reduction options. A cost cutting strategy involves cut-backs in administrative research and development, marketing and other seemingly discretionary expenses which include improved management of receivables and inventories Hambrick and Schecter, (1983). For an organisation with eroding markets of profitability, the effort to stabilise operations and restore profitability always entails strict cost reductions followed by a shrinking back to those segments of the business that have the prospects of attractive profit margins Peace and Robins, (1993).
4.4.4 Reasons for the bank’s failure to publish audited financial statements for 2010 and 2011 trading periods

The survey investigated the reasons behind the banks failure to publish audited financial statements for 2010 and 2011 trading periods.

The executive managers of ZABG indicated that the bank could not publish audited financial statements for 2010 and 2011 trading periods because of accumulated losses from the Zimbabwe dollar era and post multi currency era. This was all culminating from operations without capital support from the shareholders that was further worsened by the bank’s unbundling exercise of 2010. Overally, it was noted that the bank was not in good financial position hence a decision was made not to publish audited financial statements, as it was considered prudent for the bank’s future. Disclosure of the bank’s poor performance of that magnitude would not encourage customers. Disclosure of financial statements is a statutory requirements and an RBZ compliance issue hence the bank was obliged to do so. However, it is amazing that the bank escaped censor from the regulatory authorities.

On the other hand middle managers argued that the bank could not publish audited financial statements for 2010 and 2011 trading periods because of apparent huge losses so that the bank would not be publicly exposed as it was felt that the customers would dessert the bank thereby possibly worsening the situation.

In light of the study findings above, Brenbein (2002) asserts that a buoyant economy and financial sector create a conducive atmosphere for enhanced customer confidence and conversely; political instability, macroeconomic and institutional failures and inadequacies are most likely to lead to a decline in customer confidence. Financial Institutions the world over have been confronted with a number of challenges, that have incapacitated their ability to serve customers efficiently and effectively. This leads to a decline in business performance which inevitably requires an adoption of a successful turnaround strategy if the company has to be revived.

The Zimbabwean economy is generally subdued was operating under capacity during the period under study. Economic sanctions were often linked to the country’s woes.ZABG bank is operating in the same marketing place as other banks that are performing well and profitably
for example, BancABC, Standard Charted Bank, Barclays bank, Stanbic and ZB Bank just to mention but a few. Some serious concern arose for ZABG bank after its continued poor performance under the same market conditions.

4.5 HUMAN RESOURCES FACTORS

4.5.1 Level of competence in the bank

From the interviews undertaken, executive managers, middle managers and employees of ZABG were asked the level of staff competence at ZABG. The findings were analysed and presented.

According to executive management at ZABG that participated in the research, 50% said the level of competence at the bank is average after loosing significant skills at unbundling in 2010. On the other hand other 30% of the executive managers argued that the level of competence at the bank was below average. While the remainder argued that the bank still had the requisite levels of competences and skills.

Findings from the middle branch managers of ZABG, 65% stated that the level of competence at the bank is low after high staff turnover and skills flight to former troubled banks that were re-licensed in 2010. On the contrary the remainder indicated that it was generally considered satisfactory in the absence of any proper competence and skills audit.

The majority of employees of ZABG, 70% stated that the level of competence at operational levels are good, however the competence and skills at strategic levels is apparently lacking. Moreover the remaining 30% argued that the level of competence at the bank is experienced and competent.

4.5.2 Last skills audit done for the bank

The research investigated when the last skills audit for the bank was done. Findings from the research participants are presented below.

Executive managers said that no proper skills audit was done but there was a hasty random attempt to staff alignment done at the height of unbundling in 2010. According to other executive managers a proper skills audit was under way to try and address competence gaps identifiable.
Findings from the middle managers of ZABG indicated that there was never a staff skills audit in the bank. The executive managers would usually use their general knowledge of staff career history and current performance for any staff alignment following. Other participants argued that a skills audit was never done, but mere staff qualification updates for middle and executive managers were undertaken.

According to some employees of ZABG there was no skills audit done for the bank. Others stated it was undertaken in December 2010.

### 4.5.3 Level of staff commitment in the bank

Some 60% of the middle managers who participated in the research stated that the level of staff commitment at the bank is low. On the same subject 30% argued that the level of staff commitment is disengaged and at its lowest minimum while about 10% said it was moderate.

To further explain the research findings above, Arogyaswamy et al., (1995) argue that leaders are often a contributing source of organisational decline due to their lack of commitment. Executives either directly contributed to the problems at the heart of crisis or failed to recognize the problems early enough (Bibeault, 1982). Therefore top management change is widely recognised as a precondition for successful turnarounds (Bibeault 1982, Hofer 1980, Schendel et al, 1976, Slater 1999).

### 4.5.4 How the bank ensures commitment and support from employees

Survey investigated how the bank ensured commitment and support from employees through interviews undertaken with the executive management, middle managers and employees of ZABG.

The executive managers of ZABG that participated in the study said that the bank ensures commitment and support from employees by seeking buy in and participation as well as open communication lines. Moreover research results further revealed that the bank ensures commitment and support from its employees by ensuring that they adhered to working conditions including those that involve labour agreements.
According to the majority of the middle managers of ZABG interviewed, indicated that the bank applies some selective communication tactics. They have endeavoured to ensure commitment and support from general employees only by keeping the staff motivated through good communication lines. It was noted that it was mainly the middle managers category, in which the low staff morale was highest as staff commitment and communication was apparently not being effectively managed. The other participants’ respondents added that the bank did not apparently show concern about the middle management as no communication for their buy-in was ensured.

In the context of successful turnarounds, Manimala (1991) observed that the more effective and long-lasting employee management strategies for troubled organisations were based on employee engagement and culture building. This improves commitment and support from employees by involving and empowering them.
4.6 Outcome of interviews with customers

4.6.1 Importance of value proposition

The views of the customers on the order of importance of value propositions were sought from about fifty customers that participated in the study.

The majority of the interviewed participants, 60% said friendly customer service and communication with customers is very important, this was followed by technology and delivery channels and last but not least product range brand name and costs.

According to http://www.turnaround-sa.com, strategic repositioning holds the most potential but is the most neglected turnaround strategy according to academic research. When properly employed, strategic repositioning yields the most spectacular and sustainable turnaround results. Strategic repositioning changes the mission and customer value proposition of the distressed company by changing what products are offered to what markets and in which fashion.

4.6.2 Customer rating on customer service quality

Customers were asked by the researcher to rate the service quality of ZABG. The responses to the research question are presented below.

Figure 4.2: Customer rating on customer service quality
Some 60% of the customers who participated stated that the bank customer service quality is good and 30% stated that it is satisfactory. On the other hand 10% stated that it is unsatisfactory. This shows that the customer service quality is fairly good at ZABG. In addition to the study findings, George, (2000) explains that managers of service industries need to be concerned with four basic characteristics that make the management of service offerings different from managing of products. These factors are intangibility, inseparability, perishability and heterogeneity. These unique factors if not well managed can lead an organisation into lower performance levels, therefore management has to ensure that services are of the highest quality as a competitive measure and make profits as well.

The majority of customers interviewed on ZABG product range and offering overally stated that the product offerings are not favourable as they are limited as compared to other banks. They cited the need for products like personal loans, overdrafts and short term loans. The product offering at ZABG are all generic, just like those available at any other bank hence are not differentiated.

Some of the customers highlighted the need for front line staff with precise knowledge of products and services available in the bank so that the staff provides fast and efficient service thereby providing good value for their money.

4.7 STAKEHOLDER ENGAGEMENT

The bank executives, middle management and bank employees were the main participants for this research dimension.

4.7.1 Level of engagement of the bank’s key stakeholders

The research participants were asked by the researcher, what was the level of engagement of the bank’s key stakeholders. The responses are analysed below.

Research findings indicated that the executive management of ZABG stated that the level of engagement with the central bank and government is high while that with labour unions and staff it is good due to apparent staff engagements and open lines of communication available.

Research results indicate that the middle managers of ZABG stated that the level of engagement of the bank’s key stakeholders which are central bank, government, general
employees and labour union was high. Others however stated that the level of engagement with the middle management was low.

On the other hand employees felt that engagement was at the top only but lower level staff is never engaged.

Thompson, (2010) argued that “Get weigh-in before you get buy-in to acknowledge the call to action.” It is fine to be passionate about the need for a turnaround. But your “fire in the belly” must also be viewed as a “burning platform” by all stakeholders, including the board of directors, the leadership team, and all employees. This is a time to over communicate and do a lot of listening. In other words, employees in particular need to weigh in on the need for transformational change, and you need to listen carefully to their concerns. After all, as a leader, you want to build “followership” and not just polite support for the call to action that will be implemented by employees.

4.8 OUTCOME OF INTERVIEWS WITH THE BOARD OF DIRECTORS

4.8.1 Major shareholders decision with regards to re-capitalisation of the bank

The research findings established that ZABG Bank has not managed to operate profitably enough since inception in 2005, to enable the Board to declare and pay a dividend to its shareholders. This may be of course a cause for concern to any business owner not to have a return on investment for close to seven years.

The Board members interviewed were optimistic of the bank’s future prospects as they indicated that the challenges that affected the operations where primarily due to undercapitalisation. They advised that engagements with the Reserve Bank of Zimbabwe and indeed with the Government had been made, acknowledgement and indications of their commitment to recapitalise ZABG Bank were given since 2009, and however, the support was still to be received. Under the circumstances the bank operated under financial distress. The bank had great opportunities of banking government business and bank or to find strategic partners to improve the bank’s liquidity and that should see the bank back on the rail.

On the enquiry on the re-capitalisation of the bank by the Government, the three Board members confirmed that, the Government of Zimbabwe had finally stated that they had no capacity to recapitalise ZABG Bank and had further no interest to own an additional financial
institution and hence had given a green light to ZABG Bank to find potential investors that could re-capitalise the Bank to strengthen its capital base. This would result in the improvement of the banks’ operation which would ultimately attract more customers as confidence is regained.

4.9 MAJOR TURNAROUND IDEAS THAT CAN BE ADOPTED BY ZABG BANK FOR BUSINESS SUCCESS

Study investigated the major turnaround ideas that should be employed by ZABG for business success and they are analysed as follows.

The use of a SWOT analysis of the bank which represents a position statement, states where the organization is in relation to its operating environment. It provides the bank, and in this case ZABG with a firm basis for planning turnaround strategies.

Table 18. Swot analysis of ZABG Bank

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Wide branch network</td>
<td>• Underutilisation of IT Systems</td>
</tr>
<tr>
<td>• Skilled Staff</td>
<td>• Lack of Capital</td>
</tr>
<tr>
<td>• Government Owned</td>
<td>• Lack of tools of trade</td>
</tr>
<tr>
<td>• Good Customer Service</td>
<td>• Low Brand</td>
</tr>
<tr>
<td></td>
<td>• Low staff morale</td>
</tr>
<tr>
<td></td>
<td>• Thin product offering</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business Growth</td>
<td>• Entrance of new players in the market</td>
</tr>
<tr>
<td>• High chances of getting Government business</td>
<td>• Former employees absorbed into competitor banks</td>
</tr>
<tr>
<td>• Strategic Partnership</td>
<td>• Country Risk</td>
</tr>
<tr>
<td>• Improve Brand</td>
<td>• Loss of key staff to competitors</td>
</tr>
<tr>
<td>• Unbanked informal sector</td>
<td>• Closure of financial institutions can result in contagion risk.</td>
</tr>
</tbody>
</table>

Source: ZABG SWOT Analysis (researcher own compilation)

Pierce and Robinson, (1995) argue that an effective strategy maximizes a firm’s strengths and opportunities and minimises its weaknesses and threats.

The executive managers of ZABG that participated in the research indicated that the major turnaround ideas that should be adopted by ZABG for business success are new investors to improve both working capital and statutory capital levels, upgrade ICT systems to improve processing time and also its products and services for instance ATMs, POS, Debit Cards and
international VISA or Master cards to increase bank visibility and accessibility thereby adding value. Others highlighted focus on asset quality, overhaul liquidity management, enhancement of service delivery and a complete rebranding of the corporate image may bring in new fortunes.

Middle managers concurred with the executives on re-capitalisation of the bank both, the minimum RBZ capital limits and working capital which improves liquidity through strategic partners, improve technology driven product services, customer re-engagement and staff motivation, to restructure the board and executive management at the same time bring in a new vision for the organisation, new mission in line with current needs of the market and have a realistic market and target it (market segmentation).

According to Castrogiovanni and Bruton, (2000), a turnaround strategy should be purposely made for a specific turnaround case, addressing the cause of decline. The importance of innovative marketing strategies is in bringing about successful turnarounds. On the other hand O’Neill, (1986) further identified the variables which contribute to turnaround in commercial banks focusing on financial turnaround strategies. He states that interest costs represent the highest category of costs for banks; loans represent the largest revenue source for banks. They represent the greatest proportion of the bank's assets and are typically the most profitable of the bank's assets. Cash and treasury/demand deposits are important. Banks may speed up turnaround by moving their low yield cash and treasuries to higher yield applications. O’Neill, (1986) assert that short-term funds such as demand deposits should only be used for short-term applications such as cash and securities and likewise longer-term funds should be used for long-term yields such as loans.

Another turnaround idea according to Hambrick and Schecter, (1983) is the revenue generating strategy which is an attempt to increase sales by some combination of product reintroductions, increased advertising, increased selling effort and lower prices. Peace and Robins, (1993) argue that the idea of revenue generation is best captured by a piecemeal strategy that is characterised by increased capacity utilisation and increased employee productivity.
4.10 TURNAROUND LIMITATIONS

Executive managers of ZABG indicated that the factors that may limit the successful implementation of business turnaround at the bank are lack of staff buy-in, lack of funding and lack of other stakeholders support. In addition the country risk and threats of new entrants may limit the successful implementation of business turnaround.

On the other hand the middle managers of ZABG stated that the factors as turf protection by executives and the involvement of board in identifying investors, lack of sufficient capital to successfully implement a turnaround and lack of staff cooperation, lack of new investors to take over a negative balance sheet.

The employees of ZABG indicated that the factors may include lack of capital and the resistance to change by current executive as they may be required to go and make ways for young and fresh blood or they may want to stick to old leadership styles.

In line with the study findings, Arogaswamy et al, (1995) argue that under some conditions, turnaround may not be feasible. In other settings, the organization may lack the capabilities or resources to implement an appropriate turnaround strategy correctly. Even if implemented correctly, in a feasible setting, organizational outcomes of a turnaround strategy still depend on emergent factors for example, competitor actions, which can prevent or delay any turnaround. Cater and Schwab, (2008) indicate that, turnaround attempts often face additional challenges in the form of severe time pressures, extremely limited slack resources, and diminishing stakeholder support.

Moreover Quinn et al, (1988) also add that before starting any turnaround, an explicit calculation should be made to determine whether the turnaround effort will be worth it. They assert that firms often embark on turnaround efforts on a knee-jerk reaction to the myth that nothing can be worse than failure.

4.11 Summary of the Chapter

This chapter provided analysis of turnaround strategies of the banking sector. The chapter presented research findings from personal interviews and the desk research. The results were discussed and linked to the literature review. The next chapter is going to provide conclusion and recommendations for this study.
CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

In this chapter the researcher makes inferences and conclusions of the research using the information obtained from the study findings as discussed in chapter four. Recommendations and areas of further study will also be given in this chapter.

5.1.1 SUMMARY OF FINDINGS

The major findings can be summarised as follows, the ZABG target market was said to be mass market by the majority of respondents. The Brand was rated to poor by most of the participants. ZABG Bank’s wide branch network was found to one of the notable strengths for the bank while the bank’s undercapitalisation presented ZABG with an opportunity to quote potential investors to recapitalise the bank.

The current customer service delivery was rated to be good by majority of all participants that included Executive Management, Middle Managers and general employees. The ICT system was found to be modern and competitive but was underutilized due to unpaid software license fees. On the financial aspects, the bank’s major source of income was noted to be from transactional fees and commissions instead of Interest income while staff costs continued to escalate. The bank’s balance sheet was found to be very weak and the bank did not publish financial statements for 2010 and 2011 trading periods because of accumulated losses.

On human resources factors the level of competence was found to be below average as a result of skills flight to competition and loss of some significant skills at unbundling in 2010. The remaining staff level of commitment in the bank was found to be low. The survey found out that there was significant variance on how executive management and middle managers and general employees said the bank ensured commitment and support from employees. Executive management indicated that they communicated openly seeking buy-in and participation where as middle managers stated that that there was selective communication tactics and some said
executive management did not show any concern about middle management welfare. Further research findings indicated that the level of engagement of the bank’s key stakeholders like the central bank and the Government is high while the labour union was good.

The outcome from interviews with the Board of Directors revealed the bank’s challenges were due to undercapitalisation and the three board members confirmed that the Government of Zimbabwe as the major shareholders had stated that they had no capacity to recapitalise ZABG Bank.

5.2 Conclusions

5.2.1 Objectives: To determine areas that requires improvement in the Bank.

The study found out that there were a number of internal strategic factors that affected the bank performance ultimately resulting in the following areas requiring immediate attention; financial aspects- bank capitalization and lack of funding, marketing aspects - unavailability of resources/tools of trade, poor customer service, human resources aspects - poor communication from executives and low staff morale, operational aspects - blundering decision making, operational control systems, corporate structure.

5.2.1.1 Marketing Aspects

The lack of recapitalisation affected the bank’s ability to offer customer focused products and that ZABG customer service was below the market competition and this affected the Banks ability to attract customers as was indicated by both ZABG banks middle management and employees.

ZABG brand was generally perceived to be poor, due to negative capital which has also affected capacity to keep up with modern technology to add convenience to customers as per customers’ value proportion preferences. Furthermore the bank’s chosen target market of mass market happens to be the low end customers who are price sensitive hence may be difficult to cream off and make high margins.
5.2.1.2 Operational aspects

The research findings pointed to below average quality of service delivery against the competitors hence, the bank is not likely to attract many new customers and as a result may not increased its customer base. There was some blundering in Executive decision making that affected implementation of effective strategies to improve performance of the Bank. Typical examples would include the slow decision to use funds received from shareholder in a hyper inflationary environment and participating in underwriting an under subscribed rights issue.

5.2.1.3 Financial aspects

The first significant finding was that lack of recapitalization negatively affected the bank as that resulted in the bank’s failure to carry out capital expenditure projects that would improve operations that would ultimately attract customers.

The main costs of the bank were staff costs, occupancy costs and licence fees that heavily outweighed the major revenue received from transactional fees and commissions streams.

5.2.1.4 Human resources factors

The bank suffered a skills flight as a result of low remuneration and the unbundling exercise of 2010 thereby compromising competence levels in the whole bank. Low staff morale was lowest among middle managers who are the business development agents and revenue collectors mainly due to low remuneration that has not been reviewed since dollarization in 2009.

5.2.1.5 Corporate Structure

Another finding seems to be that of top management as having failed to implement effective strategies for the economic benefit of the organization. Furthermore the lack capacitating the bank by its major shareholder has adversely affected the Banks performance.
5.3 Objective: Determination of critical external factors affecting the bank

One of the most significant factors is lack of recapitalization that has continuously negatively affected the bank. This has resulted in blue chip corporate clients shunning the bank as a high risk institution. Under capitalization also attracted a lot of negative publicity which adversely affected market confidence for the bank as customers feared dealing with it as heading for closure by Regulatory Authorities.

The bank lost considerable business as a result of “flight to quality” by customers due intense competition.

ZABG Bank’s performance was further compromised by its limited product range and poor brand.

The bank operates under the surveillance of the regulatory authority, the RBZ and also some inconsistent government policies that sometimes negatively affect the banks’ operations resulting in adverse performance.

5.4 Objective: To establish stakeholder involvement in turnaround strategies

On stakeholder engagement it was established that executive management was selectively communicating with stakeholders thereby seriously overlooking some key stakeholders in the process. For example, all executive management and some middle management are the only ones aware of the business strategy.

5.5 Recommendations

Based on the information obtained in the literature and the research findings cited above certain recommendations can be made to improve the bank’s performance to ensure future success of the bank.

It is quite evident from the information obtained that the performance of the bank is a result of years of gradual decline as proved by financial position established in this case that warrant turnaround strategies.
5.5.1 Marketing aspects

In terms of planning and implementation of marketing strategies the management of the bank should strive to put customers first and increase customer satisfaction in order to retain existing customers, and to acquire and attract new customers from competition.

Increasing customer satisfaction can be achieved by recognizing the valuable inputs of customers through regular customer surveys, benchmarking of practices and systems against competitors, and considering the implementation of suggestions from customers regarding improvements and enhancement of their overall experience at bank.

Market development of ZABG bank can be addressed through effective strategies that can result in the opening of additional geographic markets through national regional and international expansion and marketing efforts.

Attracting new market segments should be considered a priority for the management of the bank, and this can be achieved through the development of product versions that will appeal to other segments of the population, entering into other channels of distribution and more focused advertising activities and campaigns.

Product development is crucial for the enhancement of the overall performance of the bank. Existing product offerings needed to be adapted and changed to appeal to the target markets. All these marketing initiatives must be aimed at addressing customers needs therefore further enhancing customer satisfaction.

5.5.2 Operational aspects

ZABG management is recommended to be proactive and regularly scan the environment to enlighten themselves with changes that will be taking place in order to make quick and appropriate decisions that ensure organizational success.

It is important for management to evaluate the bank in terms of waste, redundancies or inefficiencies in work tasks and activities that could be eliminated. This will also have to identify resources that could be eliminated or used more efficiently, for example improvement in process flows.

5.5.3 Financial Aspects

Financial resources are critical for an organization’s operations. It is recommended that the bank pursue having a strategic partners that assist with the injection of capital and obtaining foreign
lines of credit, as this would enable the bank to meet both prescribed regulatory capital levels and working capital so that the bank can improve its operations. Refinancing therefore involves not only the injection of new funds in the form of loan or equity finance, but also changing the existing capital structure per se for example debt to equity.

Revenue generation can be increased by such methods as the increased use of loan capacity, changing of price structures by re-focusing (product differentiation segmentation of markets, introducing new products.

Cost reduction strategies for the bank can include tightening financial controls and empowering frontline staff and establishing incentive schemes to reward performance.

Asset-reduction is another way management should explore to improve cash flows and stabilize the financial situation of the bank. Closing of other departments like the Leasing and Stock broking could produce considerable savings and prevent further losses as statements indicated that the divisions were not profitable units

5.5.4 Human Resources factors

Various strategic options of cost –reduction efforts could be considered at the bank and these might involve labour costs because of the huge financial implications it has on the performance. Although downsizing can be a quick way to manage costs, it is important that retrenchments be done for the right reason. There must be an opportunity to reduce costs and improve productivity otherwise it becomes a threat to service quality to the customers.

A skills audit should be undertaken to ascertain the competence levels in the bank to ensure that there is the right team to lead the team on a transformational journey. Communication of new definitions, roles and responsibilities to staff in a planned manner is important for success. Aligning of resources, processes and people must be taken to place to ensure successful implementation of change.

5.5.5 Corporate Structure Review

A top management reshuffle may be necessary in order to bring in new innovative ideas that could regain customer confidence that ultimately lead to better performance of the bank.
Restructuring of the ZABG Group may leave it a leaner and more effective and efficient structure by disposing of unprofitable divisions under the group for example the Stockbroking and Leasing divisions which were not profitable units.

Implementation of tight financial controls improves the bank’s profitability and capacity to meet all its obligations including review of staff salaries, allowances and perks in the long run.

5.6 External factors

Quick adaptation to technological changes by ZABG should enable it to have a competitive edge over other banks, as it attracts more customers.

As the Bank operates in a highly regulated industry, they should establish fully fledged compliance departments that ensure that the bank observes prescribed guidelines. The bank should have a Research and Development Department that effectively monitor global and local market trends and make timely recommendations to the bank.

5.7 Stakeholder engagement

Communication should be improved to involve key stakeholders to achieve their buy-in and support. Developments in the bank must also be communicated to the general employees who are often overlooked but are key, in the daily implementation of the strategies to achieve the intended turnaround.

2.1 5.8 Study limitations and areas of further research

The limitations to this research were financial constraints and the difficulty in obtaining confidential information as some of the respondents felt that some of the information related to the bank’s performance and therefore could not divulge full details for confidential reasons and fear of victimisation. However these limitations were managed by the careful strategic selection of the a representative sample of the population and obtaining the permission to obtain the required information to facilitate the research from the relevant authorities in the organisation and in turn obtained most of the data used from the bank’s senior management.

This research was a case study analysis which focused on ZABG Bank. ZABG bank was wholly owned by the government hence the results may be inconclusive to any other organisation with
different backgrounds since more solid inferences may be made by looking at a number of similar organisations.

There is limited literature in this area and there is no literature particularly from a Zimbabwean perspective. From the research it can be seen that there are other factors that can affect the turnaround strategies in the financial sector such as the bank recapitalisation issues in an environment affected by liquidity challenges and their impact on turning around financial institutions. A broad study into the impact of such factors can therefore be undertaken to assist organisations operating in dynamic business environments to facilitate generalisability.
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APPENDIX A: Interview guide

Executive management/ Middle managers
An investigation into turnaround strategies for Zimbabwe banking sector with specific reference to ZABG Bank

Section a: situation analysis
1. What are the key areas of the Bank’s performance?
2. What are the major internal factors that are affecting the Bank’s performance?
3. What are the major bank’s revenue sources and costs?
4. How can the bank’s balance sheet be restructured considering its current form?
5. Human Resources issues have an impact on ZABG bank’s future, what are some of the key factors?
6. What could the major external factors affecting the performance of the bank?
7. What is the level of key stakeholder involvement in bank’s strategic options?
8. What is the major shareholders position with regards to re-capitalisation of the bank?

Recommendations
9. What do you think need to be done to get the bank back on the rail?
10. What strategic options do you think are practical?

Turnaround limitations
11. What are the factors (if any) that may limit the successful implementation of the ideas you have identified/suggested above?

Thank you for your valuable time and cooperation.
APPENDIX B: Interview guide

Bank employees
An investigation into turnaround strategies in Zimbabwe banking sector with specific reference to ZABG Bank

1. Which areas of marketing do you think ZABG bank should improve on?

2. Which areas of bank operations does ZABG bank need to improve on?

3. Which areas of human resources does the bank need to improve on to ensure the success of ZABG bank?

4. What do you think the bank needs to do to recover from the problems it finds itself in? Please explain.

5. What are the factors (if any) that may limit the successful implementation of the ideas you have identified/suggested above?

Thank you for your valuable time and cooperation.
Date 27 February 2012

Dear Sir/Madam

Re: Bindura University of Science Education Master in Business Leadership (MBL) dissertation information gathering

I am a final year student at the Bindura University of Science Education studying for a Master in Business Leadership degree. As part of my programme I am required to do a research and submit a dissertation. My research topic is “An investigation into the turnaround strategies for the Zimbabwean Banking Sector with specific reference to Zimbabwe Allied Banking Group (ZABG BANK)”

Please spare a moment and respond to the following questions, expressing your most objective opinion. The interview responses will remain strictly confidential and the information you provide will not be passed on to any third parties, but will only be used in this academic research model.

Your cooperation will be greatly appreciated

Yours faithfully

Ephraim Chidhakwa

Contact telephone Nos: 04-250061/4

0773 407 213
Appendix D: Interview guide for customers

Topic:
An investigation into the turnaround strategies for the Zimbabwean banking sector with specific reference to ZABG Bank

Situation analysis

1. What do you like about ZABG Bank?
2. What do you not like about the bank?
3. How accessible is your bank when you need banking services?
4. What, if any, should be changed or adopted by the bank?

E Chidhakwa
Appendix E: Interview guide – Directors

Topic:
An investigation into the turnaround strategies for the Zimbabwean banking sector with specific reference to ZABG Bank

Section A: general information

What is the level of your shareholding (%) in the Bank and is this at personal level or as an institution?
Other: please specify position?

Section B: situation analysis

1. What do you consider to be the major internal factors that are affecting the performance of ZABG bank?

2. What do you consider to be the major external factors affecting the performance of ZABG Bank?

3. What opportunities are available for ZABG Bank?

4. How can they be capitalized on?

5. In view of the current bank balance sheet what is your view/position regarding re-capitalizing of the bank?

Section C: summary

6. What are the major turnaround ideas that should be adopted by ZABG Bank for business success?

7. What factors may limit the successful implementation of the ideas that you have suggested?

Thank you for your valuable time and cooperation.

Appendix F: Desk research guide
An investigation into turnaround the strategies for the Zimbabwean banking sector with specific reference to ZABG Bank

1) Major Income sources for ZABG Bank
2) Major Expenses items for ZABG Bank
3) How has the bank priced its products and services?
4) Costs vs Income ratios for past 2 years (and comment to explain the ratios)
5) Loan to deposit ratios for past 2 years (and comment to explain the ratios)
6) How best can the balance sheet it be restructured considering its current form
7) ZABG made losses in the past 2 years. What could be reasons for the losses?
8) Comment on the bank reasons for not publishing 2009 and 2010 financial statements
9) Recommendations of any financial turnaround strategy for ZABG Bank

By E Chidhakwa