AN EVALUATION OF ORGANIC GROWTH AS A STRATEGIC GROWTH OPTION FOR ZIMBABWEAN BANKS: CASE OF BANCABC

BY: WELLINGTON WIKIREFU

R 034100R

SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR MASTERS IN BUSINESS ADMINISTRATION DEGREE

FEBRUARY 2013

GRADUATE SCHOOL OF MANAGEMENT

UNIVERSITY OF ZIMBABWE

SUPERVISOR: DR. NYASHA KASEKE
DECLARATION

I, Wellington Wikirefu do hereby declare that this dissertation is the result of my own investigation and research except to the extend indicated in the acknowledgements and references and by comments included in the body of the report, and that to the best of my knowledge it has not been submitted in part or in full for any other degree to any other university.

........................................... ...........................................
Student Signature Date

........................................... ...........................................
Dr. N. Kaseke- Supervisor Date
DEDICATION

To my beloved wife, Emily, and to my unborn child, for being by my side even though I did not get to be with you when you always wanted my presence.

My brother, Memory Nguwi, for being my mentor all these years and inspiring me to take on this program.

And to my mother, Mrs G. Nguwi, for your usual support from day one.

My friends from our days at Fletcher High School, you have been my best cheerleaders.
ACKNOWLEDGEMENTS

Special mention goes to Dr. N. Kaseke, my supervisor for being my pillar during this project and being generous with your time and expertise all the time. Your valuable contributions and your passion for producing good results always inspired me.

All my course coordinators since I started this program together with the Graduate School of Management for creating this wonderful learning environment.

My workmates, for believing in the value this project will yield, I thank you.

Last but not least, to my group members for the encouragement even when faced with insurmountable challenges. 

Receive blessings from the Almighty.
ABSTRACT

The research sought to evaluate if organic growth as a strategic growth option can lead to superior financial performance in the Zimbabwean banking sector with specific attention to BancABC. In this regard, organic growth is supposed to ensure the bank meets the minimum capital requirements by June 2014. Organic growth was found to be very profitable if well pursued by the banking sector.

The research dwelt on present knowledge of organic growth as a way of attaining business growth drawing from available literature and linking this review to answering the objectives of the study by looking at existence of frameworks that promote growth, hindrances to growth and what the management role is in fostering organic growth.

The research used the qualitative approach and triangulation research method was used as it improves reliability of data and the process of gathering it. Questionnaires were used as data collection instruments for their simplicity in administering the study. The target population comprised the staff and management of BancABC. Simple random technique was used to select one hundred respondents. A response rate of 53% was achieved and it is high enough to warrant validity and reliability of the results. The findings were presented in the form of tables, graphs and pie charts.

The research proposition was that organic growth is a better way of achieving growth for BancABC so as to achieve superior financial performance which in turn will lead the bank to meet the new minimal capital requirements as set out by the regulator, the Reserve bank of Zimbabwe (RBZ). The research proposition was tested and proven.

BancABC should pursue organic growth as a strategic growth option to achieve superior financial performance that will be driven by internal resources. The bank should consider enormous commitment on human, financial and technological for it to realize meaningful organic growth.

The study proposes an area of further research to ascertain the impact of organizational culture on organic growth in the commercial banking sector of African countries.
# TABLE OF CONTENTS

DECLARATION .............................................................................................................................................. ii  
DEDICATION .............................................................................................................................................. iii  
ACKNOWLEDGEMENTS .......................................................................................................................... iv  
ABSTRACT .................................................................................................................................................. v  
TABLE OF CONTENTS .............................................................................................................................. vi  
LIST OF FIGURES ....................................................................................................................................... xi  
LIST of TABLES ........................................................................................................................................... xii  
CHAPTER 1 .................................................................................................................................................. 1  
1. Introduction ........................................................................................................................................... 1  
   1.1. Background ..................................................................................................................................... 1  
       1.1.1. Overview ................................................................................................................................. 1  
       1.1.2. Background of the Zimbabwean Banking Sector ............................................................... 2  
       1.1.3. Industry Analysis .................................................................................................................... 7  
       1.1.4. Overview of BancABC ........................................................................................................... 9  
       1.1.4.1. The BancABC Holdings Shareholding Structure .......................................................... 10  
   1.2. Problem Statement ......................................................................................................................... 12  
   1.3. Objectives of the Study .................................................................................................................. 13  
   1.4. Research Questions ....................................................................................................................... 14  
   1.5. Research Proposition .................................................................................................................... 14  
   1.6. Justification of Research ............................................................................................................... 14  
   1.7. Scope of Research .......................................................................................................................... 15  
   1.8. Limitations ...................................................................................................................................... 16  
   1.9. Dissertation Outline ...................................................................................................................... 16  
CHAPTER 2 .................................................................................................................................................. 17  
LITERATURE REVIEW ............................................................................................................................. 17  
2. Introduction ........................................................................................................................................... 17  
   2.1. Overview of organic growth .......................................................................................................... 17  
   2.2. Firm-Focused Theories of Growth ................................................................................................. 17  
      2.2.1. Endogenous Growth Theory ................................................................................................. 17  
      2.2.2. Organizational Theory: ......................................................................................................... 20  
      2.2.3. Environment-Focused Theories of Firm Growth ............................................................... 21  

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Timelines for Minimum Capital Level US$ m</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Porter's Five Forces</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>BancABC Organizational Structure</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Growth Options</td>
<td>24</td>
</tr>
<tr>
<td>5</td>
<td>Ansoff's Growth Matrix</td>
<td>31</td>
</tr>
<tr>
<td>6</td>
<td>The McKinsey Growth Pyramid</td>
<td>33</td>
</tr>
<tr>
<td>7</td>
<td>The Boston Consulting Group Box (BCG Box)</td>
<td>34</td>
</tr>
<tr>
<td>8</td>
<td>The Greiner Curve</td>
<td>40</td>
</tr>
<tr>
<td>9</td>
<td>Response Rate</td>
<td>56</td>
</tr>
<tr>
<td>10</td>
<td>Period in the Organisation</td>
<td>57</td>
</tr>
<tr>
<td>11</td>
<td>Section Where Respondent is attached</td>
<td>58</td>
</tr>
<tr>
<td>12</td>
<td>Level of Education</td>
<td>59</td>
</tr>
<tr>
<td>13</td>
<td>Evaluation of Performance</td>
<td>60</td>
</tr>
<tr>
<td>14</td>
<td>Achieving Minimum Capital Requirements of US$100 million</td>
<td>61</td>
</tr>
<tr>
<td>15</td>
<td>Pursuing Strategy on Growth</td>
<td>62</td>
</tr>
<tr>
<td>16</td>
<td>Types of Strategies</td>
<td>64</td>
</tr>
<tr>
<td>17</td>
<td>Growth of the Bank in Market Share</td>
<td>65</td>
</tr>
<tr>
<td>18</td>
<td>Extending Operations beyond Boundaries</td>
<td>67</td>
</tr>
<tr>
<td>19</td>
<td>Existence of Institutional Framework for Growth</td>
<td>68</td>
</tr>
<tr>
<td>20</td>
<td>Indigenisation Policy</td>
<td>71</td>
</tr>
<tr>
<td>21</td>
<td>Consultative Forum</td>
<td>72</td>
</tr>
<tr>
<td>22</td>
<td>Sustainability of Growth Strategies</td>
<td>73</td>
</tr>
<tr>
<td>23</td>
<td>Challenges Experienced</td>
<td>75</td>
</tr>
<tr>
<td>24</td>
<td>Obstacles</td>
<td>77</td>
</tr>
</tbody>
</table>
LIST of TABLES

Table 1: Minimum Capital Requirements ............................................................................. 4
Table 2: Historical Financial Performance of BancABC ......................................................... 11
Table 3: Peer Comparison for Banking Products ................................................................. 12
Table 4: The Growth of the Firm-A Three Strategic Choice Model ................................... 28
Table 5: Porter’s Generic Strategies ..................................................................................... 35
Table 6: Generic Strategies and Industry Forces ................................................................. 38
Table 7: Factors Affecting Organic Growth ...................................................................... 69
CHAPTER 1

1. Introduction
This study seeks to evaluate organic growth, as a strategic growth option in the Zimbabwean banking sector, with a view to ascertaining if the strategy results in superior financial performance. The chapter is made up of the background of the study, a synopsis of the research problem, the research proposition, research objectives, research questions, the research proposition and justification of the study. The scope and limitations of the study concludes this chapter.

1.1. Background

1.1.1. Overview
The Reserve Bank of Zimbabwe Annual report of 2012 stated that to all deposit-taking banks in Zimbabwe to increase their paid-up share capital to a minimum of $100 million with a deadline of December 31, 2014, most banks are reported to be considering mergers and acquisitions while others choose to pursue organic growth to achieve the feat. This directive has created a lot of opportunities for banking institutions to consider strategic growth options in order to meet the regulatory minimum capital.

Dacin (1997) shows that even though strategic partnerships are strongly increasing in number, approximately 50% – 60% of them fail in achieving the original goals. It is with this in mind that it is important to analyse organic growth as a source of competitive advantage for the banking industry. Focus will also be put on analyzing the experiences of other financial institutions in other countries.

Bossert (2007) alludes that organic growth shows how well a company’s management is utilizing internal resources to increase sales and output. Cox, (2008) defines organic growth as a company expanding its business through use of its own resources and assets, without the use of takeovers or mergers. Welch, (2005) refers to it as starting something new from inside. Cox, (2008) warns that organic growth takes an enormous commitment of resource and time. It could involve acquisition of equipment, hiring and
training of personnel. Welch, (2005) supports this view but further argues that it is a very rewarding path of growth.

Organic growth provides more corporate control, encourages internal entrepreneurship, and protects organizational cultures and core values (Denrell, Fang and Winter, 2003). It also provides managers with a better understanding of their own firm and assets, and internal investment is likely to be better planned and efficient. Organic growth results in the creation of sustainable competitive advantages since the firm’s own value-creating process and positions are less likely to be duplicated or imitated by other firms (Barney, 1998). It is a cheaper growth strategy (Thompson & Wright, 2005).

Organic growth is a slower way of growth compared to Mergers and Acquisitions (M&A) since it requires the development of new resources (setting up the whole business, hiring and recruiting human capital, investing in machineries) internally, which is susceptible to Penrose Effect (Thompson & Wright, 2005). The logic of the Penrose Effect is that firm-level managers have firm-specific experiences internal to the firm and that in successive time periods the firm may not likely be able to adjust timely its managerial resources to the desired level due to dynamic adjustment costs. Since the more experienced managers need to explain to the new managers’ firm specific details, if one were to continually add new managers at a rapid rate, eventually current operational effectiveness is expected to decline.

1.1.2. Background of the Zimbabwean Banking Sector
The 2012 RBZ annual report stated that the banks in Zimbabwe have been the most affected companies since dollarization of the economy. From huge salaries characterizing hyperinflationary period, to declining margins as deposits remain scarce and an unwillingness of donors to unlock financial aid into the economy, there has been a struggle for survival. In response to a RBZ’s policy to increase the minimum paid-up share capital requirement, more than half of the 25 banks in Zimbabwe engaged in one form of merger and acquisition, some sourced for additional capital through public offering of their share, and others a combination of merger and acquisition and public offering as possible alternatives to meet this mammoth task.
Zimbabwe has a history of significant informal transactions outside the banking sector. According to a recent African Development Bank report, (2012), the informal sector accounts for approximately 65 percent of all business transactions in the country. The only current measure of monetary aggregate is bank deposits and saving ratios with December 2012 records suggesting bank deposits of approximately US$3 billion.

Another significant problem is the central bank’s loss of lender of last resort function. With loan to deposit ratios above 70 percent, a prevalence of short term deposits and very little of long term savings, liquidity ratios are inevitably stretched. Without the lender of last resort function, it seems implausible to suggest that banks would have a high risk of ‘moral hazard’ with liquidity management. The risk of banks undertaking imprudent liquidity risk management and holding lower levels of liquidity due to the expectation that the central bank will support in the event of a market wide stress should be nonexistent especially when banks expect no such help.

Zimbabwe’s banking sector appears to be highly fragmented with few dominant banks in the top tier category accounting for the bulk of deposits and loans. The lower tier banks are small and have been prone to the current liquidity crunch that has haunted the banking system since the second half of 2012 (H2: 2012).

In light of the low capital buffers particularly for smaller banks, credit risk is considered high. In addition, rising levels of non-performing loans point to deterioration in the quality of loans to the private sector.

Against this background, the market has been expecting upward review of minimum capital levels in order to mitigate high credit risk and encourage banking sector consolidation. Banks’ minimum capital requirements are supposed to create adequate buffers to withstand shocks in times of economic and financial stress.

Alternatively, the minimum capital requirements are supposed to deter banks from engaging in activities that increase the risk of default and they should be able to absorb the bank’s operational losses whilst still honouring its obligations whenever they fall due.
Table 1: Minimum Capital Requirements

<table>
<thead>
<tr>
<th></th>
<th>Current Minimum Capital US$m</th>
<th>New Minimum Capital Required US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Merchant Banks</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>Building Societies</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>Finance Houses</td>
<td>7.5</td>
<td>60</td>
</tr>
<tr>
<td>Discount Houses</td>
<td>7.5</td>
<td>60</td>
</tr>
<tr>
<td>Microfinance Banks</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>


Regulators in various countries have some discretion on the level of capital requirements in their jurisdiction, hence minimum capital requirements vary from one country to another.

According to the BancABC Annual Report, (2012) the consolidation of banks may result in economies of scale through:

- Reduced unit costs of operations, hence increased efficiency
- Removal of overlapping functions
- Lowering interest rate due to ‘safety in bigness’
- Increased potential to underwrite big transactions (higher single obligor limits) due to high capital level.

The phased approach for meeting the minimum capital levels gives banks ample time to act on their recapitalization strategies as well as assess opportunities for mergers and acquisition. It is commendable that the Reserve Bank of Zimbabwe (RBZ) insist on uniform capital requirements for both foreign and domestic banks. Any attempt to subscribe higher capital levels for foreign banks would put domestic banks on a back
foot – investors would view foreign banks as more prudent than domestic banks due to more stringent capital levels (RBZ Monetary Policy Report, 2012).

The graduated capital levels for various financial institutions may give banks latitude to move from one category to another. Such downgrading may be necessary, particularly in the event that some banks fail to meet the minimum capital levels.

Whilst this framework provides a soft landing for banks that may fail to meet the minimum capital levels, it also provides them with an opportunity to focus in other sectors that are not well served, yet they contribute significantly to the economy. These sectors include the Small to Medium Enterprises (SMEs) and the informal sectors, including the low income earners.

Microfinance institutions are not supposed to take deposits; hence they attract low level of capital requirement. During the period from 2000 to 2008 there have been incidences where customers lost their savings to deposit taking microfinance institutions. This coupled with a series of bank closures (which also saw customers losing their savings) has led to erosion of confidence in the banking system.

The cumulative impact is that a significant amount of money and transactions could be circumventing the formal banking channels – in the process, worsening the liquidity situation in the market. Though difficult to measure, there are reports indicating that over US$2.5bn could be circulating outside the formal banking system. Such huge amount of money outside the banking system is partly a result of unaccounted export receipts.
According to the BancABC Annual Report, (2012), the promulgation of economic empowerment regulations have dented confidence in the banking sector whose intermediary role remains integral in the attainment of fast paced economic growth. Well-functioning financial markets are an essential link in the transmission of monetary policy to the economy and a critical foundation for sustained economic growth and stability.
The multiple currency era has been epitomized by transitory deposits in the banking sector, short term loans, market illiquidity and lack of money market instruments. Additionally, the increase in cash based transactions, financial disintermediation, and settlement risk and asset quality vulnerability remain worrisome with increased abuse of depositors’ funds as well as the endemic over-stepping of operational mandates by money lending institutions. Indeed history is repeating itself as the current challenges faced by the banking sector are reminiscent of the episodes experienced over the period 2003-2004.

1.1.3. Industry Analysis
The following schematic shows the industry analysis of BancABC. Michael Porter provided this framework that models an industry as being influenced by five forces (Porter, 1980). Different industries can sustain different levels of profitability; part of this difference is explained by industry structure.

According to Porter (1980), any strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The manager can then use the analysis as a basic tool for strategic decision making for the current situation or future. Porter views the dynamism of markets as driven by innovation.
THE FIVE FORCES ANALYSIS

Bargaining Power of Suppliers

For BancABC, the bargaining power of suppliers is high because the market is characterized by a few highly liquid depositors. Again in general the market is overbanked hence there are low switching costs among the suppliers hence their bargaining power is high.

Figure 2: Porter’s Five Forces

Source: BancABC Internal Reports (2012).
Bargaining Power of Customers

The bargaining power of customers is low at BancABC as majority of customers understand that there are few liquid banks that can provide them with their full requirements. This means that there is high demand for money and low supply hence customers are price takers.

Threat of substitutes

The threat of substitutes is high due to the generic nature of banking products. For BancABC, availability of credit terms from money lending shops and mobile money banking as well as existence of money transfer agents pose a real threat.

Threat of new entrants

New entrants are finding it difficult to enter the industry due to high minimal capital requirements. Also the Indigenization Act has repelled would be entrants due to its stringent requirements.

Rivalry among Existing Firms

There is high competition among financial players and BancABC is forced to look for the few liquid depositors and the number of players in the industry makes it cut-throat competition.

1.1.4. Overview of BancABC

BancABC is a brand name of ABC Holdings Limited (ABCH), which is a Botswana registered Company with a primary listing on the Botswana Stock Exchange and a secondary listing on the Zimbabwe Stock Exchange. The Group has operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and has a representative office in South Africa. ABCH formally commenced operations in June 2000 as a result of the merger of banking and financial services institutions. ABC retains a strong presence in Zimbabwe and its business portfolio spans Investment Management, Investment Banking, Treasury, Corporate Banking and Structured Finance. More recently the
Group has been on an overwhelming organic growth drive that has led to significant footprint in Retail Banking across all countries of operation.

1.1.4.1. The BancABC Holdings Shareholding Structure

ABC’s shareholding is distributed among well-respected African financial firms, world-class European and South African institutional investors and Development Finance Organizations and individuals. The majority shareholder of ABCH is ADC of Germany, which is a listed financial services group focusing on the highly profitable banking and insurance market as well as on proprietary investments in selected frontier markets in Sub-Saharan Africa.

The Frankfurt Stock Exchange-listed company increased its ABC stake when it agreed to hold shares for executive management as a financing mechanism, to take its shareholding to 50.4 percent. Several executive management vehicles constitute significant local shareholding and Old Mutual of Zimbabwe and First Mutual of Zimbabwe are also shareholders among other local institutions.

In addition to strong African shareholders, ABCH enjoys support from several substantial international institutional investors, including Zephyr Management LP, a New York based emerging markets fund with USD 400 million currently under management, and EDESA Holdings, a broad-based investment consortium which includes as shareholders such pre-eminent global institutions as Daimler Chrysler, UBS Warburgs and Swiss Re as well as South African institutions such as Rembrandt. Development Finance Organizations are also core ABCH shareholders and include, directly or indirectly, the International Finance Corporation (‘IFC’), Commonwealth Development Corporation (‘CDC’), DEG of Germany, Swedfund and Proparco, the French development agency.
Figure 3: BancABC Organizational Structure

Source: BancABC Internal Reports (2011)

Table 2: Historical Financial Performance of BancABC

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Full Year 2009</th>
<th>Full Year 2010</th>
<th>Full Year 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year End Price (cents)</td>
<td>20.00</td>
<td>45.00</td>
<td>95.00</td>
</tr>
<tr>
<td>Net Asset Value (per share) (cents)</td>
<td>40.90</td>
<td>44.70</td>
<td>54.80</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>8.29</td>
<td>6.71</td>
<td>5.49</td>
</tr>
<tr>
<td>Price Earnings ratio</td>
<td>2.41</td>
<td>6.70</td>
<td>17.31</td>
</tr>
<tr>
<td>Market capitalization ($mln)</td>
<td>29.28</td>
<td>65.89</td>
<td>142.00</td>
</tr>
<tr>
<td>Liquidity</td>
<td>59%</td>
<td>63%</td>
<td>82%</td>
</tr>
<tr>
<td>Deposits ($ mln)</td>
<td>502.93</td>
<td>761.08</td>
<td>985.26</td>
</tr>
<tr>
<td>Advances ($ mln)</td>
<td>299.10</td>
<td>477.42</td>
<td>811.94</td>
</tr>
<tr>
<td>Cost to Income ratio</td>
<td>82%</td>
<td>77%</td>
<td>74%</td>
</tr>
<tr>
<td>Total number of shares in Issue</td>
<td>146,419,524</td>
<td>146,419,524</td>
<td>149,472,131</td>
</tr>
</tbody>
</table>

1.2. Problem Statement

The Zimbabwean commercial banking industry has been facing problems ranging from congested market to operational challenges. There are so many banks in the market with few liquid depositors. This has resulted in high competition to attract the few liquid clients. As highlighted in the background, the industry has been given new minimum capital requirement of 100 million from the current 12.5 million. This entails that the industry has to grow in a limited period to attract such capital.

The market is characterized by high demand and low supply of money which results in the target market for banks shrinking despite the fact that some banks have implemented new strategies into other portfolios like mortgage finance, insurance and asset management in an attempt to grow.

This study investigates the feasibility of organic growth as a strategic growth option for BancABC to achieve superior financial performance in order to fulfill the minimum capital requirements as set by the Reserve Bank of Zimbabwe since most banks are currently undercapitalized.

Therefore, can BancABC grow organically so that it achieves superior financial performance that will result in the institution meeting the minimum capital requirements?

Table 3: Peer Comparison for Banking Products

<table>
<thead>
<tr>
<th>Institution</th>
<th>Commercial Bank</th>
<th>Asset Management</th>
<th>Stock broking</th>
<th>Microfinance</th>
<th>Asset Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBZ</td>
<td>Yes</td>
<td>Yes</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>ABCH</td>
<td>Yes</td>
<td>Yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Kingdom</td>
<td>Yes</td>
<td>Yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>FBCH</td>
<td>Yes</td>
<td>No</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>ZB</td>
<td>Yes</td>
<td>No</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Stanbic</td>
<td>Yes</td>
<td>No</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>StanChartere</td>
<td>yes</td>
<td>No</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>NMB</td>
<td>Yes</td>
<td>No</td>
<td>no</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>

Source: Own (2012)

As shown above, the banking industry has been maneuvering from the traditional banking model and offering related services such as investment banking and asset management and microfinance as a way of boosting profitability in an otherwise illiquid market like Zimbabwe.

1.3. Objectives of the Study
The main objective of this study is to evaluate the effectiveness of organic growth, as a strategic growth option in the Zimbabwe banking sector, with a view to ascertaining if the strategy results in superior financial performance.

Therefore the specific objectives of the study are to:

1. To establish whether there are institutional frameworks for organic growth at BancABC.
2. To evaluate the role of management in fostering organic growth within BancABC.
3. To identify obstacles that hinder growth initiatives already established in the bank.
4. To establish if the growth momentum can be maintained and natured for further future growth.
5. To proffer recommendations on how BancABC can leverage on organic growth to attain business growth.
1.4. Research Questions
1. Are there institutional frameworks that support organic growth in BancABC leading to superior financial performance of the organization?
2. What is the management role in fostering organic growth in the bank and how this can be enhanced?
3. What challenges affect the feasibility of organic growth in the face of competition in the industry?
4. Can organic growth momentum be maintained for future growth?
5. In what ways can BancABC leverage on organic growth to attain business growth?

1.5. Research Proposition
This study proposes that organic growth at BancABC is challenged by prevailing economic, political, social and technological and legal factors in the country.

1.6. Justification of Research
This study seeks to evaluate organic growth as a strategic growth option in the Zimbabwean banking sector, with a view to ascertaining whether it results in superior financial performance of BancABC that can lead to a competitive advantage. Growth strategies differ according to industry and companies therefore studying the impact of pursuing organic growth as a growth strategy provide a framework for selecting a growth strategy that results in improved performance and competitive advantage, at the same time adding to existing knowledge base in the company for future considerations.

Analysis of organic growth as a growth option in Zimbabwe banks is limited and going deeper into this growth will present management and shareholders a fresh perspective about options available for growth.

The researcher will benefit from the research through interaction with executive management and board members who formulate the strategies at a higher level thus will assist the researcher to have a high level appreciation of the company as a whole, which is a cornerstone in the MBA curriculum. It is envisaged that the completion of this
master’s project will find a special place in the University collections area for future students who may have an interest in the same area as that studied by the researcher.

Most researches go beyond benefiting the targeted company, thus the study will assist shareholders in deciding which growth option to consider in future endeavors that will result in them attaining higher return on investment (ROI) as this will be enhanced due to growth of the company they own shares in.

Other banks may use the growth model as a stepping stone in achieving the set minimum capital requirements. Through improvement on internal systems and processes, clients will benefit from better, efficient service and security of their funds held by the banks. The banking industry in particular and other industries in general, will benefit from industry analysis carried out during this research as well as conclusions and recommendations put forward.

1.7. Scope of Research

The banking industry is a sector where statutes require public disclosure of performance information whether banks are listed or not. It is envisaged that information concerning other banks competing in the same sphere with BancABC will be obtained from secondary sources. The researcher is employed under the institution being used as a case study. This will assist in gathering timely and reliable information from within.

The period of study will be from 2009 when Zimbabwe adopted multiple currency regimes, running through to 2012. Physical research will be carried out in Harare only due to budget and time constraints and out of town branches will be contacted electronically. However comparisons will be made with other commercial banks not only in Zimbabwe but globally. Focus will be on the management and staff of BancABC that is involved in strategic decision making and execution that has a direct bearing on growth strategies of the bank.
1.8. Limitations

In conducting this case study, there is likelihood that challenges may be faced when getting potential respondents to not only complete questionnaires, but to do it objectively.

1.9. Dissertation Outline

This research is made up of five chapters.

Chapter 1 introduced the concept of organic growth, providing the background to the study and an overview of BancABC. It also gave the statement of the problem, research objectives, research questions, research proposition, scope and structure of the study and its limitations.

Chapter 2 reviews relevant literature on organic growth and few other growth options. The objectives gave guidance to the literature review which then provided a framework for the discussion of results in chapter four.

Chapter 3 looks at the methodology used in this study. It explains how the research was carried out in terms of approach, sampling methods, research instruments, data collection, processing, analysis and presentation.

Chapter 4 is comprised of the research results, data analysis by way of graphs and pie charts and graphs. A discussion of each finding in relation to the research objectives is also given.

Chapter 5 covers the conclusions and recommendations arising from the research findings. This chapter concludes by providing suggestions for further research on aspects that could be developed from this study
CHAPTER 2

LITERATURE REVIEW

2. Introduction
This chapter reviews literature which will help to address the objectives of the study. The literature was gathered based on the objectives provided in chapter one of this study. The literature focuses on the organic growth overview and theories.

2.1. Overview of organic growth
Bossert (2007) alludes that organic growth shows how well a company’s management is utilizing internal resources to increase sales and output. Cox, (2008) defines organic growth as a company expanding its business through use of its own resources and assets, without the use of takeovers or mergers. Welch, (2005) refers to it as starting something new from inside. Cox, (2008) warns that organic growth takes an enormous commitment of resource and time. It could involve acquisition of equipment, hiring and training of personnel. Welch, (2005) supports this view but further argues that it is a very rewarding path of growth.

2.2. Firm-Focused Theories of Growth

2.2.1. Endogenous Growth Theory
According to Nelson and Winter, (2002) the endogenous growth theory focuses on evolutionary routines and the Resource Based View (RBV). At different levels of analysis, a stream of theories focusing on strategic resources and processes is proposed to explain growth. At the firm level, early work by Penrose (2000) viewed the growth of a firm as a function of managerial resources, since managers are a body of tacit knowledge about the workings of the firm and the best utilization of internal assets and competencies. Subsequently, theoretical research under the same umbrella has emphasized theories focusing on organizational routines, which are defined as the storage of an organization’s operational knowledge (Nelson and Winter, 2002).
Nelson and Winter (2002) further note that these routines and the firm’s ability to renew these routines according to market dynamics determine its growth. Finally, building on these two earlier firm level views of growth, the resource-based view (RBV) of the firm defines firms as a collection of strategic resources, assets, and skills/capabilities that collectively determine its growth according to Amit and Schoemaker, (2003).

Geroski (2009) examined a wide variety of constructs, rooted in endogenous growth theory, evolutionary and resource-based approaches, as predictors of firm growth. Across disciplines, the most commonly studied construct is innovation, which refers to all the activities that a firm engages in to develop new products and services (Scherer, 1965). Innovation is viewed as a fundamental process or as an organizational capability that generates organizational knowledge. According to Stremersch and Tellis (2004) this strategic routine generates knowledge, which leads to new products, greater organic growth and subsequently better financial performance.

In marketing, researchers have examined the process of obtaining, disseminating, and responding to market information (i.e., market orientation) as an important antecedent factor to organic growth (Bharadwaj, Clark and Kulviwat, 2005).

Market-oriented firms are likely to serve their customers better than their competitors by using the information they collect as discussed by Jaworski and Kohli (1993). Consequently, market-oriented companies should grow at higher rates than their competitors (Gotteland and Boule, 2006). Marketing’s impact on growth is not restricted to market orientation. Marketing expenditures enable the firm to build strategic assets such as brands (Srivastava, Shervani, & Fahey, 1998). Advertising enables companies to inform customers of new products, or to highlight superior product/service attributes, which contributes to sales growth. An emphasis on marketing investments even helps firms grow sales and share in recessionary market conditions (Srinivasan, Rangaswamy&Lilien, 2005).
Firms form relationships with a wide variety of entities outside their organizational boundaries such as other firms, suppliers, buyers, financial institutions (Park & Luo, 2001). Participating in networks and engaging in collaboration with various entities provide the following advantages to the firm: they
(a) allow the firm to reach out to key resources from its environment, such as information, access, capital, goods and services;
(b) enable the firm to reduce transactions by information sharing and development of norms; and
(c) enable firms to protect their customer bases from competitive threats by raising entry barriers to key suppliers through coordination (Gulati, Nohria, & Zaheer, 2000).

As a result of these benefits, the linkages between the firm and external entities can be viewed as strategic assets. Access to key resources such as technology and marketing expertise, as well as the capability to coordinate with suppliers, will lead firms to higher sales growth rates via faster and more effective new product development and market responsiveness (Lee, Johnson & Grewal, 2008).

Finally, drawing on the endogenous growth theory, Hitt, Ireland, Camp, & Sexton (2001) argue that organizational culture and firm orientation can also be regarded as strategic assets of firms. Specifically, entrepreneurial orientation, defined as the extent to which the firm has a propensity to take risks, innovate and be proactive (Lumpkin & Dess, 1996), is studied as a predictor of organic growth. Firms that are entrepreneurially oriented will be able to determine business opportunities better and faster than their competitors (Lee, Lee, & Pennings, 2001). Such companies are less reluctant to take risks so they will be more agile than less entrepreneurial firms in taking advantage of business opportunities. Consequently, they are expected to grow faster than their competitors.

Penrose (1959) proposed management resource theory for firm growth, with a focus on coordination and adjustment issues. This work emphasizes one factor, namely management resource, as an important predictor of growth above all other factors. In
fact, as highlighted by Trau (1996) and Mahoney and Pandian (1992), the Penrosian view considers the growth of the firm to be limited in the long-run only by its internal management resources. The underlying logic behind this is that total management capacity is divided between running the company in its current state and exploring new business opportunities. In order to capitalize on this new growth, firms need to hire new managers. Trau (1996) adds that new managers, however, have to be trained by existing managers. As a paradoxical consequence, existing managers become more time-constrained. These managerial diseconomies of growth (called the “Penrose effect”) suggest that a firm’s long-term growth will be affected by the skills and the number of its managers.

McEachern, (1978), investigated coordination and adjustment issues from an ownership perspective. The fundamental argument is that misalignment of managers’ and owners’ interests will adversely affect firm growth. Managers may seek strategies to secure their employment as opposed to those that achieve optimal growth. Usually, selfinterest seeking managerial behavior leads to higher-than-optimal growth (Williamson, 1964) due to managers’ preference for expanding the firm to reduce its likelihood of bankruptcy.

2.2.2. Organizational Theory:
The organizational theory approach explains firm growth as a function of organizational characteristics. According to Barron, West and Hannan(1994), organizational characteristics affect how agents make decisions. One such characteristic is the age of the organization. Firms may suffer from being “young” due to lack of reputation or they can suffer from being “old” due to the inability to adapt to changing environmental conditions (the liability of senescence) as explained by Barron, West &Hannan (1994).

Handy and Tellis (1998) have tested the relationship between firm age and growth in order to provide empirical evidence for these arguments. Organizational theorists have also investigated the firm size and growth relationship extensively. There are divergent views on this relationship. For example, Haveman (1993) argues that larger firms tend
to be more bureaucratic than smaller firms. Bureaucracy prevents organizations from acting on opportunities (Haveman, 1993). Therefore, they grow at lower rates than smaller organizations. However, others argue that larger organizations have more slack resources, enabling them to withstand changes in the environment (Chandy&Tellis, 1998).

These slack resources should be available to generate higher growth. Gibrat (1931) argues that growth is proportional to size and that the factor of proportionality is random. In other words, proportional growth rates are independent of size (Sutton, 1997). Numerous studies have tested this theory, called “Gibrat’s Law” (Evans, 1987; Geroski, 2005), and the results have been mixed.

2.2.3. Environment-Focused Theories of Firm Growth

Industrial Organization:
Industrial organization (I.O) theory explains firm growth largely based on industry structure (Scherer 1980; Bharadwaj & Varadarajan, 2004). According to the IO school, firm-specific advantages will be competed away over time. Therefore, a firm’s organic growth primarily depends on industry characteristics and how the company positions itself vis-à-vis the industry structure. Researchers have primarily focused on competitive intensity in the industry as a predictor of growth. As the competition intensifies, firms find it challenging to achieve high sales growth rates.

Population Ecology: While most of the work in organization theory focuses on organizational characteristics, Welch (1998) proposes environmental characteristics other than competition as predictors of firm growth. These characteristics are usually associated with theories of population ecology and/or resource dependence. The most commonly discussed environmental dimensions are munificence, dynamism, and complexity (Aldrich, 1979). Munificence is defined as the availability of environmental resource to support growth (Dess & Beard, 1984). For example, a firm will be able to invest in new products, operational or service processes, and achieve higher growth
rates in an industry with an abundance of credit as opposed to in an industry where such credit is unavailable.

Environmental dynamism refers to volatility and instability in an industry (Aldrich, 1979). In highly dynamic environments, firms find it difficult to predict customer preferences and demand, which is likely to lead to inefficient decisions in new product development and marketing. Consequently, firms are not able to achieve high growth rates. Environmental complexity refers to the heterogeneity and range of an organization’s activities in relation to its environment (Child, 1972). Organizations competing in industries that require many different inputs or that produce many outputs should find resource acquisition or disposal of output more complex than organizations competing in industries with fewer inputs and outputs (Dess & Beard, 1984). Consequently, the difficulty of operating in an environment of heterogeneous inputs and/or outputs should inhibit firm growth.

Wunker (2010) says the financial markets clearly reward institutions with a strong growth story. And while it can be pursued through several paths – including introducing new products and services, targeting new markets and entering new businesses, Trau (2005) says the optimization of the current business (existing clients and prospects) is the main path on which to focus.

Haveman (1993), pointed out that significant growth can still be achieved by developing deeper, more relevant and more profitable relationships with customers. There is no silver bullet. Delivering the right experience and achieving significant and sustained growth requires a clear strategic vision, an environment that drives passionate execution over time, orchestration of the most critical programs, as well as buy-in and commitment from employees.

Across critical customer-focused key performance indicators, organic growth initiatives can deliver significant results, visible to the market. Rather than focusing on a specific consumer segment, for example Wells Fargo has chosen to be the financial services provider for the mass market (Royal Bank of Scotland, Wells Fargo, 2011).
2.3. Organic Growth through Innovation

Wunker (2010) pointed out that shareholders are speaking in unison: acquisition is no longer the path for banks to achieve profitable growth. With many superior targets already purchased, and others having an acquisition premium baked into their share prices, banks can no longer count on consolidation to create the growth their earnings multiples demand. Wunker (2010) points out that Organic growth is the new imperative

Gotteland and Boule (2006) say that given these prospects, banks may look jealously toward other rapidly growing and profitable industries. From search engine Google to regional jet maker Embraer, companies are creating new sub-industries and quickly dominating. Indeed, the biggest stock-market success stories of the past 100 years have followed a similar path creating a sub-industry or segment, rather than slogging through entrenched competition. Through "disruptive innovation," a term coined a decade ago by Harvard Business School’s Clayton Christensen, these firms have redefined what customers buy and how firms compete to serve them. Banks can do the same, using innovation to create organic growth (Geroski, 2010)

Chandy & Tellis, (1998), argued that some in financial services claim the industry hasn't seen fundamental innovation in 400 years, but this is untrue. Innovation has, in fact, been remaking several aspects of the industry, but the forces of change are most powerful in business models, rather than technology innovations. Perhaps the biggest success stories revolve around non-banks. Capital One is marketing credit cards to down market segments. H&R Block has developed a robust business in refund-anticipation loans. American Express and Diners Club created corporate spending cards. Charles Schwab pioneered a low-cost direct model of selling investments according to Chandy and Tellis (2005).

(Child, 1972) added that banks want to get their new offerings 100 percent correct before launch, but many ideas are not tested in quick and inexpensive markets first. and, therefore, executives will often review finished product concepts late in the pipeline.
2.3.1. Growth Options

Figure 4: Growth Options

Source: Ansof (2008).

To create significant shareholder value, financial services companies must have a clear vision and a well-articulated business model. Having the right strategy and isolated capabilities will not drive value: execution is critical. To build an organic growth strategy and set the basis for a differentiated customer experience that creates long-term value for the customer and for the bank, a set of key capabilities must be identified, sharpened and tightly integrated in what we call the “growth engine” (Barrow, 2003).

Barrow (2003) further argues that in order to drive profitable organic growth, institutions must first clarify strategic priorities, considering market opportunities, past investments and current resources. They must identify key performance indicators that will chart progress toward these strategic priorities, and communicate those key performance indicators to all who must contribute to the journey. Executives must then determine and develop the groups of capabilities that will enable their companies to grow (Barrow, 2003).
2.4. Growth Cycle

2.4.1. Business Growth

A business-growth life cycle model accounts for the organizational, managerial, financial and operational development of micro-to-small firms to progress across stages of business development, (Churchill and Lewis, 1983). A summary illustration of the small business growth-life cycle model, along with the evolving strategic role and vision of owner-managers by Churchill and Lewis (1983), is as follows:

1. Start up stage:

Following a period of business idea evaluation, back-bedroom or garage-based research and development and experimentation with the business concept, the venture is established and registers sales of the prototype product/service.

2. Survival stage:

According to McCarthy and Parreault (2003), post-launch of the business, the survival stage is paramount as it involves the conversion of early customers into more loyal clients and the development of the marketing mix in order to win more clients. This early growth needs to be matched consistently with more access to funds in order to finance investment in fixed assets, but more importantly increasing working capital requirements. Barrow, (2003) added that other transitional issues, for example, limited delegation, has led to the labeling of the survival stage as the ‘Death Valley’. A small proportion of small firms survive beyond a trading period of five years.

3. Success stage:

According to Barrow(2003), following the more turbulent period of early development, the business reaches a comfort stage, characterized by an established clientele, and with basic management structure, financial and operating control systems in place. Basically, the owner-manager could pursue the profitable status quo or alternatively, because of revised motivations or market-imposed pressures, the owner-manager could embark on marshalling resources to pursue more growth opportunities (Barrow, 2003).
4. Expansionary take-off:

Berkowitz et al., (2000), argued that building on early success, the owner-manager resolves the classic growth-control dilemma and develops both the financial and human capital base. Basically, the company outgrows the founder owner-manager and corporate development is essential in order for the team to broaden the strategic and marketing frontiers of the business.

Moreover, to safeguard sustainable development it is important that the rejuvenated management has operational and innovative capacity to spearhead new business initiatives both at home and overseas. In addition, Berkowitz et al (2000) say that systems have to be developed to deal with certain growth pains, for example, overtrading, limited access to equity markets, problems in recruiting, retaining and developing management talent, fending off international competition, and staying tuned to market and technological trends.

5. Maturity:

Chandy & Tellis, (1998) highlighted that the business is now established and exhibiting stable results. Management will tend to deal with more strategic issues such as: corporate governance to safeguard the interests of minority shareholders; exit routes for certain investors; evaluation of the profitability of peripheral business lines; and a review of the organizational structure in order to ensure the flow of information and communication.

In terms of the strategic growth agenda, new issues will emerge such as exhaustion of organic growth through consideration of non-organic growth strategies such as buying out other smaller firms to add value to the group; instituting strategic alliances, and directing investments in new business activities and research and development in order to enable the diversification via the development of new product lines for new markets.
2.5. STRATEGIC GROWTH OPTIONS

The two general approaches to growth are internal and external. Internal-growth strategies make use of internal sources to build sales in existing businesses or pursue new markets. External growth involves cooperation with or acquisition of other organizations.

2.5.1. Internal Growth Strategies

According to Harrison (2003), organizations typically begin with a single product or service in a single market. If they remain in one market, their strategy is called market penetration. Firms that are pursuing market penetration build market share through investments in advertising, capacity expansion, and the sales force (Harrison, 2003). Eventually, the organization may decide to pursue diversification outside their traditional markets. The two basic types of internal diversification are market development and product or service development.

Market development involves repositioning a product or service to appeal to a new market (Tienie and Kobus, 2007). To support market development, firms may need to invest in market research, advertising and promotion, a new sales force, or applications development and testing. For example, a nylon-fabric manufacturer who sells fabric to wind-suit manufacturers would have to invest in market and applications development in order to sell nylon fabric to tent or sleeping-bag manufacturers.

According to Coyle (2000), product or service development may include introduction of new products or services related to an existing competence of the firm or development of truly new-to-the-world products not related to the core business of the firm. Research allocations focus on product development, applications development, basic research and development, and perhaps process development or market development, depending on the nature of new or modified products (Tienie and Kobus, 2007). For example, pharmaceutical companies continuously make investments in new and improved products.
2.5.2. External Growth Strategies

External-growth tactics involves seeking resources from external organizations through acquisitions or joint ventures (Harrison, 2003). Horizontal integration involves acquisition of an organization in the same line of business. Typically, horizontal integration is accomplished for the purpose of gaining market share in a particular market, expanding a market geographically, or augmenting product or service lines. Organizations also use acquisitions to pursue related or unrelated diversification.

According to McCarthy and Parreault (2003), related diversifications occur when the acquiring company shares common or complementary resources with its acquisition target. Resources to consider include products, markets, services, or technologies.

Chandy & Tellis (1998) added that unrelated diversifications occur between companies that do not share any common or complementary resources. In conclusion, diversification is directly concerned with extending the organization beyond its original boundaries (industry and market).

2.5.3. Theoretical Perspectives for Growth

It is every firm's desire to grow and as such management would always be preoccupied with pursuing various options that are available to achieve growth.

Table 4: The Growth of the Firm-A Three Strategic Choice Model

<table>
<thead>
<tr>
<th>Strategic Choice</th>
<th>Mode of Organization</th>
<th>Institutional Prerequisite</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Generic Expansion</td>
<td>Hierarchy</td>
<td>Capable managers</td>
</tr>
<tr>
<td>2. Acquisitions</td>
<td>Market</td>
<td>Functional strategic factor (e.g. Financial) markets</td>
</tr>
<tr>
<td>3. Interorganisational relationships (Networks)</td>
<td>Hybrid (neither hierarchy nor market)</td>
<td>Trust and mutual understanding; resource dependency and complimentary.</td>
</tr>
</tbody>
</table>

Source: (Heath and Peng, 1996)
There are three major theoretical perspectives, each leading to a particular strategic choice.

2.5.3.1. Internal Growth Strategies

The evolutionary perspective focuses on both the desire of managers to achieve growth and the firm as a bundle of resources and routines that influence growth (Penrose, 1959). The growth of the business could be viewed as an attempt being made by top managers to fully utilize the firm’s resources – into new areas where the excess capacity in currently under-utilized resources can be better utilized.

According to Linch (1997), the firm grows by using its own capital resources to invest in new capital assets, product and staff development. Usually this demonstrates to investors the ability of management to grow their own business and create opportunities, which in turn improves the share price. The internally generated nature of such growth is thus called generic expansion (Chandy&Tellis, 1998).

The prerequisites for such a growth strategy are a firm’s managerial and organizational capabilities as the principal constraint on the growth of the firm is the availability of capable and experienced managers to spearhead the expansion. However, Penrose (1959) argues that there is a limit to this form of growth strategy as no firm is capable of generating internally driven expansion indefinitely.

2.5.3.2. The Transaction Cost/Acquisition Perspective

The transaction cost perspective, suggests that in addition to having a staff of capable managers, a growing firm must also overcome transaction cost problems. It explains why the full employment of the under-utilized resources often, cannot be achieved by selling or leasing out the excess capacity to other firms but requires an expansion of the boundaries of the firm (Williamson, 1985). This view focuses on the failure of the market, even in modern Western economies, to facilitate the transaction of certain types of resources.
As a result, the firm has to be in acquisitions of other firms in order to achieve such growth through internalization. According to the transaction cost perspective, a generic expansion strategy corresponds with the hierarchy while acquisitions take place through the market (William, 1985). Lynch (1997) also highlighted that mergers and acquisitions eliminate potential rivals and enable the firms’ swift entrance into new markets.

2.5.3.3. Inter-organisational/Network Relationships

While the traditional strategy for growth has been either through generic expansion or acquisition, more recently, an unprecedented number of Western firms have been entering a variety of inter-organizational relationships such as strategic alliances and joint ventures in order to achieve growth according to Chandy & Tellis (1998). As a result the third major theoretical perspective, namely the inter-organizational perspective, emerges. The strategy of growth reflects the focal firm’s inability to possess all the necessary resources to undertake generic expansion alone or to acquire other firms. Rather, it represents the firm’s efforts to gain access to complementary assets, thus reducing environmental uncertainties. While mutual trust is needed to coordinate inter-partner cooperation, resource dependency and complementarities are also necessary (Pfeffer and Salancik, 1978).

Overall, the inter-organizational perspective focuses on the rise of a network-based, hybrid strategy of growth and highlights the neither market nor hierarchy feature of such a strategic choice (Powell, 1990). Joint Development Strategies involve the firm working with another firm under an arrangement of greater or lesser formality. Major benefit of this arrangement is the reduction of business risk as firms’ capital commitments are shared accordingly and competition eliminated.

2.6. Institutional Frameworks for Organic Growth

2.6.1. Ansoff Growth Matrix

The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Ansoff’s product/market growth matrix suggests that a business’ attempt to grow depend on whether it markets new or existing products in new or existing markets (Ansoff, 2008).
The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy. These are described below:

### 2.6.1.1. Market penetration

Ansoff, (2008) maintained that market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives namely to maintain or increase the market share of current products, secure dominance of growth markets and restructure a mature market by phasing out competition as well as increase usage by customers already being serviced by the company.

### 2.6.1.2. Market development

Ansoff, (2008), explains market development as the name given to a growth strategy where the business seeks to sell its existing products into new markets by introducing new distribution channels, employing varying pricing policies and going into new geographies. Ansoff (2008) also says packaging the product differently is beneficial.
According to Kobus and Tienie (2007), market development strategy is especially effective when an organization has access to reliable and affordable distribution channels in the area it wishes to enter and knowledge about buying behavior of consumers in the foreign country.

### 2.6.1.3. Product development

According to Kobus and Tienie (2007), product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

Kobus and Tienie (2007) remarked that a product development strategy can be effective in industries that are characterized by rapid technological developments, especially when their major competitors offer better quality products at comparable prices.

### 2.6.1.4. Diversification

Smith and Taylor (2004), pointed out that diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

McCarthy and Parreault (2003) argued that related diversifications occur when the acquiring company shares common or complementary resources with its acquisition target. Resources to consider include products, markets, services, or technologies.

According to McCarthy and Parreault (2003), unrelated diversifications occur between companies that do not share any common or complementary resources.
2.6.2. The McKinsey Growth Pyramid

This model is similar in some respects to the well-established Ansoff Model. However, it looks at growth strategy from a slightly different perspective. The McKinsey model argues that businesses should develop their growth strategies based on operational skills as the “core competences” that a business has which can provide the foundation for a growth strategy (McKinsey, 2009).

![Generic options and investment structures for a growth strategy](image)

**Figure 6: The McKinsey Growth Pyramid**


Growth can be achieved by looking at business opportunities along several dimensions, summarized in the diagram above (McKinsey, 2009). Existing products to existing customers are a low risk route which increases sales to the existing customer base; this is about increasing the frequency of purchase and maintaining customer loyalty. McKinsey (2009) further proposes to find entirely new products that these customers might buy, or start to provide products that existing customers currently buy from competitors. New products and services delivery approaches focuses on the use of distribution channels as a possible source of growth. Also businesses are encouraged
to consider new geographic areas into which to sell their products. According to Thompson and Wright (2001), geographical expansion is one of the most powerful options for growth but also one of the most difficult.

2.6.3. Product Portfolio Strategy - The Boston Consulting Box

The business portfolio is the collection of businesses and products that make up the company. The best business portfolio is one that fits the company’s strengths and helps exploit the most attractive opportunities (Smith and Taylor 2004).

Smith and Taylor (2004) further say that the company must analyze its current business portfolio and decide which businesses should receive more or less investment.

---

**Figure 7: The Boston Consulting Group Box (BCG Box)**

Source: Barrow (2003)

Stars are high growth businesses which require significant investments to sustain growth while Cash cows have a higher market share but in mature markets. According to Smith and Taylor (2004), question marks show potential in high growth markets. Dogs are not worth investing as they waste resources (McDonald, 1999).
McDonald (1999) says that conventional strategic thinking suggests there are four possible strategies for each SBU including to build a strategy where the company can invest to increase market share (for example turning a "question mark" into a star). A hold requires the company invests just enough to keep the SBU in its present position while a harvest reduces the amount of investment in order to maximize the short-term cash flows and profits from the SBU. This may have the effect of turning Stars into Cash Cows. Otherwise firms can divest by phasing it out or selling it in order to use the resources elsewhere (e.g. investing in the more promising "question marks").

2.6.4. Porter’s Generic Strategies

Porter, (2005) pointed out that if the primary determinant of a firm’s profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below average profitability, a firm that is optimally positioned can generate superior returns.

A firm positions itself by leveraging its strengths. Michael Porter (2005) has argued that a firm’s strengths ultimately fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent.

The following table illustrates Porter’s generic strategies:

Table 5: Porter’s Generic Strategies

<table>
<thead>
<tr>
<th>Target Scope</th>
<th>Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad (Industry Wide)</td>
<td>Cost Leadership Strategy</td>
</tr>
<tr>
<td></td>
<td>Differentiation Strategy</td>
</tr>
<tr>
<td>Narrow (Market Segment)</td>
<td>Focus Strategy (low cost)</td>
</tr>
<tr>
<td></td>
<td>Focus Strategy (differentiation)</td>
</tr>
</tbody>
</table>

Source: Thompson and Wright (2005)
2.6.4.1. Cost Leadership Strategy

This generic strategy entails being the low cost producer in an industry for a given level of quality. According to Porter (2005), the firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Thompson and Wright (2005) affirm that even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market.

Porter (2005) says that firms acquire cost advantages by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

A deeper analysis by Thomson and Wright (2005) revealed that firms that succeed in cost leadership often have the following internal strengths:

- Access to the capital required making a significant investment in production assets where this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering.
- Efficient distribution channels.

Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Additionally, several firms following a focus strategy and targeting various
narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share.

2.6.4.2. Differentiation Strategy

McDonald (1999) pointed out that a differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

Porter (2005) identifies among other risks associated with a differentiation strategy as imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

2.6.4.3. Focus Strategy

According to Mcdonald (1999), the focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly (McDonald, 1999).

Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. Porter (1980) notes that firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.
Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.6.5. Generic Strategies and Industry Forces

The following table compares some characteristics of the generic strategies in the context of the Porter's five forces.

Table 6: Generic Strategies and Industry Forces

<table>
<thead>
<tr>
<th>Industry Force</th>
<th>Generic strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry Barriers</strong></td>
<td>Ability to cut prices in retaliation deters potential entrants.</td>
</tr>
<tr>
<td><strong>Buyer Power</strong></td>
<td>Ability to offer lower price to powerful buyers</td>
</tr>
<tr>
<td><strong>Supplier Power</strong></td>
<td>Better insulated from powerful suppliers.</td>
</tr>
<tr>
<td><strong>Threat of Substitute</strong></td>
<td>Can use low price to defend against substitutes.</td>
</tr>
<tr>
<td><strong>Rivalry</strong></td>
<td>Better able to compete on price.</td>
</tr>
</tbody>
</table>

Source: Porter (1980)
2.6.6. Role of Management in Organisational Growth.

An underlying reason behind growth of the firm is that the firm, headed by its top managers, is motivated to grow (Penrose, 1959). Such motivation is usually fuelled by the desire of top management to improve organizational performance, as well as the excitement of association with a growing organization. Thus the study of the growth of the firm must recognize the exercise of choice by organizational decision-makers and start with strategic choices made by top managers (Child, 1972).

According to Saddler (2003), leadership is an activity, or an influence process in which an individual gains that trust and commitment of others and without reliance on formal position or authority moves the group to the accomplishment of one or more tasks.

2.6.7. Challenges in managing growth successfully

A challenge is anything in an organization that limits it from progressing or achieving its goal according to Sytsma (1997). Therefore in each organisation the appropriate goal has to be defined for growth to take place. For most businesses the ultimate goal is to make profits today and in the future. The challenges can be either internal or external. Internal challenges tend to be endogenous while the external ones are exogenous.

Internal challenges differ from one business organisation to the other. Interestingly, they might even differ from one department to the other in the same organisation. Internal challenges, in most cases can not be divorced from the abilities and performance of management (Sytsma, 1997).

2.6.8. Greiner’s Model of Five Phases of Growth

Fast growing companies can often be chaotic places to work. As workloads increase exponentially, approaches which have worked well in the past start failing. Teams and people get overwhelmed with work. Previously-effective managers start making mistakes as their span of control expands, and systems start to buckle under increased load.
While growth is fun when things are going well, when things go wrong, this chaos can be intensely stressful. More than this, these problems can be damaging (or even fatal) to the organization. The "Greiner Curve" is a useful way of thinking about the crises that organizations experience as they grow (Saddler (2003)).

By understanding it, one can quickly understand the root cause of many of the problems likely to be experience in a fast growing business. More than this, problems can be anticipated before they occur, so that one can meet them with pre-prepared solutions.

Figure 8: The Greiner Curve

Source: Mahoney and Pandian (1992)

Greiner (1972) modelled the Growth Model which describes phases that organizations go through as they grow. All kinds of organizations from design shops to manufacturers, construction companies to professional service firms experience these. Each growth
phase is made up of a period of relatively stable growth, followed by a "crisis" when major organizational change is needed if the company is to carry on growing.

Saddler (2003) added that growth rates will vary between and even within phases. The duration of each phase depends almost totally on the rate of growth of the market in which the organization operates. The longer a phase lasts, though, the harder it will be to implement a transition.

When organisations grow, their structures and processes change. They need new ways of communication and leadership. The extent of these changes is determined by how the organisation grows, either by increasing the number of staff or by increasing revenues. According to Greiner (1997), a growing and maturing organization goes through five stages and each of the stages being related to particular organizational characteristics. The strategy formulation process is part of the general systems and procedures by which an organization controls its behaviour. Greiner (1972) explains that systems and procedures change as the organization changes and ages through a process of evolution punctuated by bouts of revolution. A closer look at these phases of growth reveals which problems a speeding up of growth can bring.

According to Greiner (1972) each of these phases of growth, evolution and revolution is marked by particular experiences of the members of the organisation. In the beginning of each phase, all processes work smoothly and then the organisation develops on. The once perfect processes and structures become inadequate until the situation becomes unacceptable for management and/or staff. Greiner (1972) argues that very few businesses initiate change processes before they reach a really unacceptable situation and in such a situation of crisis, it is time for change. These changes have to be implemented, controlled and modified in order to achieve a new fit between organizational needs and its structures and processes. Due to the several crises of growth, the implications of extreme growth on costs are enormous.

Sims and Smith (2003) highlight several important business strategy issues arising from Greiner’s model that include the idea that firms must find ways to overcome the crisis of
leadership, autonomy, control etc in order to survive and grow. In the later phases the corporate centre seems to delegate detailed control matters to divisional managers and concerns itself mainly with overall group strategy. Greiner (1972) indicates that corporations must resolve a tension between too much divisional autonomy (phase 3) and too much central control (phase 2 and 4) and can resolve these only by shifting to a collaborative approach to management.

The rate of evolution/revolution, according to Sims and Smith (2003) will be determined by the growth rate of the industry in which the firm operates. Greiner (1972) is mainly concerned to present a model of organizational growth. One consequence for business strategy is that the strategy formulation process itself will need to adapt as the organizations grow or ages as Greiner (1972) argues that in small, young businesses the creativity of the founding owners may be sufficient but as the business grows and ages, the leadership style changes to one of central direction and later to one of delegation to strategic business units.

2.6.9. Sustainability of Growth

Kobus and Tienie (2007) identified factors that are considered to determine a healthy and sustainable growth:

- The ability of the organization to identify profitable core businesses and to focus on them as time goes on.
- An ongoing questioning, developing and modifying of those organizational elements that is vital for the core businesses.
- The ability of the organization to realize changes in the external environment quickly and to react to them quickly and
- The organization needs internal processes that allow to manage crises of growth efficiently and to minimize their impact.
2.7. Benefits of organic growth

Organic growth provides more corporate control, encourages internal entrepreneurship, and protects organisational cultures and core values (Denrell, Fang and Winter, 2003). It also provides managers with a better understanding of their own firm and assets, and internal investment is likely to be better planned and efficient. Organic growth results in the creation of sustainable competitive advantages since the firm’s value-creating process and positions are less likely to be duplicated or imitated by other firms (Barney, 1998). It is a cheaper growth strategy compared to Mergers and acquisitions.

2.8. Limitations and obstacles of organic growth

Organic growth is a slower way of growth compared to M&A since it requires the development of new resources (setting up the whole business, hiring and recruiting human capital, investing in machineries) internally, which is susceptible to Penrose Effect (Thompson & Wright, 2005: 58). The logic of the Penrose Effect is that firm-level managers have firm-specific experiences internal to the firm and that in successive time periods the firm may not likely be able to adjust timely its managerial resources to the desired level due to dynamic adjustment costs. Since the more experienced managers need to explain to the new managers’ firm specific details, if one were to continually add new managers at a rapid rate, eventually current operational effectiveness is expected to decline.
2.9. EMPIRICAL LITERATURE REVIEW

2.9.1. Nigerian banking sector

An 18 month ultimatum given by the apex bank, CBN, to all banks to recapitalize and shore-up their paid-up capital to a minimum of N25 billion with December 31 2005 as deadline jolted most of the banks in Nigeria (Agbaje, 2008). As a result of the directive, the Nigerian banking sector went through a radical transformation within the spate of 18 months: aggressive consolidation through M&A, and organic growth by retaining previous years profit as general reserves or public offerings from the capital market. The rate of bank mergers within this period (2004 and 2005) has been unparalleled in Nigeria banking history.

Growth in the banking sector before the 18 month ultimatum had been through licensing of new banks or organic growth aided by government regulation (Mordi, 2004). Available statistics show that the consolidation of the Nigerian banking sector through M&A and organic growth resulted in a remarkable improvement on the sector as a whole (Ekundayo, 2008; Soludo, 2006). The Balance Sheet size and Profit and Loss profile of most banks in Nigeria have more than doubled since December 2005 to date.

2.9.2. International Evidence

In a related study by Koetter et al. (2007), which focused on the German banking market, it was observed that many mergers serve as a pre-emptive distress resolution measure. Studies by Avkiran (1999) and Worthington (2004) also support the relative efficiency hypothesis. Support for a ‘reverse’ Relative Efficiency Hypothesis as provided by Resti (1998), who stated that, merger among Italian banks between 1987 and 1995, showed that the acquirers appeared even less efficient than their targets. In a study of the US market, Wheelock and Wilson (2000) find that, contrary to the low efficiency hypothesis, inefficient banks are less likely to be acquired, this finding however contradicts an earlier study by Hadlock et al. (1999) who opined that poorly performing banks are more likely to be acquired. From the above, one can summarise that the main
reasons for M&As is to improve the financial performance of the firms. This could be achieved through cost reduction, extending the range of products and services, increase in market share, obtaining tax advantages, improvement of solvency and knowledge transfer. Another limitation of M&A is value-destruction that results from poor post-merger integration (Stewart, 2006).

2.10. Chapter Conclusion
This chapter reviewed literature on growth strategies, with a key focus on organic growth strategies as they are employed by firms and provides a basis on which the results will be discussed. The literature was developed in line with the objectives of the study. The next chapter is going to present the methodology of the study.
CHAPTER 3

RESEARCH METHODOLOGY

3. Introduction
This chapter provides background information on the research design, procedure and limitations as components of the research methodology under which this study was carried out. According to Elabi et al (2002) the conduct of any type of research should be governed by a well defined research methodology based on scientific principles.

Methodologies are considered to be systems of explicit rules upon which the research is based and against which claims for knowledge are evaluated (Denscombe, 2000). The selection of methodology is based on the research problem and stated research questions in chapter one. Also the type of data to be used to address key areas used and issues pertaining to its validity and reliability, and justification of all the approaches to be used will be given.

3.1. Research Design
Research design can be defined as a blueprint for the collection, measurement and analysis of data (Cooper and Schindler, 2003:34). It also refers to organizing the collection and analysis of data to obtain information. Alternatively it is the plan and structure of investigation so conceived to obtain answers to the research questions. There are two research philosophies that will be discussed by the researcher. These are Quantitative and Qualitative research approach.

3.1.1. Qualitative approach
Qualitative research is generally defined as research that utilizes open-ended interviewing to explore and understand the attitudes, opinions, feelings, and behavior of individuals or a group of individuals. Qualitative research can take many forms; typical are focus groups, in-depth interviews, mini-groups, dyads, and triads. According to Denscombe (2000), “Qualitative research designs strive for in-depth understanding of
subjects through such techniques as participant observation or narrative analysis, or they may strive for in-depth understanding of texts through such methods as exegesis or deconstruction. A variety of methods for conducting the qualitative research approach are participant observation, action research, interviewing, story-telling and narrative analysis.

3.1.2. Quantitative approach

Quantitative research methods usually involve large randomised samples, more application of statistical inference, and few applications of cases demonstrating findings. Wegner (2003:46) describes the characteristics of quantitative research as “if information is gathered using predominantly quantitative variables, and the analysis is geared to ascertain the magnitude of the variation”. The objective of quantitative research is to determine the relationship between one thing (an independent variable) and another (a dependent or outcome variable) in a population.

Hughes and Shamrock (1997) argue that the main strengths of this approach lie in precision and control. Precision is reached through quantitative and reliable measurement and control is achieved by the sampling and design. Furthermore, hypotheses are tested via a deductive method and the use of quantitative data to allow statistical analysis.

This research applied a quantitative research approach as opposed to qualitative research approach.

3.2. Research Strategy

Denscombe (2000) further reveals that there are different research strategies which are surveys, case studies and experiments,

3.2.1. Case Study
This study is going to employ the case study approach. Yin (1994) indicates that case studies are used to bring deeper understanding insight and knowledge about particular selected cases to be undertaken. The primary goal of undertaking a case study is to have a general view by studying specifics: it is more holistic than focusing on certain details (Denscombe, 2000)

According to Yin (1994), a case study as a research strategy can be defined as an enquiry that investigates a contemporary phenomenon within a real life context, where boundaries between phenomenon and context are not clearly evidenced and in which multiple sources are evidenced and used. Yin (1994) also says that survey and analysis of archival records are advantageous when the research goal is to describe the incident or prevalence of a phenomenon and also when it is to be predictive about certain outcomes.

3.2.2. Experiment
According to Robson (2002), an experiment involves the assignment of subjects to different conditions. Saunders et al(2009) add that planned changes can be introduced on one or more variables while controlling the other variables. Robson(2002) asserts that a measure on the effect of manipulation is possible

3.2.3. Survey
According to Dillman (2007) a survey entails collection of standardized information from a specific population by means of questionnaires or interviews. Saunders et al (1997) agrees that a survey is ideal for a large and dispersed population. For this reason the survey was not used in this study.

3.3. Population
Hughes and Shamrock (1997) defined population as “an element of the universe, the total collection of elements about which we wish to make some inferences. Saunders at al (1997) asserts that a population determined the sampling process to be used as well as the whole research methodology. BancABC Zimbabwe employees divided into staff and management was used as the population, being of total of 540 employees.
3.4. Sampling

Saunders et al (1997) defines a sample as a subset of the whole population. When this small part of the population is studied, the results were inferred on the whole population.

O'Leary (2004) concludes that it is not feasible to conduct a study on the whole population due to resource limitations. Various types of sampling plans are divided into ones based on probability sample (where the probability of selection of each respondent is known) and on non-probability samples (where it isn't known) (Walker, 2001).

In probability sampling, statistical inferences about the population can be made from responses of the sample. In non-probability samples, it is not possible to make statistical inferences.

3.4.1. Non-Probability (random) sampling

3.4.1.1. Quota

According to Barnet (2009), quota sampling is a form of stratified sampling where selection of cases in each strata is non-random, the basic premise being that the sample represents the population. Saunders at al (2009) notes that non-probability samples are used to obtain initial impressions of random variables under study.

3.4.1.2. Haphazard

According to Popper (1992), there is no defined way for selecting the respondents.

3.4.1.3. Judgmental

This method gives the researcher the chance to cherry the most informative respondents according to Neuman (2000). This method however can be very biased if not executed carefully and the amount of error depends on the level of expertise of the researcher.
3.4.1.4. Convenience

This gives the researcher an opportunity to draw a sample convenient to them and selection is purely on the basis of convenience due to various reasons e.g. the respondents are within easy reach, the population is not properly defined and a complete source list is not available.

3.4.2. Probability (random) sampling

According to Meredith (1998), when observations are selected on a purely random basis, allowing the measurement of sampling errors. The various probability sampling methods are:

3.4.2.1. Simple random Sampling

Each case in the population has an equal chance of being selected. This is useful for a homogenous group of respondents.

3.4.2.2. Systematic Random Sampling

This criterion involves the selection of respondents by using a particular ordering or timing to select respondents thus there is no equal chance of selection of the respondents. Here only the first respondent is selected randomly according to Saunders et al (2009).

3.4.2.3. Stratified Sampling

Stratified sampling is commonly used probability method that is superior to random sampling because it reduces sampling error. Wegner (1993) defines a stratum as a subset of a population that shares at least one common characteristic. Each stratum contributes a specific number of elements from the homogenous components in that stratum. For the case study of BancABC, the researcher divided the responds into two
strata namely management and staff. Each member of the different strata had an equal chance of being selected hence this was the best method available to the researcher.

3.4.2.4. Cluster Sampling

According to Saunders at al (1999), in cluster sampling, we divide the population into clusters and we select a sample of clusters and include all of the elements from these clusters into the sample. Suitable for large and dispersed populations, clustering is convenient and less costly to sample.

3.4.3. Sample Selection

The researcher used responses from management and staff at BancABC using a total of one hundred (100) employees, representing 31% of the entire population. The researcher used stratified random sampling to draw up the sample. Each of the two strata was then used to draw up potential respondents who were selected randomly from the list of obtained from the human resources office. A ratio of four managerial employees for every six non-managerial employees was used, to gain an insight into organic growth as a strategic growth option for BancABC.

3.5. Research Instruments

The researcher used one research instrument to collect data that was used for data analysis. The questionnaire formed the basis for collecting primary data for this research while relevant published data formed the source for secondary data. These methods were selected for their reliability and validity in relation to the study.
3.5.1. Observation

This may include participant observation or structured observation as explained by Saunders et al (1997). Participant observation is qualitative while structured observations are quantitative.

3.5.2. Interviews

Cohen, Marion and Morrison (2000) further adds that interviews are not simply concerned with collecting data about life but are part of life itself, their human embeddedness is inescapable. With structured interviews respondents are asked the same questions with the same wording and in the same sequence (Corbetta, 2003). (David & Sutton, 2004) emphasize care should also be taken not to adhere too closely to the interview guide as that maybe the cause of not probing for relevant information. In this study the researcher did not conduct interviews to collect data.

3.5.3. Questionnaire structure

The questionnaire was used as a data collection instrument because of its applicability to the research design. The major advantage of using the questionnaire is that it can be administered to large numbers of people at the same time. Moreover, this method is cost effective and convenient in collecting data. Thus, stratified simple random sampling will be adopted in this study.

The questionnaire was designed into four sections. The first section was made up of demographic information and the other three sections were comprised the information on the objectives, with each following section addressing a specific objective.

A questionnaire including questions in the form of Likert scales was used to collect data. The questionnaire used in this study does not require the name of the respondent and that promoted anonymity.

According to Krishnaswamy et al (2006:305) a questionnaire is a formalised set of questions aimed at eliciting information regarding facts, level of knowledge, attitudes,
needs and motivations. They further say that the cardinal approach to developing a questionnaire is to make it simple and avoid ambiguous and leading questions.

3.5.3.1. Pilot Study

A pilot study is done before the full administering of the questionnaire so as to test reliability and validity of the questionnaire. A pilot study present opportunity to correct the questionnaire in terms of its wording.

Another advantage is that it promotes correction of such issues as chronology of the questions and the reduction of non-response rates. A pilot study can reveal deficiencies which can be corrected before time and resources are expended on a full scale.

Seven members of staff and management were used by the researcher for a pilot study to test logistics and gather information prior to the full scale study. However respondents took longer to return the questionnaires citing ambiguity on some questions and also the questionnaire being too long for people working in a busy industry as banking. The researcher had to reduce the number of questions to under thirty to ensure timely completion to meet the deadlines for submission if this study.

3.5.3.2. Administration and Collection of questionnaire

The researcher distributed questionnaires by hand to local respondents while those in other town branches were contacted electronically via email. The questionnaire delivered by hand and that emailed had similar questions.

Due to the nature of work in some departments like retail banking, the responses took time to be collected as respondents cited lack of time to complete the questionnaire objectively
However managerial employees were relatively faster in completing the questionnaires due in part to their ability to manage time efficiently and also the level of comprehension of the area under study.

Overall the collection was easy as telephone follow ups were used to remind the respondents to complete the instrument in time and objectively. Also local resources were used to collect the questionnaires using internal circulation personnel.

Once the questionnaires were distributed, the researcher received

Primary and secondary data sources were used for the research. Cooper and Schindler (1996) defined primary data as original works of research or raw data without interpretation or pronouncements that represent an official opinion or position. In order to collect primary data, the researcher made use of questionnaires. The questionnaire was a mixture of closed and open ended questions. The open ended questions were used to enable the researcher to get detailed information on the respondents’ views. The design of the questionnaire was done in accordance with the procedures for constructing good and effective questionnaires as revealed by Sekaran (2000).

3.5.4. Validity and Reliability

According to Cooper and Schindler (2011) validity is the extent to which a test measures what we actually wish to measure while reliability has to do with the accuracy and precision of a measurement procedure. There are three major forms of validity – content, criterion related and construct validity.

Saunders et al. (2009) posits that reliability refers to the extent to which your collection techniques or analysis procedures will yield consistent findings.

Validity and reliability was also enhanced through pre-testing the questionnaire in the pilot study. Factors affecting reliability like clarity, specificity of items on the questionnaire and the length of the questionnaire were considered. Items were made as simple as possible and to the point
For validity, pre-testing ensured the thoroughness and completeness of the questionnaire. Content validity, which entails making sure the major dimensions of the subject matter are covered was ensured through cross checking the content of the instruments against the stated research questions.

3.6. Data Analysis

Data analysis is an integral part of any research process such that without appropriate and analytical procedure it is impossible to come up with meaningful findings. Data was coded that is to say similar responses were grouped together and codes assigned to them. A statistical package with a comprehensive range of data processing tools called Statistical Package for Social Sciences (SPSS) was used. This package also enabled the researcher to come with graphs such as pie charts and bar graphs which would enable the analysis to be clear and articulate.

Data analysis will start with data processing. Data processing begins with data editing and coding (Zigmund, 2003). Once the questionnaires were picked and then screened for anomalies. The questionnaires was then be coded with numbers assigned to each. Closed questions for primary data were coded and entered on SPSS for analysis. Open ended questions were summarized. The techniques that were applied for data analysis included item analysis, frequencies, and factor analysis. Data presentation was done in the form tables, graphs and charts that were explained to answer research questions.

3.7. Conclusion

Chapter three defined the methods and procedures that were used to collect and analyze data. It described the various research approaches, research design, strategies, methods, techniques and procedures that were adopted for the research study. It then concluded by discussing issues of validity, reliability and research ethics. The next chapter will look at research findings and their interpretation and analysis.
CHAPTER 4

RESULTS AND DISCUSSION

4. INTRODUCTION

This chapter presents the research findings from in-depth interviews and analyses these results through the use of content analytic tables. The results in the tables were described and a discussion on the implications of the results would follow linking it to literature.

4.1. DEMOGRAPHIC INFORMATION ANALYSIS

4.1.1. The Response Rate

A total of 100 questionnaires were administered to the management and staff of BancABC Zimbabwe. A total of 53 questionnaires were completed successfully thus a
response rate of 53%. Saunders et al (2009) posits that a 30% response rate gives credence to the findings of the study. In this case, managerial position holders led the responses with 70% of the total respondents while the remainder (30%), were non-managerial staff.

A higher response rate from managerial employees shows that management, as expected, understands the business better at a more strategic level than lower level employees. Therefore the findings of the study will be more meaningful and hence add value to research.

4.1.2. Period Working in the Organization

![Figure 10: Period in the Organisation]

The results indicate that 38% of the respondents have between 5 and 10 years at their respective organizations, 28% have between 1 and 5 years, 24% have over 10 years and 10% have less than one year.
According to the study findings, 62% of the respondents have at least five years experience at BancABC. This suggests that this group is well positioned to comment on the research questions as in general, growth strategies are formulated at management level then cascaded down to lower level employees.

4.1.3. Department of employees

From the results, the majority of respondents were from wholesale and retail banking, contributing 60% of the responses received. The findings reveal an equal number of respondents from both Asset management department and Stockbroking, while 21% of the respondents represent support departments.

From the results, it can be deduced that mainstream banking which is retail banking and wholesale banking have traditionally had higher numbers compared to specialist functions like stock broking hence the lower responses from the latter. However the
spread in terms of responses across all departments in the bank provides a good representation of the population when making inferences.

4.1.4. Level of Education
The respondents were asked on their current levels of education and the results are presented below.

![Figure 12: Level of Education](image)

The results indicate that 35% of the respondents have undergraduate degrees while 20% have attained a post graduate qualification. The findings also indicate that another 45% of the respondents have a college diploma.

From the findings above, it can be deduced that the respondents because of the level of their education, are better acquainted to comment on the critical areas that the research seeks to unpack. This is so as most respondents may have come across the concept of Organic Growth in their individual areas of study. However the college diploma holders dominate the respondents due to nature of business where the basic requirement for entry into the bank is a college diploma.
CURRENT PERFORMANCE

4.1.5. Evaluation of Performance

Evaluation of performance reveals that 53% of the respondents argued that their institutions are not growing, 23% argued that they are growing slowly, 12% said they are fast growing and 12% said they are declining. Generally this shows that BancABC is not growing.

This entails that most of the respondents (70% being management), believe that BancABC has not been growing as fast as one would anticipate. The findings, coming from the drivers of the growth strategies, that is management mostly, indicates that even those at the top of managing the organization believe BancABC could do better in terms of growth.

Figure 13: Evaluation of Performance

Evaluation of performance reveals that 53% of the respondents argued that their institutions are not growing, 23% argued that they are growing slowly, 12% said they are fast growing and 12% said they are declining. Generally this shows that BancABC is not growing.

This entails that most of the respondents (70% being management), believe that BancABC has not been growing as fast as one would anticipate. The findings, coming from the drivers of the growth strategies, that is management mostly, indicates that even those at the top of managing the organization believe BancABC could do better in terms of growth.
Figure 14: Achieving Minimum Capital Requirements of US$100 million

It is shown that 59% of the respondents acknowledged that their bank will have challenges in meeting the minimum capital requirement of 100 million and 41% said their banks will be able to meet the minimum capital requirement.

From the findings of the study, it can be said with a higher degree of certainty that management at BancABC, representing a majority of the respondents, believes that organic growth strategies being pursued are profitable and therefore will be able to generate sufficient resources that will cover the minimal capital requirements. The result however also shows a possible lack of confidence among 41% of the respondents that point out to a possibility that in as much as management believes the bank can meet minimal capital requirements, there still exists a chance that organic growth may not be the best way to meet the regulatory requirement.
4.2. ORGANIC GROWTH ANALYSIS

4.2.1. Whether there is pursuance of strategy on growth

This section contains an analysis on the growth trend and strategies which are being pursued by the commercial banking sector.

![Pursuing Strategy on Growth](image)

**Figure 15: Pursuing Strategy on Growth**

In pursuing growth, 56% of the respondents confirmed that the BacnABC has been pursuing strategies on growth, 38% said no whilst 6% were not sure of any strategy being implemented by their institution. This implies the bank is pursuing a strategy growth.
Barrow, (2003) supported the findings above. He argued that for organizations like BancABC to create significant shareholder value in financial services it must have a clear vision and a well-articulated business model communicated to all staff. This therefore means that having the right growth strategy enables the business to have a competitive edge compared to its rivals which in turn creates better brand awareness among its customers.

Moreover, to build an organic growth strategy and set the basis for a differentiated customer experience that creates long-term value for the customer and for the bank, a set of key capabilities must be identified, sharpened and tightly integrated in what we call the “growth engine” (Barrow, 2003).

From the findings of this study, managerial position holders are assumed to be the bulk of the respondents that concur that the bank is pursuing a growth strategy since management are the decision makers in the organization. This validates our findings as management as part of their core duties must ensure that the business grows to ensure profitability and return to all stakeholders among other responsibilities.
4.2.2. Types of strategies

The figure shows that 10% of the respondents have been downsizing their businesses, 64% have implemented intensive growth, 20% have implemented integrative growth while the rest are using other strategies not named.

The low percentages on the respondents that are not sure of any strategy being pursued maybe a reflection of low level managerial employees who are not involved in strategy formulation hence may not be in the know about existence of such strategies.

From the findings, BancABC is pursuing the intensive growth strategy. According to Mcdonald (2002), there are three possible intensive growth strategies that is market penetration, market development and product development strategy.

Keegan (2002) contends that integrative strategies seek to increase market share and revenue through the use of market expend and product improvement. It can be deduced that BancABC is after increasing its market share and consequently revenue which drives organic growth.
These growth strategies enable the firm to improve from different perspectives according to Mcdonald (2002). Intensive growth strategy helps the business to achieve deeper and new market share with relevant current business units.

According to Greiner (1997), integrative growth is linked to further expansion either horizontal or vertical of both at the same time. Dacin and Maun (1997) argue that integrative growth leads firms to own more power upstream and downstream, that is the value chain, in some cases leading to reduced competition.

MAINTAINING ORGANIC GROWTH

4.2.3. How growth can be seen in the organization.

![Figure 17: Growth of the Bank in Market Share](image)

Bank has increased market share, 14%  
Bank has established new markets, 38%  
Bank has developed new products for the current market, 29%  
Bank has developed new products for new markets, 33%

Bank has increased market share, 86%  
Bank has established new markets, 62%  
Bank has developed new products for the current market, 71%  
Bank has developed new products for new markets, 67%
This section sought to find out how growth can be seen in BancABC. The findings show that 86% of the respondents reported that the bank has increased its market share. The results also show that a significant 71% of the respondents agree that BancABC has developed new products for the current market. The results indicate that 67% of the respondents agree that BancABC has developed new products for new markets. Of the respondents, 62% maintained that BancABC has established new markets.

The analysis above generally shows that the bank has been able to grow into the new markets for the past five years. This is evident in the growth of regional operations of the bank from Zimbabwe only when the bank started into five countries of operation at present. This means the bank has increased its market share and has been successful in establishing new markets and even improving services for its existing market.

From the results, it can be deduced that the bank has established new markets as evidenced by extensive retail branch rollout by the bank. Again the introduction of new offerings like Asset Finance and Microfinance within the bank has created new products for both new and current markets.

Keegan (2002) added that in order to drive profitable organic growth and to grow market share institutions e.g. BancABC must first clarify strategic priorities, considering market opportunities, past investments and current resources. According to Kobus and Tiene (2007), a growth strategy can involve the business focusing on selling existing products into existing markets with the aim of maintaining or increasing market share of current products, securing dominance of growth markets and restructuring a mature market by driving out competitors. Keegan (2002) adds that market penetration can also increase usage by existing customers.
4.2.4. Degree of expanding operations beyond borders

The results provide an analysis on whether the bank is extending its operations beyond boundaries.

The study findings reveal that 60% of the respondents noted that BancABC is expanding beyond its original country of operation while another 30% contend that BancABC is somehow growing beyond borders. The respondents who do not agree that BancABC is growing beyond its original areas of operation are not more than 10%. This could be linked to the respondents who have recently joined the bank who may not have the full appreciation of the operations of the bank. The majority of the respondents have more than five years experience at this same institution hence some even have spearheaded the expansion into new markets and new countries of operation.

Figure 18: Extending Operations beyond Boundaries
Smith and Taylor (2004) supported the idea of extending beyond boundaries when they argued that growth of an organization entails extending business beyond its usual boundaries. They further argued that this will enable the bank to be more attractive scope that can provide opportunities for faster growth, higher profitability and greater stability and access to key resources like capital, technology and expertise.

Geroski (2010) contends that this will also enable the sharing of value chain activities to provide greater economies of scale and thus lower total cost resulting in even faster growth and profitability of the business.

INSTITUTIONAL FRAMEWORKS

4.2.5. Institutional framework to support organic growth
The following shows an analysis on whether the current institutional framework support growth of the bank

Figure 19: Existence of Institutional Framework for Growth
The respondents were asked if current institutional frameworks exist that support growth in the bank. Figure 4.7 above shows that 58% of the respondents were not sure if the institutional framework support growth, 14% said it will not support growth and 28% said the framework will support growth. This implies that the framework will not adequately support growth of the institution.

The study findings show that there are weak institutional frameworks to support organic growth within the bank. There are fundamental factors which a business must have in order to support growth. These will also ensure the strategies are sustainable in future.

According to Ansoff (2008) institutional frameworks are viewed as an effective framework of growth as a business’ attempts to grow depending on whether it markets new or existing products in new or existing markets. This implies that the framework must provide clarity on new clients acquisition.

### 4.2.6. Factors influencing Organic growth strategies.

<table>
<thead>
<tr>
<th>Factor affecting Growth</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of ownership</td>
<td>56</td>
</tr>
<tr>
<td>Lack of time</td>
<td>30</td>
</tr>
<tr>
<td>Lack of Teamwork</td>
<td>50</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>78</td>
</tr>
<tr>
<td>Lack of management commitment</td>
<td>50</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>65</td>
</tr>
</tbody>
</table>

As shown above, many factors affect organic growth strategies within BancABC. These range from organizational structure, organizational culture and lack of ownership of the problem among other factors. From the study findings, 65% of the respondents agreed...
that organizational structure is a hindrance to organic growth strategy being implemented at BancABC. There is evidence from 78% of the respondents who concur that organizational culture is affecting the growth strategies. Half of the respondents cited lack of management buy in and lack of teamwork as factors affecting growth strategies.

The results indicate that organizational culture, which was cited by 78% of the respondents, may be affecting growth due to the many respondents who have been with the bank for a considerable period above five or more years hence they may be resistant to new suggestions and changes. Most of the factors noted by the respondents are people issues which may suggest lack of proper people intervention strategies within the bank to address human capital concerns. According to Reynolds (1999), one of the most notable hindrances to organic growth is corporate culture.
4.2.7. Impact of indigenization policy on growth of the bank

An analysis of the results shows that 67% of the respondents agreed the bank has been adversely affected by the indigenization policy, 27% said no and 6% said they were not sure. National policies play a critical role in shaping growth of companies, especially banks. The indigenization policy plays a critical role in growth of banks as financial intermediaries. The respondents contend that BancABC was affected by the indigenization policy as deep pocketed international investors may have been diluted in terms of shareholding so as to ensure compliance.

A strong shareholder base may improve the bank’s rating in terms of market valuation of the enterprise as a whole, which is critical should BancABC want to issue new shares to raise capital on the market in order to meet the minimum capital requirements.
These findings are contrary to Mordi, (2004) who presented a scenario of the Nigerian banking sector when the Nigerian Central bank announced similar regulations to the one announced by Reserve bank of Zimbabwe to increase minimal capital requirements. Government regulation which is considered national policy, in the Nigerian banking sector, actually saw growth in the sector after pronouncement of the new capital requirements.

**Existence of Consultative Forum**

The analysis shows that 42% were not sure if there is a consultative forum that allows the bank to contribute to the government policy framework, 22% said no and 36% said they contribute. The findings point out to a lack of understanding in whether BancABC is involved in key stakeholder consultations with other players like government and industry players. To this end, management level respondents are assumed to be the ones who responded positively that the forum exists as national consultations affecting the bank are usually a preserve for senior executives of the bank.

![Figure 21: Consultative Forum](image-url)
The argument by Gulati, Nohria, & Zaheer (2000) shows clear linkages between the firm and external entities which were viewed as strategic assets. This implies that the bank should have an effective consultative forum which allows it to collect data from all stakeholders.

According to Park & Luo (2001) this consultative forum can be done by the bank participating in networks and engaging in collaboration with various entities such as government, financial institutions and other important stakeholders.

SUSTAINABILITY OF ORGANIC GROWTH

4.3. BancABC LEVERAGING ON ORGANIC GROWTH
This section analyses data collected to address issues around BancABC leveraging on organic growth to attain business growth.

Figure 22: Sustainability of Growth Strategies
The analysis reveals that 58% of the respondents agreed that the bank’s growth strategies are sustainable, 37% were not sure and 5% said they are not sustainable. This generally means that strategies by BancABC are sustainable.

According to Barrow (2003), achieving sustainable growth is not possible without paying attention to growth strategy and growth capability. Barrow (2003) further argues that focusing on one aspect or the other may result in failure to establish sustainable growth in the long run. Lynch (1997) supports this view that if a company has an excellent growth strategy but the necessary infrastructure is lacking to execute the strategy, then long term growth is impossible.

The results show that a significant percentage of the respondents see the strategies as sustainable. This can be explained by the fact that management dominates the respondents in this study hence being in charge of the growth strategies, management at BancABC are of the opinion that what they are implementing will be sustained in the foreseeable future. the number of respondents who indicated they are not sure (37%) could be explained by the changing economic and political environment which may change the rules of the game thus sustainability of the same strategy may become questionable or in some cases impossible thus lack of policy consistency on the part of government may be a cause for the uncertainty in this group of respondents.

A study by Bain and Company (2010) found that only one out of seven companies is able to achieve a sustainable and profitable growth. Managers must keep in mind that growth in itself is not necessarily equal to shareholder value. Shareholder value comes from profits, not from increasing revenues.
4.4. OBSTACLES THAT HINDER GROWTH

4.5.1 Challenges that are experienced by BancABC.

This section provides an analysis on the challenges that the bank faces in executing organic growth initiatives that already exist in the bank.

The figure below shows that 72% of the respondents acknowledged that the bank experienced challenges in its pursuance to growth, 21% said they were not sure and 7% said the institution did not experience challenges.

![Graph showing challenges experienced]

**Figure 23: Challenges Experienced**

The overwhelming response of 72% agreeing that the bank has experienced challenges may be an indication that with each strategy implementation for growth in BancABC comes also obstacles that militate against it. Zimbabwe companies, in particular banks like BancABC, face enormous challenges that include an illiquid market, a customer
base that has negative perception from previous bank crisis and also government policy inconsistencies and regulation thus indeed management at BAncABC experiences setbacks in implementing growth strategies.

Challenges that banks can face according to Sytsma, (1997) are external and internal challenges. He further argued that these internal challenges differ from one business organisation to the other.

According to Powell (1990), the growth challenge is articulated differently by different companies and within different industries. For some, developing and launching new products and services to meet the evolving needs of their customers is the issue. For others, capitalizing on global opportunities is key.

Scherer (1965) posits that companies look to new business areas that will represent the next major thrust for their business. And for a few companies, all of these strategic efforts are simultaneously used, along with ongoing efforts to rebuild organizational capabilities.
OBSTACLES THAT MIGHT HINDER THE IMPLEMENTATION OF GROWTH STRATEGIES.

4.4.1. Nature of obstacles hindering growth

From the results, it can be seen that generally respondents agreed to the statements in the key agreeing that resources are not adequate and that there is stiff competition in the sector.

The results show that 45% disagree that the bank has enough resources to meet the new minimum capital requirements through organic growth. This implies that current resources have to be boosted in order to meet this task. Most of the respondents are positive that human capital is sufficient and the management capacity to carry out their functions is sufficient for the growth of BancABC.

The results show that respondents view competition as stiff in light of the number of banks in the industry thus 82% of the respondents cited this as a hindrance to organic
growth implying that internal resources have to be used efficiently in order to meet the growth targets.

According to Hitt, Ireland, Camp and Sexton (2001), organizational skills and firm orientation can also be regarded as strategic assets of firms. The limitation by resources availability was then supported by Trau (1996) and Mahoney and Pandian (1992). The two authors consider the growth of the firm to be limited in the long-run only by its internal management and availability of resources. The underlying logic behind this is that total management capacity is divided between running the company in its current state and exploring new business opportunities according to Trau (1996).

4.5. CHAPTER CONCLUSION

This chapter was about analysis and discussions of research findings. The discussions were done by comparing findings and literature review. The next chapter is going to provide conclusions and recommendations of the study.
CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5. INTRODUCTION

This chapter gives the conclusions and recommendations of the study. It is in this chapter that the researcher will accept or reject the proposition. The chapter ends with a proposed area of further study.

5.1. CONCLUSIONS

The study presents the following conclusions:

1) Organic growth is a superior way of achieving financial performance that will lead to a competitive advantage. In light of this organic growth if chosen will provide BancABC with an opportunity to meet the minimal capital requirements by using internal resources generated by the company. However BancABC must provide the relevant institutional frameworks that foster organic growth.

2) Management plays a critical role in ensuring that available resources are allocated efficiently and timeously to take advantage of growth opportunities that will have a multiplier effect on growth of the Bank. To this end, cascading down clear growth strategies hinged on an organic growth framework is key throughout the organization once top leadership has formulated that strategy. This will reduce challenges face by employees in executing organic growth strategies.

3) Competition is firm in the banking industry and ensuring that once growth momentum is achieved, it is maintained is critical so that productive resources will not be misallocated to cater for inefficiencies.
4) Organic growth requires that internal resources are stretched to achieve growth and it can be concluded that the bank faces numerous challenges in implementing organic growth as a strategy, however management is believed to be able in the long term to address these structural weaknesses.

5) The study concludes that the bank is not growing as it should be. The aspect of organic growth is how well a company’s management is utilizing internal resources to increase sales and output. The study found that there is room for improvement in terms the pace of growth if the institutional frameworks are developed and improved on.

6) From the study, it can be concluded that BancABC is pursuing strategies on growth. It was concluded that the bank has increased its market share with the existing products in the current market; the bank has established new markets for the existing services. The bank has also developed new products and services of particular interest to the current markets and the bank has also developed new products for the new market.

7) The bank is expanding its operations into other countries resulting in growth being experienced at BancABC. There is evidence that already internal resources are being used to fund this expansion hence meeting the regulatory minimum requirement in 2014 seems achievable with the current growth rates.

8) The strategies being implemented at BancABC are adequate enough to sustain the bank. This implies that the bank is able to achieve a sustainable and profitable growth. The growth strategies were found to be responsive to both the external and internal challenges. The study concludes that the economic factors both regional and international impact the growth of the bank. The internal factors like organizational structure and organizational culture are the major hindrances to organic growth in the company. The study found and concludes that, in its pursuit to growth, BancABC is facing the challenges in terms of high technology costs, stiff competition and the general economic challenges.
5.2. PROPOSITION VALIDATION

The proposition that organic growth is a better way of ensuring banks to meet their minimum capital requirement and give the bank a competitive advantage that will result in superior financial performance for BancABC is adopted as supported by the conclusions above.

5.3. RECOMMENDATIONS

The study presents the following recommendations:

1) The study recommends that BancABC should consider improving its intuitive frameworks that foster organic growth. The bank should subject itself to continuous and rigorous evaluation procedures as regards efficiency and effectiveness.

2) Management should be cognizant of the fact that organic growth is a slower way of growth and therefore should use efficiently the internal resources in order to meet the minimum capital requirements thus management should consider focusing on aligning their people throughout the distribution network and enabling them to leverage innovative technology and customer insight to create value.

3) Management at BancABC should allocate sufficient resources to the different business units so that capacity utilization is enhanced in the face of stiff competition in the industry. Also directing investments in new business activities and research and development in order to enable the growth via the development of new product lines for new markets.

4) The growth momentum must be maintained and improved so that organic growth can lead to a more multiplied growth in future years by ensuring that human capital intervention programs are introduced to mitigate against lapses in performance due to people issues as the people are the greatest asset that the
company has as competition can not replicate this resource. By acquisition of equipment, hiring and training of personnel the bank will ensure it keeps

5) BancABC should encourage a learning and development culture that will result in better appreciation of the changing needs of customers and stakeholders. This will ensure that BancABC can leverage on organic growth to attain future business growth. BancABC should commit enormous commitment of resource and time for it to realize meaningful organic growth.

6) Management should consider that BancABC phase its growth into different markets. The bank should exit markets with low or negative returns as this depletes capital and invest in markets with high potential for organic growth opportunities. Therefore it is recommended that the organic growth strategies should be integrated through developing a plan of action that includes short-term, medium term, and long-term plans.

7) As a bank with regional operations, BancABC should enhance its use of the intra-organizational factors which are; leadership, supervision, people, strategy, systems and structure, cultural synergy, sensitivity, speed and superior values which provide the basic framework for successful organizational growth.

5.4. AREA OF FURTHER STUDY

The study proposes a further research to ascertain the impact of organizational culture on organic growth in the commercial banking sector.
References


Appendix 1

QUESTIONNAIRE FOR STAFF AND MANAGEMENT

SECTION A: DEMOGRAPHIC INFORMATION

1. What is your position in the organisation?

________________________________________________________________________

2. For how long have you been working in the industry?
   a. Less than a year [ ]
   b. 1-5 years [ ]
   c. 5-10 years [ ]
   d. Over 10 years [ ]

3. Which Department are you attached to?
   a) Wholesale banking [ ]
   b) Stockbroking [ ]
   c) Retail Banking [ ]
   d) Asset management [ ]
   e) Support services [ ]

4. What is your highest qualification?
   a) College diploma [ ]
   b) Undergraduate degree [ ]
   c) Post graduate [ ]
ORGANIC GROWTH ANALYSIS

5. How do you evaluate the performance of your organization from 2009 to date?
   a. Fast growing [ ]
   b. Growing slowly [ ]
   c. Not growing [ ]
   d. Declining or poor. [ ]

6. Is your organization pursuing any strategy on growth?
   a. Yes [ ]
   b. No [ ]
   c. Not sure [ ]

7. Which form of strategies do you undertake when pursuing growth?
   a. Intensive growth [ ]
   b. Integrative growth [ ]
   c. Downsizing business [ ]
   d. Not sure [ ]

8. Please fill in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank has increased market share with its existing products in the current markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The bank has established new markets for its existing services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The bank has developed new products and services of particular interest to its current markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The bank has developed new products for new markets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Is your bank extending its operations beyond its original boundaries?
a. To a large extent [ ]  
b. Somehow [ ]  
c. To a lesser extent [ ]  
d. Never [ ]

10. Do you see your bank achieving the minimum capital requirement of 100 million?
   a. Yes [ ]  
b. No [ ]

Institutional Frameworks for Organic Growth.

11. Do you think the current institutional framework supports growth of the bank?
   a. Yes [ ]  
b. Not sure [ ]  
c. No [ ]

12. Is the support given by senior management to the bank’s growth strategies adequate?
   a. Yes [ ]  
b. Not Sure [ ]  
c. No [ ]

13. Are the growth strategy implementers at your bank given full decision making rights when it comes to the growth strategy implementation?
   a) Yes [ ]  
b) Not sure [ ]  
c) No [ ]

14. Can you please explain your answer above?

___________________________________________________________________________

___________________________________________________________________________

___________________________________________________________________________

92 | Page  Wikirefu.W_R034100R
15. Has the growth of your organization been affected by the requirements of the Indigenization act?
   a) Yes [ ]
   b) Not sure [ ]
   c) No [ ]

16. Is there a consultative forum that allows the BancABC to contribute issues to the government policy framework?
   a) Yes [ ]
   b) Not sure [ ]
   c) No [ ]

**How BancABC Can Leverage On Organic Growth to Attain Business Growth**

17. Do you think the growth strategies by the bank are sustainable?
   a) Yes [ ]
   b) Not sure [ ]
   c) No [ ]

18. For the following statements on action programs to create growth and sustaining profitability, please make use of Likert scale to indicate how your organization is implementing them.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Use of combination of rates, advertising and promotion and perhaps more resources dedicated to personal selling.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Development of new competencies by developing modified services and products which can appeal to existing markets.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
C. Benchmarking against competitors both local and regional

d. Investigation into customer expectations and satisfying them

19. What are other forms of growth strategies can your bank use?

_________________________________________________________________
_________________________________________________________________
_________________________________________________________________
_________________________________________________________________

Obstacles that Hinder Growth Initiatives Already Established in the Bank

20. Has your bank experienced any challenges in pursuit of its growth?
   d) Yes [  ]
   e) Not sure [  ]
   f) No [  ]

21. For the following statements on the major challenges for growth of banks like BancABC, tick to indicate the one which best describes BancABC.
a. The bank has enough resources needed to pursue business growth

b. The human resources in the organization are skilled enough to facilitate growth in the organization

c. The management has the capacity to foster growth within the bank

d. There is stiff competition from other banks in the sector

e. Cost of acquiring new technology is very high

22. What has the bank done to address the major challenges? (Please fill in the spaces provided below).

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

RECOMMENDATIONS

23. Can you please recommend the best growth strategies for the industry?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

END OF QUESTIONNAIRE . THANK YOU FOR YOUR TIME